

Feedback Form

Long-Term RFP – March 28, 2023

Feedback Provided by:

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Following the March 28th public webinar on the Long-Term RFP (LT1 RFP), the Independent Electricity System Operator (IESO) is seeking feedback from participants on design of the LT1 RFP and LT1 Contract.

The referenced presentation can be found on the [Long-Term RFP webpage](#).

Please provide feedback by April 11, 2023 to engagement@ieso.ca.

Please use subject header: **Long-Term RFP**. To promote transparency, this feedback will be posted on the [Long-Term RFP webpage](#) unless otherwise requested by the sender.

The IESO will work to consider and incorporate comments as appropriate and post responses on the webpage.

Thank you for your contribution.

LT1 RFP Design and Lessons Learned from E-LT1 RFP

Topic	Feedback
<p>E-LT1 RFP: Please provide any general feedback reflecting on your participation in the E-LT1 RFP as it relates to the upcoming LT1 RFP.</p>	<p>Thank you for the opportunity to provide feedback. The comments below are based on our experience participating in the E-LT1 RFP. In general, the timeline between the IESO announcing RFP results and the expected in-service date of projects remains extremely tight for the LT1 RFP. Supply chain delays and interconnection procedures make it challenging to deliver projects in this timeframe. To help address this, we support a streamlined process for unsuccessful E-LT1 projects to rebid into LT1. For example, the deliverability status of projects that were not retained through E-LT1 could be automatically updated at the same time as the E-LT1 process concludes, avoiding the need for those projects to be re-assessed later but ensuring that their deliverability is in line with the E-LT1 results.</p>
<p>LT1 RFP design: Please provide any feedback on the proposed Mandatory Requirement for Municipal Support.</p>	<p>We support the need for municipal support of energy and storage projects. However, the proposed timing of the mandatory requirement for municipal support ahead of proposal submission risks overwhelming municipalities and reducing the number of projects that can compete in LT1. We recommend that municipal support continue to be included as a rated criteria in the bid evaluation process, with a mandatory requirement for a municipal support resolution to be obtained within 12 months of contract award. This approach would provide the IESO with sufficient information to evaluate the level of support for projects and rate them accordingly in the RFP. It would fulfil the Minister’s requirement for a supporting municipal resolution without unduly limiting competition in LT1 due to municipal capacity and timing issues. In addition, in the event that a municipality does not support a project, the IESO should reimburse the bid security for that project.</p>
<p>LT1 RFP design: Please provide any feedback on the Rated Criteria Categories and Point Allocation.</p>	<p>Information and specifics on the IESO identification of optimal sites and associated points should be shared as early in the process as possible.</p>

Indigenous Community Participation

Topic	Feedback
Please provide any feedback on the Rated Criteria for Indigenous Community Participation as contemplated in the E-LT1 RFP as it relates to the upcoming LT1 RFP.	We support the inclusion of Indigenous Community Participation as a rated criteria in LT1 at the same level as it was recognized in the E-LT1. This criteria contributes to advancing economic reconciliation with Indigenous peoples in Ontario through support for economic development opportunities. Due to the short timelines for both the E-LT1 and LT1 RFPs, we support flexibility in the timing for final agreements with Indigenous Community Partners to be in place.

Proposed Contract Design: General Feedback

Topic	Feedback
<p>Please provide feedback on any contract provisions you wish to comment on.</p> <p><i>Note: the commercial structure/ revenue model for the LT1 Contract will not be modified from that which was used under the E-LT1 Contract.</i></p>	<p>The following feedback is intended to help attract high-quality and competitive projects to the LT1 RFP. (1) We recommend that the contract provide indexation to inflation on more than 20% of the Fixed Capacity Payment (FCP). As we are in a period of higher inflation than in recent years, including appropriate consideration of rising supplier costs in the contract will allow bidders to offer a more competitive price. For the Materials Cost Index Adjustment (MCIA), a heavier weighting for the price of lithium carbonate would better represent the impact of those costs on total project costs. (2) The hard cap on market rule protection creates substantial risk for project developers as we do not know what kind of exposure market design and rule changes may create in future. With the comprehensive market renewal program currently underway, as well as future potential changes over the 20-year contract lifetime, the hard cap places significant risk and uncertainty on project developers and could lead to inflated prices to help manage this risk. We recommend instead that there are provisions for good-faith negotiations between the IESO and a project owner if needed due to market rule changes. (3) For projects being developed by a partnership, providing more flexibility for change of control pre-COD would be valuable. (4) Lastly, we note that the commercial structure for E-LT1 was very complicated. Simplification of the formulas and payment calculations would help to de-risk projects, such as providing payment on the basis of \$/kW-month, rather than on a business-day basis. We recognize the IESO's position that the commercial structure/revenue model for LT1 will be the same as E-LT1, but provide this input for consideration as greater simplicity would benefit all parties.</p>

General Comments/Feedback

The upfront deliverability assessment process for the E-LT1 created a risk of projects being hit with high interconnection costs later in the process. There was not a clear mechanism for how to manage interconnection costs when these are not known entirely upfront. This leads to higher bid prices as

project developers may include contingencies to cover this risk. A system in the LT1 RFP that would exclude interconnection costs from the bid price, with the IESO determining interconnection costs for each project, could help to level the playing field.

The proposed 30-day timeline between the Deliverability Assessment and Proposal Submission dates for LT1 is too short for necessary project development steps to be completed. Increasing this window to up to 60 days would enable LT1 RFP projects to still move quickly towards the desired COD, while providing adequate time for project development activities that cannot be undertaken until the deliverability results are known. Alternatively, shifting the approach to provide a heat map of interconnection capacity pre-submission (green/red/amber zones) would avoid this timing crunch and allow final deliverability assessments to occur after Proposal Submission.

The E-LT1 RFP did not include any means to account for the federal government's development of the Clean Technology ITC. As a result, project developers had to make an assumption of project eligibility for the ITC and take on significant financial risk, or avoid that risk by offering a less competitive price to the RFP. The ITC is still under development and key details may not be confirmed by the time that bids are due under the LT1 RFP. If the IESO provides a means to account for this uncertainty, such as allowing price adjustments or off-ramps based on ITC eligibility, project developers will have more certainty to submit bids that include the ITC and lower the overall prices that the IESO can secure through this procurement.