

# Feedback Form

## Long-Term 2 RFP – December 13, 2023

Feedback Provided by:

**Name:** David Thornton

**Title:** Director, Regulatory and Public Affairs

**Organization:** EDF Renewables Canada Inc. ('EDFR')

**Date:** January 15, 2024

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 <mailto: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
Do you have any comments or concerns regarding the cadenced nature between upcoming LT and MT RFPs?	EDFR is fully supportive of the 'cadenced RFP' approach: it sends a clear and critical signal to a company like EDF Renewables that Ontario is committed to a long-term, multi-year renewable electricity build-out. EDFR agrees with IESO's comments regarding the benefits of a cadenced approach. EDFR would accentuate, from our point of view, a cadenced approach helps attract and deploy internal resources at EDFR and focuses our development team make to take long-term, strategic positions on a portfolio of projects that will deploy pre-development work and cost most efficiently, so we can the most competitive and durable projects sites. Projects that are durable build and foster trusting, sustainable partnerships with indigenous partners, host communities and deliver the most competitive bid to our customer.

Topic	Feedback
<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 IESO should consider the simplest and most direct solutions to the LT1 procurement. Adding new settlement mechanisms based on markets with different constructs and considerations; or, based on previous IESO contracts for different technologies with different operating characteristics does not give potential proponents the level of certainty required for a successful and competitive procurement.</p> <p>Investors in generation projects will require an adequate expectation that debt commitments can be met by evaluating the offtake contract's level of guaranteed revenue. While all revenues do not need to be secured; certainty around certain percentages allows for 'finance-ability'. Lack of revenue certainty results in higher pricing and not only jeopardizes finance agreements, but resource development entirely.</p> <p>Previously, the IESO has constructed offtake agreements with financeable revenue/settlement mechanisms, and this has resulted in many successful previous procurements. EDFR encourages the IESO to maintain this approach and avoid introducing new and untested models which EDFR expects will create significant challenges for project financing.</p> <p>Overall, EDFR would support greater clarity on capacity needs and would encourage a cadence approach. IESO should explore the value of separating energy and capacity RFPs in a cadenced manner. Separating out energy and capacity RFPs will likely deliver the most affordable pathway, rather than combining energy + capacity in the same RFP.</p>
<p>Do you have any concerns regarding the proposed target setting approach for upcoming MT RFPs?</p>	<p>EDFR supports the inherent value of leveraging existing resources that have an existing interconnection and community support, and we would suggest that the MT RFP is the best 'tool' available to IESO to manage exiting resources seeking to repower.</p>

Topic	Feedback
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 comment.

## LT2 RFP Resource Eligibility and Timelines

Topic	Feedback
Do you have any general feedback on resource eligibility and timelines?	<p>Once the revenue model has been determined, EDFR would like to further discuss ways hybrid resources could be procured in the upcoming LT2 RFP. The cost/value of any hybrid facility will be intricately dependent on the revenue model.</p> <p>EDFR supports the currently proposed timelines i.e., 2025 submission window for LT2.</p>
If the potential of repowering an existing facility applies to you, would you be interested in exploring this option further?	EDFR would be interested in further exploring this option.
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>EDFR sees a great deal of complexity in defining how existing/repowering resources and new generation assets could compete in the same RFP process. Every facility is different, with different requirements and considerations: ownership structures and expectations; financing options; experience to repower; required level of investment needed to operate the facility for however long the owner may expect to make a fair return on that investment; and most significant the benefit/certainty of interconnection costs. In short, it unnecessarily places too much pressure on the IESO to draft the right rules and contract to ensure a fair competition. As a result, EDFR would recommend the IESO separate the two types of generation into two separate RFPs for existing/repowering assets and new assets.</p>

