

# Feedback Form

## Annual Acquisition Report

## Public Information Session – April 8, 2022

### Feedback Provided by:

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Following the April 8<sup>h</sup> public information session on the Annual Acquisition Report (AAR), the Independent Electricity System Operator (IESO) is seeking feedback from participants on a variety of questions and details included in the report and session on April 8 to help further inform the path forward on meeting the needs identified in the AAR.

The referenced presentation can be found on the [AAR webpage](#).

Please provide feedback by **April, 27 2022 to [engagement@ieso.ca](mailto:engagement@ieso.ca)**. Also, please feel free to send any questions or request for clarification on the AAR in advance of the April 20 engagement session. This will ensure the IESO is prepared to help inform stakeholder feedback before the April 27 deadline.

## Same Technology Expansions

Topic	Feedback
What procurement/negotiation timelines (i.e., contract execution) and forward period would be required to support a 2025 in-service date?	
Is there any other external support (e.g., from the IESO) that would be needed to help proponents meet expedited development timelines?	
What considerations should be given for community engagement and/or indigenous participation?	

## Forward Capacity Auction

Topic	Feedback
Expanded participation and eligibility for resources	<p>The IESO is proposing to run a one-off additional forward capacity auction in 2023 that would secure capacity for a three-year period from 2024 to 2026.</p> <p>Firstly, further clarity is required regarding the interaction between the FCA and CA. Secondly, the implied uncertainty regarding the procurement target for 2025 onward (i.e. "Firm" guidance for 1000 MW of capacity in summer and 850 MW in winter for 2024 inexplicably dropping to 500 MW for both in 2025) does not provide proponents with a sufficient investment signal to encourage participation.</p> <p>Given the 2024-2026 delivery period, the IESO should re-evaluate the duration requirement (is illustrated in presentation slide 15), to identify the capacity value of energy storage resources with less than 4 hours of energy capacity. Eligibility should also be extended to hybrid projects.</p> <p>We would also take this opportunity to echo the concerns already expressed by other stakeholders with respect to inconsistency across technology types with respect to de-rate and outage rules, as well as incentive/penalty structures. We would strongly recommend that the IESO seek to resolve this in advance of the FCA.</p>
Demand curve parameters	
Interactions with the annual capacity auction including target capacities	
Input into the design of longer commitment periods	
Other business/engagement/participation considerations associated with longer forward periods	

## Expedited Procurement

Topic	Feedback
What incentives are sufficient to encourage expedited project development to meet the 2025 needs (e.g., term length, pricing adders, reduced RFP requirements)?	<p data-bbox="646 226 1513 499">At a fundamental level, we do not support the IESO’s proposed approach of seeking to encourage proponents to reach COD by 2025 in the context of a procurement for 2027 delivery. Rather than considering possible enticements for pre-2027 CODs, we believe the IESO should be clearer with proponents in terms of the volume of capacity that must be procured within each year to meet system needs, and proceed on that basis.</p> <p data-bbox="646 546 1513 898">A 2025 in-service date will be extremely challenging to meet. Developers will need to undertake design, community engagement and stakeholdering, permitting, engineering, procurement, construction and commissioning under an extremely compressed timeframe and in the context of an unprecedented global supply chain challenge. However, if a specific volume of additional firm capacity is required to be in service by 2025 to meet the province’s reliability needs, the IESO should provide that explicit direction to the market and allow for price discovery to unfold.</p> <p data-bbox="646 945 1513 1134">A “price adder” would not in our view materially impact the ability of proponents to meet a pre-2027 COD, however in light of the aforementioned global supply chain challenges, the IESO should anticipate proposals reflective of substantially higher capital costs than would have been the case pre-pandemic.</p> <p data-bbox="646 1180 1045 1213">We would further recommend:</p> <ul data-bbox="695 1222 1497 1726" style="list-style-type: none"><li>- That the IESO consider eliminating the RFQ stage of the procurement process entirely, and instead introduce additional mandatory and rated criteria in the RFP regarding Ontario market experience etc.</li><li>- That a minimum 20-year term length be offered to all proponents, irrespective of whether they are able to meet a 2025 COD. As with the overarching LT-RFP, the contract will need to specify a minimum guaranteed value for energy in addition to a capacity payment.</li><li>- That resource availability, energy production (e.g., 4-hour energy production duration, etc.), and other performance needs be included within Rated Criteria as opposed to being mandatory requirements.</li></ul>

<b>Topic</b>	<b>Feedback</b>
What procurement timelines (i.e., contract execution) and forward period would be required to support a 2025 in-service date?	In addition to the aforementioned elimination of the RFQ process, we would also recommend moving forward with the posting of both the draft and final RFP/Contract, and the awarding of contracts by approximately two months in the case of the Expedited RFP.

Topic	Feedback
<p>Is there any other external support (e.g., from the IESO) that would be needed to help proponents meet expedited development timelines?</p>	<p>Proponents will need IESO support with permitting timelines and requirements. At this point, IESO staff should be actively engaging with relevant government ministries (principally Energy, ECP, MAH) on behalf of prospective proponents to ensure maximum flexibility in this respect. At a minimum, the IESO could take steps to provide additional clarity and flexibility for prospective proponents in terms of ensuring compliance of existing facilities within the current regulatory framework, for example by working with MECP officials to fast-track the development and implementation of a protocol for testing and analysis of acoustic impacts of new technologies (including energy storage) that could be integrated into an existing site in the context of an up-rate or expansion – At present, there is no clarity on this point in terms of the potential impact on the compliance of existing sites.</p> <p>IESO staff have urged proponents not to begin prospecting for grid connections due to concern that Hydro One and LDCs may be overwhelmed with connection applications. Given the extremely challenging requirements of this procurement, we would not expect an overwhelming volume of applications, but moreover this concern can be to a great extent avoided if the IESO provides proponents with a highly detailed map illustrating points of interconnection and local transmission system conditions in the identified priority areas. This map should be made available within the coming weeks.</p> <p>At a higher level, the <a href="#"><i>Supporting Broadband and Infrastructure Expansion Act, 2021, S.O. 2021, c. 2 - Bill 257</i></a> provides an excellent example of how the appropriate regulatory framework can create a collaborative environment and streamline processes so that all partners can work together to expedite critical infrastructure projects – For example, by specifying timelines, coordinating responsibilities and apportioning costs between transmission/distribution network owners and proponents. We would recommend that the IESO engage with relevant Government ministries to determine how this same approach could be applied to the electricity sector.</p>
<p>What considerations should be given for community engagement and/or Indigenous participation?</p>	<p>The IESO should work with project proponents who have identified willing host communities and Indigenous partners to fast-track the permitting process to the greatest extent possible where local circumstances allow.</p>

## General Comments/Feedback

This section can include insight on the proposed additional mechanisms including:

- Whether these are the right mechanisms to support in-service dates of 2025/26?
- Are the proposed timelines for the expedited process achievable?

Right now, Ontario is competing with procurement opportunities in the United States, Europe, and Asia in terms of attracting developer investment. A long-term, predictable sequence of incremental procurements from the present out to 2030 would make a significant difference in terms of providing proponents with the market signal they need to commit to the Ontario market at this crucial time.

The graph illustrating "Impact of AAR actions" and "Additional actions needed" on Slide 8 of the April 8 information session does not meet this need.

Clarity on incremental procurement volumes (i.e. 1,250 MW UCAP per year for each year 2023-2027) would be much more valuable as an investment signal from the perspective of developers.

Similarly, providing as much clarity as possible as quickly as possible in terms of specific transmission system conditions and interconnection opportunities would be tremendously valuable in enabling proponents to plan their proposals.