



MAY 4, 2023

Long-Term Request for Proposals (LT1 RFP) Procurement Update

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Agenda

- LT1 RFP design considerations
 - Closed design items
 - Ongoing considerations
 - Design Decisions Pending E-LT1 RFP
- Next steps and stakeholder feedback



LT1 RFP and Contract Design Considerations

Overview of Design Considerations

Closed Design Items

- Proposal security
- Revenue model
- Key mandatory requirements

Ongoing Considerations

- Timeline and COD
- Eligible expansions
- Rated criteria: location

Design Decisions Pending E-LT1 RFP

- Community engagement
- Market rule changes
- Group award limit
- Rated criteria: duration
- MCIA/FSAF
- CIB/ITC

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Closed Design Items (1)

- The IESO previously communicated its intent to design the LT1 RFP in a manner consistent with the E-LT1 RFP, with minimal changes expected
- The IESO identified several areas of design including the contract structure/revenue model, fundamental procurement design (inc. bifurcation of storage/non-storage) and mandatory requirements, that would be maintained from the E-LT1 RFP to the LT1 RFP
- Some stakeholder feedback sought to reopen some of these elements of procurement design, including the revenue model

Closed Design Items (2)

While the IESO appreciates feedback received, several design elements will be maintained from the E-LT1 RFP to the LT RFP, allowing the process to proceed with minimal stakeholdering required:

- **Proposal Security** – Amounts were previously communicated as part of the RFQ stage and subsequent engagements; will be maintained to ensure process fidelity (See [Appendix](#) for details)
- **Revenue model** – IESO will maintain the Capacity model from the E-LT1 Contract
- Key E-LT1 RFP **Mandatory Requirements** – Key to meeting reliability needs

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Design Decisions Pending E-LT1 RFP

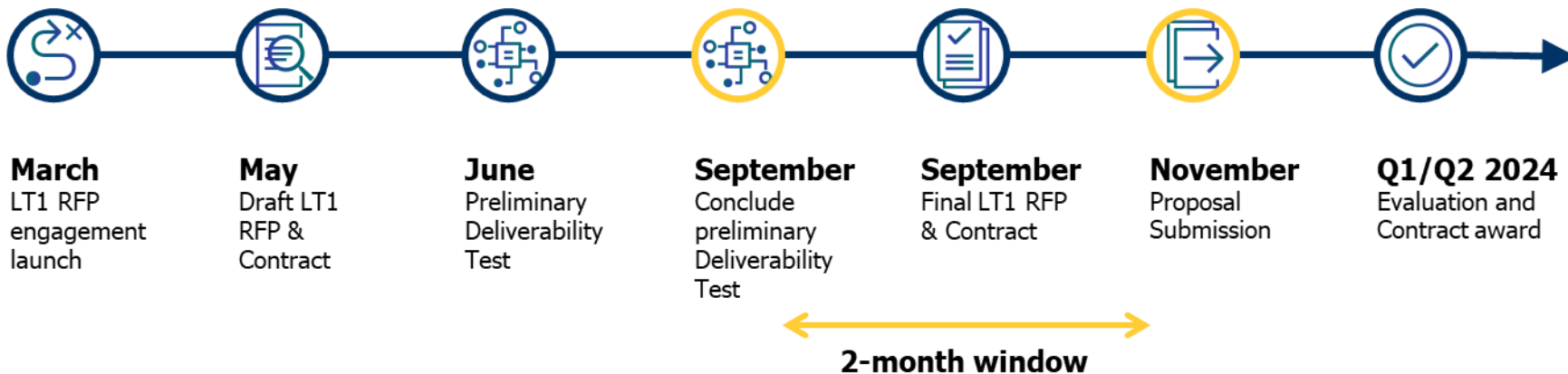
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Timelines and COD

- The IESO recognizes that significant feedback has been received on LT1 RFP timelines and the targeted commercial operation date (COD) thus far
- The IESO is committed to ensuring that the LT1 RFP is conducted in an expeditious manner, so that system needs emerging in 2027 can be met
- The IESO will continue to examine contractual provisions regarding the Commercial Operation Date based on the outcomes of the E-LT1 RFP and clarity regarding government policy
- In response to stakeholder feedback, the IESO has revised **Deliverability Testing timelines** to provide Proponents with additional time

Updated Procurement Timeline

By accelerating the start of deliverability testing to June, the IESO can conclude the process by early September, giving Proponents 2+ months between receiving results and Proposal Submission