Topic	Feedback
<p>What considerations should be taken into account for new-build DERs?</p>	<p>EDF Renewables sees a growing role for DERs in Ontario and therefore we support frameworks and approaches that seek to maximize their participation, in particular the allowance of aggregation of DERs.</p>
<p>Please express any interest and opportunities for uprates and/or expansions at any of your existing facilities.</p>	<p>Currently, EDFR does not have an interest in expansions/uprates at existing facilities, mainly because it is difficult for EDFR to assess how many more MWs the grid could take at a specific point of interconnection. This information would allow us to perform a cost-benefit analysis. As a result, EDFR would request IESO consider sharing what additional available capacity at existing POIs to support Generators who want to further explore this market opportunity for uprates and/or expansions.</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>EDFR understands a deliverability evaluation will not be performed before the Proposal Evaluation stage. Therefore, developers will have to be able to assess congestion risk independently as early as possible in the process.</p> <p>EDFR encourages the IESO to share the following information with the industry by March 2024:</p> <ul style="list-style-type: none"> <li>• Base case that the IESO will use to conduct the deliverability evaluation for projects as part of the Proposal Evaluation stage including the following: <ul style="list-style-type: none"> <li>• What are the projects (ID, technology, MW and POI) that the IESO will be modeling in the deliverability study (excluding the potential LT2 projects)</li> <li>• What are the transmission constraints that the IESO will be modeling.</li> </ul> </li> <li>• Specific details of time and frequency of historic and future anticipated congestion per area or zone and Tx/Dx line</li> <li>• Specific details of transmission built out over LT2 contract period (2029 – 2049)</li> <li>• Map indicating conditions for connecting to specific zones or areas similar to what Hydro-Quebec has included in the last tender (see Annexe 4 <a href="https://www.amazonaws.com">Document avec TDM (ehq-production-canada.s3.ca-central-1.amazonaws.com)</a>)</li> <li>• Details regarding methodology, inputs and outputs of deliverability evaluation to be performed during the Proposal Evaluation stage. For example, would the result be the required transmission reinforcement (\$) to ensure a proposed generator is able to produce all of its available energy all the time? And that amount would become a selection criteria?</li> </ul>
<p>Do you have any general suggestions for how to approach deliverability evaluation in the LT2 RFP?</p>	<p>EDFR is not clear how project proponents would be able to assess potential congestion risk over the entire contract period considering the possible changes to the Ontario power system. As a result, EDFR strongly recommends a cap for curtailment to avoid unquantifiable uncertainty for developers.</p>

## LT2 RFP Design Considerations – General Feedback

Topic	Feedback
<p><b>Do you have any comments regarding the impacts that agricultural land-use limitations may have on project development?</b></p>	<p>EDFR believes that broad agricultural land use limitations for renewable energy development will create significant challenges for the IESO in trying to meet its' procurement targets. Therefore, EDFR recommends that LT2 and future IESO procurements do not include additional restrictions on agricultural land use.</p> <p>As a corollary comment, recent statements by the Ontario government have made it very clear to Proponents that the Project must receive a Municipal Council Support Resolution for a bid to be deemed complete and eligible for LT2. As a result, to maintain any chance of receiving municipal support, a Proponent must work closely with local municipal leaders and municipal planning authorities to ensure any future site of a generation facility is developed in accordance with municipal land-use requirements. Therefore, we would suggest to IESO to let the planning process do what it was designed to do.</p>
<p><b>Do you have any comments regarding what evaluation criteria can be utilized to evaluate project readiness, given tight timelines and reliability needs?</b></p>	<p>EDFR would encourage IESO to seek proof of land control for the project, including lands associated with the Point-of-Interconnection (POI).</p> <p>In addition, EDFR would support language from previous IESO procurements on every Project must host at least one Open House within the project area and within the directly affected municipality that will potentially host project infrastructure.</p>
<p><b>Do you have input on the proposed mechanism for valuing Indigenous participation?</b></p>	<p>EDFR supports the IESOs intent to build on the mechanism in LT1 and we strongly support the IESO to continue to engage with Indigenous communities and the government as it seeks to finalize the design for LT2.</p> <p>EDFR supports the same framework used in LT1 for rated criteria points, but EDFR would ask that the IESO consider a small price adder for proponents who opt for 50% or greater indigenous ownership to reflect the additional financing costs and complexity of such arrangements.</p>

