

Feedback Form

Long-Term 2 RFP – December 13, 2023

Feedback Provided by:

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

Following the LT2 RFP engagement webinar, the Independent Electricity System Operator (IESO) is seeking feedback from stakeholders on specific items discussed during the webinar. The webinar presentation and recording can be accessed from the [engagement web page](#).

Please submit feedback to engagement@ieso.ca by January 15, 2024. If you wish to provide confidential feedback, please mark "Confidential". Feedback that is not marked "Confidential" will be posted on the engagement webpage.

Resource Adequacy Framework and Cadenced Procurement Approach

Topic	Feedback
<p>Do you have any comments or concerns regarding the cadenced nature between upcoming LT and MT RFPs?</p>	<p>Compass supports the cadenced nature of the upcoming LT and MT RFPs as outlined by the IESO. The current procurement timelines provide an early, clear insight to the predictable future of the non-emitting energy supply procurements in Ontario. Similar to the cadenced approach that NYSERDA follows with the Tier 1 RFPs, certainty around procurement cadence and timing will increase market confidence and support the commitment of further development resources in Ontario. A cadenced approach will also provide the IESO multiple opportunities to fine tune the procurement processes and targets to satisfy the upcoming energy and capacity needs in the IESO-administered electricity markets, thus ensuring resource adequacy and reliability for Ontario’s future power grid. In addition, we believe that a 2-year cycle for LTx procurements will provide project developers adequate time to modify their project development plans in line with macroeconomic trends, policy shifts, and updated guidance from the IESO and other industry stakeholders.</p>
<p>Do you have any comments or concerns regarding the proposed offering of both capacity style and new revenue model style of contracts, based on resource eligibility requirements and system needs?</p>	<p>The proposed new revenue model style of contract pushes risks on the developer that they don’t have the ability to manage or understand based on the limited amount of information available regarding LMPs and curtailment. As described, with the information available today, it would make the contract less financeable and therefore increase bid prices to account for higher required equity returns.</p> <p>If the IESO were to offer both a capacity style and the new revenue model during the same procurement, it would be important to understand how the IESO would select among the two revenue models, to see if one would be preferred under specific circumstances.</p> <p>Also, it is not clear whether proposals will be able to apply for both contract styles and/or concurrently have two contracts (energy AND capacity) depending on the technology they use (hybrid installations, etc.).</p>

Topic	Feedback
Do you have any concerns regarding the proposed target setting approach for upcoming MT RFPs?	No
Do you have any comments regarding how best to employ bridging and extensions to contracts to facilitate the success of the Resource Adequacy Framework?	No

LT2 RFP Resource Eligibility and Timelines

Topic	Feedback
Do you have any general feedback on resource eligibility and timelines?	<p>Compass supports eligibility for new build non-emitting energy-producing resources that can be in service by May 1, 2030. Further, the growing need for new energy in Ontario supports encouraging early operations for projects that can achieve commercial operation before May 1, 2030. Therefore, Compass encourages the IESO to provide early operation incentives and rated criteria points to projects that can achieve COD before 2030.</p> <p>Compass believes that new build projects should not have to compete with projects coming off contract. There are natural advantages that these projects will have that new build resources will not benefit from such as interconnection certainty and environmental approvals. Therefore, we suggest a like-for-like competition i.e. new build competing against new build, and re-powered or off-contract competing with re-power or off contract. This will ensure a level playing field for competition among different resources.</p> <p>Further, existing contracted resources should be incentivized to participate in Ontario Ministry of Energy’s upcoming corporate PPA program that would provide market-linked revenues to existing resources that have exhausted their previous contracted terms. Additionally, it would ensure that the rate-payer payments go towards new-build resources that will have a larger economic multiplier effect for Ontario.</p>

Topic	Feedback
<p>If the potential of repowering an existing facility applies to you, would you be interested in exploring this option further?</p>	
<p>How should the optimal threshold for what constitutes a partial or fully repowered facility be determined and what considerations should be taken into account regarding the repowering of different resource types?</p>	<p>Given the significant increase in solar and wind technology since Ontario first started to procure solar and wind power, we would suggest a material increase in rated capacity (>50%) to be eligible as a repowered facility, as the common generating equipment (modules and turbines) have increased by at least that amount since 2010.</p>
<p>What considerations should be taken into account for new-build DERs?</p>	<p>LTx procurements should keep pace with enhanced DER participation models (aggregation, etc.) and provide consideration when designing further procurements.</p> <p>DERs provide a variety of additional benefits by locating close to load such as:</p> <ul style="list-style-type: none"> • Avoided T&D losses • Capital deferral in Tx and Dx infrastructure <p>To motivate participation of this part of the market, we would encourage the IESO to create a carve out for part of the procurement target for DERs.</p>
<p>Please express any interest and opportunities for uprates and/or expansions at any of your existing facilities.</p>	

