Feedback Form

Long Lead-Time RFP – February 26, 2026

Supply Chain Disclosure - Feedback

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Date: March 5th, 2026

To promote transparency, feedback submitted will be posted on the Long Lead-Time RFP engagement page unless otherwise requested by the sender.

- ☐ **NO - There is confidential information, do not post**
- ☐ **YES - Comfortable to publish to the IESO web page**

Following the February 26th Long Lead-Time RFP engagement webinar, the Independent Electricity System Operator (IESO) is seeking feedback from stakeholders on the items discussed. The presentation and recording can be accessed from the Long Lead-Time RFP engagement webpage.

Note: The IESO will accept additional materials where it may be required to support your rationale provided below. When sending additional materials, please indicate if they are confidential.

Please submit feedback to engagement@ieso.ca **by March 5, 2026.**

Supply Chain Disclosure

Do you have any feedback on the proposed requirements and incentives that are under consideration related to supply chain disclosure?

ESC supports the objective of improving transparency around supply chains and identifying opportunities to increase Canadian participation in energy infrastructure projects. Greater disclosure can help governments better understand where economic value is being created and identify areas where domestic industrial capacity can be strengthened.

However, ESC encourages policymakers to ensure that disclosure requirements reflect the realities of energy storage project development and procurement timelines. As outlined in ESC's submission to the Government of Canada's consultation on domestic content under the Clean Technology and Clean Electricity ITCs, energy storage supply chains remain highly globalized and project developers typically finalize procurement decisions well after contract award as projects move through engineering, financing, and contracting stages. Early-stage disclosure requirements that require firm sourcing commitments may therefore be difficult for proponents to provide with certainty.

Similarly, ESC's submission to the Government of Ontario during the Bill 5 consultation on protecting critical energy infrastructure highlighted that the storage supply chain—particularly for battery cells and specialized components—remains globally concentrated, with limited domestic manufacturing capacity currently available at scale. Policies should therefore avoid unintentionally restricting procurement options before sufficient domestic alternatives exist.

ESC recommends that supply chain disclosure be structured primarily as a transparency and reporting mechanism rather than a strict compliance requirement at the bid stage. This approach would allow the IESO and the province to better understand supply chain dynamics while maintaining flexibility for developers to secure the most reliable and cost-effective equipment.

Where incentives are used, they should be meaningful enough to influence project decisions but designed in a way that does not undermine project economics or discourage participation in procurements.

Please indicate how the proposed requirements and incentives under consideration would impact project decisions regarding the sourcing of goods and services.

Project developers in Ontario evaluate sourcing decisions based on cost, reliability, performance, safety certification, and bankability requirements from lenders and investors. Energy storage technologies rely on specialized equipment sourced through global supply chains, and procurement processes typically involve competitive selection among internationally established suppliers.

ESC's submission to the federal domestic content consultation emphasized that developers must secure equipment from Tier-1 suppliers with proven technologies and warranties to satisfy financing and performance requirements. Changes to

sourcing requirements can therefore influence procurement decisions if they alter the availability or economics of these suppliers.

In Ontario specifically, ESC highlighted in its Bill 5 consultation submission that the province has strong capabilities in project development, engineering, construction, and system integration, while manufacturing capacity for certain key components remains globally dependent.

As a result, incentives tied to domestic sourcing could encourage greater use of Canadian engineering services, construction labour, integration activities, and project development services, all of which are areas where Ontario already captures significant economic value.

However, if domestic sourcing requirements are overly restrictive or implemented before sufficient supply exists, developers may face higher costs, reduced supplier options, or procurement delays. ESC has previously cautioned that abrupt policy shifts affecting supply chains can increase project costs and create financing uncertainty for projects already in development.

Policies that provide flexibility and meaningful incentives, rather than strict early-stage mandates, are therefore more likely to encourage domestic participation while preserving project viability.

Is a 75% threshold (for civil works or total spend) for Canadian goods and services is achievable for your project?

ESC noted in its Bill 5 consultation submission to the Government of Ontario that while the province has strong expertise in project development, engineering, and integration, the supply chain for key battery components remains globally dependent. Many battery cells and related inputs are sourced internationally, and fully decoupling from these inputs in the near term would be both economically and technologically challenging.