LT1 Deliverability Test – Coordination with E-LT1 RFP

- To accommodate revised timelines, Deliverability Test Submission Deadline (target: June 16, 2023) will occur while evaluation of E-LT1 RFP Storage Category 2 Proposals is ongoing
- Some Deliverability Test applicants may have proposals still being evaluated under the E-LT1 RFP; the Deliverability Testing process will seek to account for this
- In the LT1 RFP Deliverability Test Input Data form, applicants will be asked to identify whether their test submission is contingent on the results of the E-LT1 RFP Storage Category 2 process
- This ensures that the IESO is able to remove the LT1 RFP Deliverability Test submission from that process if the E-LT1 RFP Storage Category 2 Proposal is successful

Eligible Expansions – Broadened Definition

In response to stakeholder feedback provided during the E-LT1 RFP design and to maximize participation in the LT1 RFP, the IESO is proposing the following addition to the definition of an **Eligible Expansion**:

- Separately metered additional generation or storage units having the same Connection Point as that of the Eligible Existing Facility; or
- Separately metered additional generation or storage units having a different Connection Point than that of the Eligible Existing facility, but which are physically located within the boundaries of the Project Site on which the Eligible Expansion facility is located

Rated Criteria – Locational Considerations

- In the E-LT1 RFP, the IESO awarded Rated Criteria Points to projects proposing to connect in several priority areas, which was successful in driving a sufficiently high level of interest in those targeted areas (per Deliverability Testing submissions)
- As a result, the IESO will be eliminating locational Rated Criteria Points from the LT1 RFP, shifting the focus to meeting only province-wide system needs
- Local reliability needs will guide how location is valued in the IESO's future procurements and, as a result, the treatment of location may vary from procurement to procurement

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Community Engagement (1)

- The IESO will consider feedback received regarding Indigenous engagement requirements, as it proceeds with targeted engagement with Indigenous Communities
- Amendments to community engagement requirements may be informed by:
 - Community and stakeholder feedback received to date on the broader community engagement requirements that were used in the E-LT1 RFP
 - IESO observations from the E-LT1 RFP

Community Engagement (2)

- At the March 28th engagement session, the IESO sought stakeholder feedback on making the evidencing of Municipal Council Resolutions mandatory prior to the Proposal submission deadline
- While mixed, much of the stakeholder feedback indicated that LT1 RFP timelines make obtaining a Municipal Support Resolution prior to Proposal Submission challenging and that the IESO should maintain the requirements from the E-LT1 RFP (including evidencing support during the contract phase)
- The IESO acknowledges the feedback received and will consider it as it continues to engage with Municipalities and the Ministry of Energy prior to finalizing the LT1 RFP and Contract

Market Rule Changes

- A number of stakeholders have reiterated their feedback regarding the Market Rule Change provisions from the E-LT1 Contract (Article 1.6 (b)) in their LT1 RFP feedback
- The IESO does not intend to reopen design on this provision but may consider further refinement based on specific feedback

Proposal and Group Award Limits

- Some stakeholders have requested that the IESO re-examine the maximum project threshold (10) and Group Award Limits used in the E-LT1 RFP (600 MW of Maximum Contract Capacity of Proposals in the Storage Category or 400 MW of Maximum Contract Capacity of Proposals in the Non-Storage Category)
- Based on the results of the E-LT1 RFP, the IESO will examine and may adjust the limits utilized in the E-LT1 RFP

Rated Criteria: Duration

- The IESO continues to see the need for longer duration resources that can meet reliability needs for several continuous hours during peak times of the day
- Noting mixed stakeholder feedback on the applicability of Duration of Service Rated Criteria in the LT1 RFP (i.e., some have suggested removing it, others have suggested that carveouts be introduced), the IESO will consider modifications to this Rated Criteria based on feedback received as well as outcomes of the E-LT1 RFP

Contractual Provisions: MCIA and FSAF

- The IESO is currently re-assessing the use of the Facility Spread Adjustment Factor (FSAF) and Materials Cost Index Adjustment (MCIA) based on stakeholder feedback, analysis of E-LT1 RFP submissions and ongoing changes in macroeconomic conditions
- Feedback received to date continues to be mixed in nature and is largely aligned with feedback which was received during the E-LT1 RFP engagement
- The IESO will report on its findings from the E-LT1 RFP to inform stakeholders ahead of finalizing design in the LT1 RFP and Contract

CIB / ITC

CIB

- Stakeholders have identified that they are seeking clarity on the potential involvement of the Canadian Infrastructure Bank (CIB) in the LT1 RFP, with a preference for that involvement to be firmed up ahead of procurement launch
- The IESO continues to engage with the CIB and will update stakeholders on the nature of their involvement once E-LT1 RFP results are finalized