LT2 RFP Design Considerations – System Congestion and Deliverability Approach

Topic	Feedback
<p>What early system congestion information do proponents need to guide them in choosing the location of their projects and when is this needed by within the procurement cycle?</p>	<p>Given the changes in the IESO-administered electricity market and new infrastructure development across the province, Compass believes that it would be difficult to model future congestion accurately. Therefore, the IESO should not pass the congestion/curtailment risk onto Proponents to ensure system reliability.</p> <p>Further, different resources have different production profiles, therefore, to assess congestion risk, the proponents would need to know hourly congestion per zone or ideally transmission and distribution circuit over the contract term, otherwise, the congestion data for a wind farm or a waterpower project will not be the same for a solar project. Proponents would only then be able to assess the impact of congestion on its facility and compare siting options.</p> <p>Outside of assuming curtailment risk or creating “no-go” zones for proponents, the higher the amount of detail available, the better for proponents to avoid wasted time and energy in developing projects.</p> <p>The IESO should aim for an early release of system congestion data that can indicate suitable locations in the provincial grid to minimize curtailment risks and achieve lower proposal prices for the Procurement. Congestion data should show the quantum, duration, and frequency of expected congestion/curtailment, allowing Proponents to take decisions on important project siting considerations early in the project development cycle.</p>
<p>Do you have any general suggestions for how to approach deliverability evaluation in the LT2 RFP?</p>	

LT2 RFP Design Considerations – General Feedback

Topic	Feedback
<p>Do you have any comments regarding the impacts that agricultural land-use limitations may have on project development?</p>	<p>Compass suggests that Municipalities will already have to provide their support for the project and already review and designate prime agricultural areas in their municipality.</p> <p>We believe the while IESO should not set hard limits on CLI land classes for the Procurement, it could incentivize agrivoltaics and let the local municipal government ultimately decide on which Projects are acceptable and in their interest.</p>
<p>Do you have any comments regarding what evaluation criteria can be utilized to evaluate project readiness, given tight timelines and reliability needs?</p>	<p>Project readiness can be determined through requirements for site access, key permit approval from AHJ(s), community receptiveness and capacity, current progress in interconnection process, as well as project financing.</p>
<p>Do you have input on the proposed mechanism for valuing Indigenous participation?</p>	<p>Compass supports the benefit that local Indigenous communities bring to a project on their reserve or in their traditional territory, however, Compass believes the proposed design for Indigenous participation significantly limits the ability for Indigenous communities whose traditional territory has limited electrical capacity to benefit from participation in the LT2 procurement. Since there are large parts of the province that are not good candidates for new projects either due to prime agricultural restrictions or electrical capacity, the rated criteria points would make Indigenous communities in those regions significantly less likely to participate in upcoming projects.</p> <p>Compass would encourage the IESO to consider modifying to rated criteria points to level the playing field among Indigenous communities to ensure all communities in Ontario have an equal opportunity in participating in the upcoming LT2 and future procurements.</p>
<p>Are there any other rated criteria that should be considered?</p>	<p>The IESO can consider addition of rated criteria based on commissioning date to provide a level-playing field for long-lead time resources and other technology resources. Additionally, locational rated points can help incentivize project development closer to higher demand areas in the Province, increasing overall system efficiency.</p>

Long Lead Time Resources

Topic	Feedback
Does the proposed approach to enabling long-lead time resources enable meaningful participation or sufficient certainty?	While the IESO has indicated flexible CODs for long-lead time resources, projects with timeline certainty should be favorably evaluated as they will support the timely addressing of Ontario’s emerging system reliability needs.
What additional considerations should the IESO contemplate for enabling broader participation from long-lead time resources?	<p>The IESO should either:</p> <ol style="list-style-type: none"> 1. Provide early commissioned projects with greater revenue multipliers until the rest of the projects from the same procurement are online. 2. Have an additional rated criteria for commissioning date. 3. Create a carve-out in the Procurement target for long-lead time resources.

