



DECEMBER 5, 2022

E-LT1 Procurement Update

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Agenda

- E-LT1 Contract Revenue Model
- E-LT1 RFP and Contract Key Drafting Changes
- Communications, Question and Comment Period
- Assembling Proposals – Best Practices and Reminders
- Next Steps

Deliverability Testing


- The IESO has now sent Deliverability Test results to all those that applied in order to participate in the E-LT1 RFP
- The results are considered **final** and the IESO will not be reconsidering them; any follow-up communication from the IESO regarding test results will be sent from the Deliverability@ieso.ca inbox by the IESO deliverability testing team (outside of the auspices of the E-LT1 procurement process)
- While some parties may have questions regarding their results or wish to discuss them further, today's session is not occasion for those discussions



E-LT1 Contract Revenue Model

Revenue Model

- The IESO held a webinar on November 7, 2022 seeking stakeholder feedback on the implementation of a proposed revised revenue model for storage facilities under the E-LT1 Contract (“the deeming model”)
- The feedback received in response to the webinar was consistent in its ask that the IESO not proceed with the deeming-model and instead utilize the capacity-style model that was previously presented and stakeholdered
- Given the feedback received, the IESO will proceed with the revenue model included in the November 8 draft E-LT1 Contract, including Exhibit M – Market Price Spread Adjustment For Electricity Storage Facility; this model will be included in the final E-LT1 Contract to be posted on December 6




Investment Tax Credit (ITC) and Canada Infrastructure Bank (CIB) Involvement

Investment Tax Credit (ITC)

- The IESO has received significant feedback from stakeholders noting that uncertainty remains with the potential introduction of a federal ITC
- The feedback has been varied and has ranged from those requesting additional time for Proposal Submission, to those that have asked for contractual off-ramps or renegotiations, should the ITC materialize
- The IESO recognizes that there is still significant uncertainty around the timing and scope of the ITC and will continue to monitor the issue closely
- However, given the importance of E-LT1 projects in maintaining reliability, the IESO is not looking to introduce contractual off-ramps for this procurement

CIB Investment Product

- Some stakeholders have continued to identify uncertainty regarding the CIB's investment product and have asked the IESO to align its submission period with the CIB's funding commitment, while others have requested the inclusion of off-ramps in the E-LT1 Contract
- The IESO will continue to liaise closely with the CIB and has further delayed the Proposal Submission Deadline to February 16, 2023
- The IESO is providing this additional time to allow the IESO and proponents to work with the CIB to further refine and better understand the CIB's potential investment product



E-LT1 RFP and Contract, Revised Schedule and Key Drafting Changes

E-LT1 RFP and Contract Drafting Changes

- The IESO has been reviewing the totality of stakeholder feedback submitted in response to the latest (November 8th) drafts of the E-LT1 RFP and Contract, including feedback provided following the November 7th stakeholder engagement session
- The following slides present some key drafting changes that will be included in the final E-LT1 RFP and Contract posted on December 6th

E-LT1 RFP Revised Schedule

E-LT1 RFP Milestones

Date

Final E-LT1 RFP and Contract Posted

December 6, 2022

Proponents' deadline for submitting questions and comments

January 26, 2023

IESO's deadline for issuing Addenda to E-LT1 RFP and E-LT1 Contract

February 9, 2023

E-LT1 RFP Proposal Submission Deadline

February 16, 2023

E-LT1 RFP Contract Offer Announcement (Target)

[May 1, 2023]

Proposal Submission Deadline and Commercial Operation

- The Proposal Submission Deadline has been delayed by 3 weeks to **February 16, 2023**
- The IESO will use this additional time to work with the CIB to confirm their potential investment product
- In light of the delay, the IESO has further increased the Early COD Payment Multiplier for Sep. 1, 2025 to Dec. 31, 2025 from 1.3 to **1.4** and from Jan. 1, 2026 to Apr. 30, 2026 from 1.1 to **1.2**
- Additionally, the trigger date for Delay Liquidated Damages will be pushed back to **90 days after** the Milestone Date for Commercial Operation (MCOD)

IESO Market Rule Protection

Stakeholder Feedback

- Stakeholders have acknowledged the IESO's drafting changes to Article 1.6 (Market Rules and Statutes) but some have suggested that the adjustment to the Fixed Capacity Payment should be uncapped.
- Stakeholders recommended that the Fixed Capacity Payment increase would be effective from the date of the Market Rule change and not, as currently drafted, from the date of the calculation of the Storage Disincentive Lost Net Revenue.