ITC

- Stakeholders are also seeking clarity on the Investment Tax Credit (ITC), given recent federal government announcements
- The IESO continues to monitor progress on the implementation of the ITC and will reflect any relevant considerations in the LT1 RFP and Contract

Summary: Design Considerations

Closed Design Items

- Proposal security: same structure as E-LT1, values lower
- Revenue model: remains Capacity based contract
- Key mandatory requirements: will be maintained

Ongoing Considerations

- Timeline and COD: schedule efficiencies proposed
- Eligible expansions: broader definition proposed
- Rated criteria: location no longer awarded points

Design Decisions Pending E-LT1 RFP

- Several issues to be resolved pending E-LT1 results



Next Steps and Stakeholder Feedback

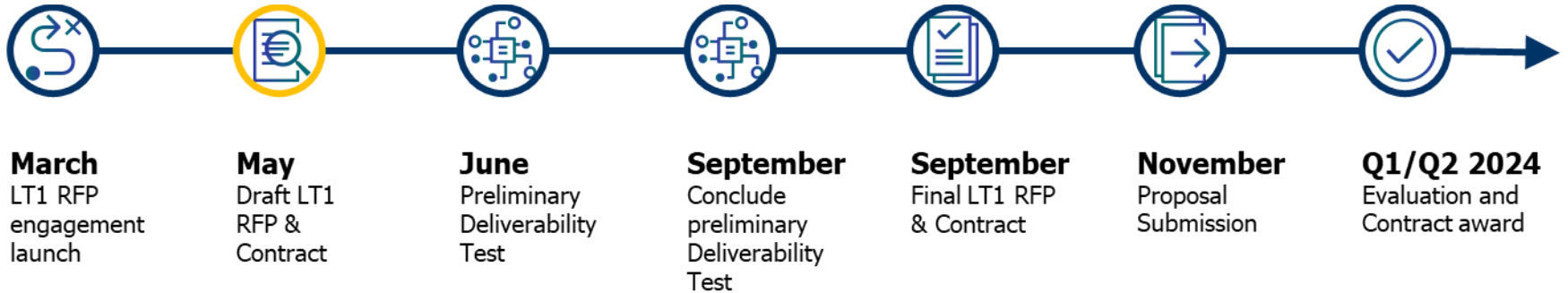
Seeking Feedback – RFP Design

The IESO is seeking feedback on:

- Revised **procurement timeline** with changes to the schedule of the Deliverability Test process
- Broadened definition of an **Eligible Expansion** facility
- Removal of **locational Rated Criteria Points**

Next Steps – Procurement Timeline

- The IESO has revised the timeline to allow for more time between the Deliverability Test results and the Proposal Submission Deadline
- Stakeholders can expect to see draft copies of the LT1 RFP and Contract in May



Next Steps – Upcoming Milestones

Date	Milestone
By end of May	Draft LT1 RFP and Contract for stakeholder review
10 business days post draft materials published	Feedback due on the draft LT1 RFP and Contract
June	Next Engagement: Discuss outstanding design considerations and policy issues

Next Steps

- The IESO invites stakeholders to provide written feedback on the LT1 RFP process and design considerations by **Thursday, May 18**
- A draft LT1 RFP and Contract will be published for stakeholder review by the end of May
- All written feedback should be submitted to engagement@ieso.ca
- The IESO will be continuing engagement on the LT1 RFP in June, with dates TBD

Thank You

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Appendix

Proposal Security (1)

Proposal securities for the LT1 RFP were stakeholdered throughout the summer of 2022, with the following Proposal Security amounts proposed:

- Base Amount Small-Scale LT1 Project: \$30,000/MW of Max. Contract Capacity
- Base Amount Large-Scale LT1 Project: \$40,000/MW of Max. Contract Capacity

Completion and Performance Security in the LT1 RFP will be \$25,000/MW of Max. Contract Capacity (for both Small and Large-Scale LT1 Projects) from COD to End of the term:

Proposal Security (2)

Provisions for those parties that did not satisfy entity development experience thresholds in the LT1 RFQ (i.e., 1.5 times Base Security) will remain. This applies to:

- RFQ Applicants that satisfy both the Small-Scale Team Member Experience and the Small-Scale Entity Development Experience Threshold, but wish to submit a Large-Scale LT1 Project
- RFQ Applicants that satisfy the Large-Scale Team Member Experience but do not satisfy either the Large-Scale Entity Development Experience Threshold or the Small-Scale Entity Development Experience Threshold