Revenue Model

Topic	Feedback
As a potential proponent, are you generally supportive of the proposed Enhanced PPA revenue model? Are there any other considerations that the IESO should look into further with regards to the revenue model?	<p>Compass recognizes the challenge that the IESO has in developing an alternative revenue model when compared to the tried and tested fixed energy and capacity PPA. However, given the time constraints and competition among other jurisdictions for development capital, we believe a simpler revenue model that provides greater developer certainty will provide lower bid prices for the benefit of Ontario rate payers.</p> <p>Compass does not support the enhanced PPA revenue model as it is currently proposed.</p> <p>Our concerns are related to:</p> <ol style="list-style-type: none"> 1) Finance-ability associated with proponents assuming curtailment risk. 2) Focus on Proposal Price vs. GRP to assess proposal value 3) Availability of LMP pricing data to inform project siting <p><u>Curtailment Risk:</u></p>

As described, the proponents would have to assume curtailment risk. Given the upcoming changes relating the Market Renewal and development of new transmission infrastructure across the province, Compass believes that it would be difficult for Proponents to model future congestion accurately. Ontario / IESO has already dealt with the challenges associated with obtaining financing for projects that have curtailment risk. Whatever the potential curtailment risk is reduces project cashflows in the eyes of lenders and requires additional equity capital for the same project. This in turn increases bid prices and costs for ratepayers. If the IESO is focused on minimizing costs for ratepayers, it should assume curtailment risk.

Evaluating based on Value to the System vs. Price Only: Slide 63 suggests the IESO will be able to compare across proponents based on the lowest proposal price. However, the lowest cost of energy in a PPA does not necessarily mean the lowest cost resource for the Ontario rate payers.

Arguably the Grid Reliability Payment accounts for Deemed Revenue less actual revenue. Where a resource is producing during higher priced or valued hours of the day, it will earn more in the market and therefore have a lower GRP.

While wind capacity factors are generally higher than solar in Ontario, they tend to produce more at night and during the winter than the summer in Ontario. Therefore, they will produce more energy, but not necessarily at times of the highest value for the system.

Compass believes that the time of production during the day should be accounted for in assessing the resource.

For example, if hourly forecast of energy prices were used to evaluate the deemed revenue for a resource it would better capture the inter day production value as compared to the monthly average Day Ahead Market Price, which would be much flatter and not recognize the benefits of varying hourly production profiles and value to the system.

As contemplated, the lowest price proposal will not necessarily provide the highest value to the system.

Availability of LMP pricing data to inform project siting.

The IESO's proposed model is proposing to use monthly DA-LMPs, to evaluate proponents, but proponents have limited or no data on these in order to inform siting or project economics. The IESO's model suggests that proponents may earn more than their deemed revenues, but without historical data to inform potential market behaviour it is not reasonable for proponents to be able to make a nuanced bid decision if they can't understand the benefit of how they may actually earn in the hourly day ahead or real time LMP.

The current calculation of deemed monthly energy revenue does not fairly compensate projects that are located in higher demand areas. For example, two projects of the same technology, one located in an urban area and the other in a rural area, are not expected to have significantly different revenue requirements. However, the urban project will provide more value to the grid by virtue of being located closer to load centres, increasing overall system efficiency. As per the current model, the deemed energy revenue will be higher for the urban project (given higher local demand) than the rural project, while the GRP received will be smaller compared to rural project. This would mean that there is no incentive for Proponents to site their projects closer to demand centres, thereby reducing overall grid efficiency. Additionally, within the enhanced PPA model, projects located closer to demand centres will anticipate lower fixed revenue (GRP) when compared to projects in low-congestion areas, making their cashflows more uncertain over the contract term.

Compass would recommend the IESO a) absorb the congestion/curtailment risk to find the best-possible market prices for new energy supply, b) integrate the resource's hourly production profiles into calculations for deemed monthly revenue to provide a level-playing field for various technologies with differing production profiles, and c) provide locational rated points to incentivize projects in high demand areas, increasing overall grid

General Comments/Feedback

Benefits of Incorporating a RFQ into LT2

Compass believes that incorporating a RFQ into the LT2 process can have benefits for the procurement and the overall community engagement and acceptance.

RFQs establish development experience and capability and can help to provide assurance to communities that only qualified companies are participating or asking for their support.

In E-LT-1 we are aware of companies that engaged with municipalities that were not qualified to participate in the procurement and whose engagement could not result in a bid submission. Given the quantum of development activity that is unfolding in Ontario over the next few years, and the importance of municipal support, we believe municipal resources should be considered in designing the procurements.

By educating municipalities that only qualified parties should be eligible to obtain council support will reduce the number of parties that are engaging with municipalities, reducing the burden on them.