Drafting Change

- The IESO is not contemplating uncapping the adjustment to the Fixed Capacity Payment as this creates an open-ended risk for future ratepayers. However, the IESO is **increasing** the current 10% cap to the adjustment to **15%**.
- As the quantitative impacts of the potential Market Rule change are not something that can be foreseen, the provision relies on the Supplier to notify the IESO and establish a quantified loss in a negotiated modelling process. No further drafting change is warranted.

Battery Degradation

Stakeholder Feedback

- A number of stakeholders appreciated the introduction of a one-time adjustment for battery degradation but requested that the IESO increase the adjustment approach for restating contract capacity due to battery degradation to every 5 years.

Drafting Change

- The E-LT1 Contract requires that Suppliers maintain their facility such that the capacity product procured by the IESO is available through the life of the contract so that reliability needs can be met.
- However, based on stakeholder feedback the IESO has amended the Contract to allow Electricity Storage Suppliers to reduce their Contract Capacity a **maximum of 3 times** for an **aggregate maximum of 21%**, starting in the third Contract Year. The Supplier may elect to reduce the Summer Contract Capacity and/or Winter Contract Capacity on no more than three (3) occasions during the Term of the Contract, provided the Supplier provides a minimum of 1-year advance notice. The Contract Capacity reduction can be up to **7% on each occasion**.

Non-Storage Sole Annual Planned Maintenance Month

Stakeholder Feedback

- Stakeholders expressed that the Planned Outage Capacity Reduction Factor (POCRF) is unduly restrictive for gas-fired generation, and should mirror the design adopted by the IESO in the MTC I Contract. Stakeholders have indicated that gas generators will often require several weeks of a planned outage to complete major maintenance in shoulder months, therefore the PCRFR lower limit of 0.95 would result in Availability Non-Performance Charges in such annual maintenance outage months.

Drafting Change

- The IESO has amended the Contract to give Non-Storage facilities the option to exercise a **Sole Annual Planned Maintenance Month** or a **Split Annual Planned Maintenance Month** that mirrors the provisions that are included in the MTC I Contract.

Capacity Check Test

Stakeholder Feedback

- A stakeholder commented that a capacity Check Test duration should be 12 hours, not 8, given that Rated Criteria points are being provided for projects with a duration of >12 hours.

Drafting Change

- The IESO has made further amendments to the Capacity Check Test provisions in the E-LT1 Contract to clarify that a Capacity Check Test will be conducted over either (A) the **Duration Capability**, or (B) a **shorter period as the Buyer may determine**, in its discretion and which is set out by the Buyer in the Capacity Check Test Notice. For resources with durations greater than 8 hours, this could result in a Capacity Check test that aligns with their Duration Capability.
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Communications, Question and Comment Period

Communications

- With the posting of the final E-LT1 RFP on December 6, the procurement will officially open, and as such, the IESO and Proponents will need to adhere to a strict communication protocol to maintain the integrity and fairness of the E-LT1 procurement process
- Proponents are reminded to review Section 3.4 of the E-LT1 RFP and familiarize themselves with the Permitted Purposes and Excluded Purposes
- Proponents are reminded that a breach of the communication protocols may result in the disqualification of a Proponent or revocation of their status, as the case may be

Question and Comment Period Schedule

Milestone	Date
Question and Comment Period Opens	December 6, 2022
Question and Comment Period Batch 1 – Deadline for Questions	January 9, 2023
Question and Comment Period Batch 1 – IESO Responses Posted	January 19, 2023
Question and Comment Period Batch 2 – Deadline for Questions and Close of Question and Comment Period	January 26, 2023
Question and Comment Period Batch 2 – IESO Responses Posted	February 9, 2023
IESO's deadline for issuing Addenda to E-LT1 RFP and E-LT1 Contract	February 9, 2023

Question and Comment Period Additional Information

- All communication to the IESO must be only conducted in writing via the LT.RFP@ieso.ca inbox, and questions received will be responded in accordance with the Question and Comment Period schedule outlined previously
- The IESO may, at its own discretion, **publicly** address questions outside of the noted Question and Comment Period schedule
- This could include email-based communications to all stakeholders, or via updates to the FAQ document posted on the Long-Term RFP website