Similarly, ESC's submission to the federal domestic content consultation highlighted that battery energy storage supply chains are still maturing in North America and that domestic manufacturing capacity is not yet at the scale required to meet rapidly growing electricity system needs.

As a result, applying a 75% threshold to total capital costs may exceed what is realistically achievable given current supply chain conditions.

However, if the threshold were applied specifically to civil works or construction-related expenditures, it may be more achievable. These activities—including site preparation, foundations, electrical installation, and project construction—are typically carried out by Canadian firms and labour and already represent a significant portion of local project spending.

ESC therefore recommends that thresholds reflect the current maturity of Ontario's supply chain and consider a phased approach that increases expectations as domestic manufacturing capacity develops.

Do you have any feedback that should be considered when establishing definitions of terms such as: “Canadian Materials”, “Canadian Services”, “Canadian Supplier”, “Civil Works”?

ESC recommends that definitions used in domestic content policies be clear, transparent, and aligned with existing trade and customs frameworks.

In its Bill 5 consultation submission, ESC recommended that compliance be based on Canada Border Services Agency (CBSA) country-of-origin declarations, as this approach provides clarity for developers and aligns with established trade practices. Using existing customs definitions also reduces administrative burden and ensures consistency across jurisdictions.

Definitions should also recognize the integrated nature of North American supply chains. Many energy storage components are manufactured through multi-stage processes across Canada, the United States, and allied jurisdictions. Policies should therefore avoid unintentionally penalizing projects that rely on these integrated supply chains.

ESC has previously emphasized that clear definitions are essential to ensure compliance certainty, prevent unintended market distortions, and maintain investor confidence.

General Comments/Feedback

Do you have additional feedback to share with the IESO?

ESC supports the objective of encouraging greater domestic sourcing and local economic participation through electricity procurements. However, the approach outlined during the webinar raises several practical considerations that may limit its effectiveness in achieving the intended policy outcomes.

First, LLT procurements are specifically designed for technologies with long development and construction timelines. For many of these projects, key equipment procurement and final supply chain decisions are not determined until well after contract award, once projects advance further through engineering, financing, and commercial negotiations. As a result, requiring proponents to guarantee a high level of domestic sourcing at the bid stage may be challenging given the early stage of project development.

Second, the proposed domestic sourcing threshold of 75% appears difficult for most proponents to confidently commit to at this stage. Given the uncertainty inherent in long-lead supply chains, proponents may seek to interpret the scope of eligible costs narrowly in order to ensure compliance with the requirement. For example, suppliers may focus primarily on certain components such as civil works or construction activities rather than considering total project expenditures. This could unintentionally limit the policy’s broader objective of increasing domestic participation across the full project supply chain.

Third, ESC notes that the proposed incentive of a 2% contract price adjustment may not provide a strong enough signal to materially influence procurement and sourcing decisions. If the incentive value is modest relative to overall project costs and risks, proponents may conclude that the additional effort and potential procurement constraints associated with domestic sourcing do not justify the benefit.

Taken together, the current structure may result in only incremental improvements in domestic participation, with some proponents pursuing local spend where it aligns with existing project economics while others may prioritize cost optimization with limited consideration of domestic supply chains.

ESC encourages the IESO to consider approaches that more effectively align incentives with the policy objective of increasing Canadian economic participation in energy infrastructure projects. In particular, the program could benefit from:

- Establishing domestic spending thresholds that better reflect realistic procurement conditions for long-lead technologies.
- Structuring incentives that are sufficiently meaningful to influence project development and sourcing decisions.
- Evaluating domestic participation across total capital expenditures rather than narrower project components to ensure the policy drives broader supply chain engagement.

ESC also notes that clear and consistent definitions of domestic sourcing will be important to ensure transparency and fairness. For example, equipment manufactured in Canada could reasonably be considered domestic spend even if it includes internationally sourced components, whereas equipment manufactured outside Canada would generally be treated as imported regardless of the location of the distributor.

ESC remains supportive of efforts to strengthen Canadian participation in the clean energy supply chain and looks forward to continued engagement with the IESO to refine procurement frameworks that balance domestic economic development objectives with the practical realities of project development and investment.