Assembling Proposals – Best Practices

Assembling Proposals – Best Practices

- The IESO has recently concluded a number of procurement processes (MT I RFP, LT1 RFQ) and wishes to share lessons learned from those processes in order to provide potential Proponents with best practices and aid them in putting together Proposals for the E-LT1 RFP
- The E-LT1 RFP is a competitive process and the IESO must adhere to stringent standards that ensure that the process adheres to the principles of fairness, openness, and transparency
- Stakeholders and potential Proponents are encouraged to review the E-LT1 RFP and Contract in detail as early as possible and consult with their legal counsel where applicable

Proposal Submission (1/3)

- Proponents **must** submit all required documents applicable to the Proposal electronically to LT.RFP@ieso.ca **prior to 3:00 PM (EPT)**
- All “must” requirements (process requirements, documents or fields to be filled in a Prescribed Form) **must** be adhered to or Proposals will be failed and disqualified from the process
- Proponents are strongly encouraged to submit their complete Proposals, including fees and hard-copy requirements sufficiently in advance of the Proposal Submission Deadline to avoid any unforeseen delays in electronic delivery or processing of payments. The IESO will not be responsible for late deliveries, late fee payments, deliveries to the incorrect email address or location or other electronic delivery failures.

Proposal Submission (2/3)

- If any email containing Proposal documents is shown to have been received in the LT.RFP@ieso.ca inbox – or Proposal Fees are received in IESO's bank account after the Proposal Submission Deadline, **the entire Proposal will be rejected**
- Due to limitations on the size of electronic delivery of emails to the LT.RFP@ieso.ca (20MB), Proponents may wish to submit their Proposal documents through multiple emails. Be sure to clearly indicate the number of emails for any submission in the body of the email and label your submission attachments accordingly.

Proposal Submission (3/3)

- After populating your information into a Prescribed Form, double check the file to ensure the entire content you entered into the Form is attached and visible for evaluation
- Fill in every required field with complete and accurate information – if you are not sure of what is required, seek clarification from the IESO, so that a formal IESO response can be provided via the Question and Comment Period process
- Ensure that you are using the assigned **Unique Project ID**, as provided in your November 30, 2022 Deliverability Test results, where required in your Submission
- If required information does not fit in the space provided in a Prescribed Form, include it as an attachment in the Proposal Submission. Clearly indicate where additional information can be found and label attachments accordingly.

Payment of Proposal Fee (1/2)

- An electronic funds transfer or wire payable to the “Independent Electricity System Operator” in the amount of \$13,000 per Proposal (the “Proposal Fee”), inclusive of HST **must** be submitted as part of the Proposal Submission
- Proponents are responsible for ensuring that their banking institution understands how to submit the Fee using the IESO banking instructions in the E-LT1 RFP
- The IESO encourages Proponents to confirm with their financial institution that the deposit has been made and that it was made into the correct IESO account, on the appropriate date and in the exact amount required
- A Proponent submitting multiple Proposals **must** submit a separate Proposal Fee for each Proposal

Payment of Proposal Fee (2/2)

- For funds being wired (especially from outside Canada), ensure that any additional fees (if appropriate) are included in the total. Some wire payments may be subject to an additional fee via third-party banks when crossing the border. Check with your financial institution in advance to see if this may affect your payment.
- The electronic funds transfer or wire **must** include a deposit reference identifier (“**Proponent ID**”) in the form of: E-LT1-Unique Project ID-Year (Example: E-LT1-XXXXXX-2022). After making the payment, an email **must** be sent to LT.RFP@ieso.ca with a copy to ieso.treasury@ieso.ca with the following information: (a) Proponent name; (b) Proponent ID; (c) Unique Project ID; (d) expected deposit date; and (e) amount of Proposal Fee deposited.

Next Steps

- The final E-LT1 RFP and Contract will be posted on December 6th with the RFP submission deadline set for February 16, 2023
- Proponents are again reminded to review Section 3.4 of the E-LT1 RFP to understand the communications protocols that come into effect as of December 6th
- Proponents may submit questions to LT.RFP@ieso.ca during the Question and Comment Period that also opens on December 6th