Topic	Feedback
<b>Are there any other rated criteria that should be considered?</b>	Similar to the requirements for qualification employed in the E-LT1 and LT1 procurements, we encourage the IESO to continue to request an extremely experienced and high-threshold of creditworthiness from Proponents. Financial strength can be demonstrated by high Bid Fees and Proposal Security – however proposals from proponents with proven track records prospecting, developing, constructing, and operating similar technologies successfully in each of Ontario, Canada and North American markets should be favored higher. Especially given the turbulence experienced in global/local supply-chain, labour market, borrowing costs, and energy markets in recent history, Proponents who have successfully navigated these challenges should be given ‘development experience’ points in its LT2 Bid Evaluation.

### Long Lead Time Resources

Topic	Feedback
Does the proposed approach to enabling long-lead time resources enable meaningful participation or sufficient certainty?	No comment.
What additional considerations should the IESO contemplate for enabling broader participation from long-lead time resources?	No comment.

### 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?	The proposed Enhanced PPA revenue model proposed in the IESO’s December 13 <sup>th</sup> webinar (the “Revenue Model”) is very problematic creates new challenges to investing in new projects in Ontario. The concept of deemed revenues and deemed production introduces several risks that cannot be managed by EDFR. This level of uncertainty may require EDFR to require significant risk premiums to recover potential capital investments.



EDFR asserts the Revenue Model being contemplated should be replaced with a PPA with an indexed fixed price that includes a cap on incidences of project curtailment.

EDFR's issues with the revenue model include the following:

1. Deemed production based on an annual production factor does not reflect the variability of wind and solar. Using a static annual average production factor to deem monthly output will lead to material mismatches between deemed production and actual production. This mismatch between deemed and actual revenues coupled with inherent variability in monthly average day-ahead prices will mean the calculated 'top-up' will no longer reflect a generator's monthly revenue requirement. For these mechanisms to work properly the deemed revenues must match actual revenues to the extent possible. Also given significant changes to the Day-Ahead market construct with upcoming MRP initiatives – it is unclear how adequate of a price signal (or volatility) will exist post MRP. Adding settlement structures reliant on post MRP initiatives creates added uncertainty and potential higher risk premiums in bidder's offers.
2. Curtailment risk is not a risk the generator can control and therefore should not be expected for generators to bear. Under Ontario's hybrid market structure (which differs from New York) new resource investments are determined primarily by government direction to the IESO (such as the LT2 procurement) or through rate-regulated generators that include government policy mandates (e.g., new nuclear generation being developed, pumped storage, or recent bilateral contracts for existing gas). Particularly as it relates to rate-regulated generation or energy storage – operation of these resources have material effects on transmission utilization and thus curtailment. As the system operator with more transparency and input to the generation build and transmission

utilization, the IESO is in the best position to manage curtailment risk. In other Canadian markets with centralized procurements the centralized buyers have retained the curtailment risk including: the Alberta Electric System Operator (AESO) Renewable Energy Program (REP), SaskPower's renewable procurements for wind and solar, Hydro Quebec's wind procurements and most recently within the draft Energy Purchase Agreement (EPA) Terms within BC Hydro's 2024 Call for Power.

3. Lack of marketing and trading tools in the Ontario do not give generators adequate opportunity to manage market risk. In some markets with robust trading and marketing markets there are opportunities to purchase physical and financial products to hedge production, transmission, and price risks. While Ontario and the IESO are taking steps to encourage and increase wholesale market participation – the market liquidity and product offerings are not sufficient for generators to adequately accept further risks relating to the Revenue Model.

For these and other reasons EDFR continues to assert the Revenue Model should be replaced with a tried and tested settlement mechanism used in previous IESO renewable procurements. These indexed fixed price structures that are independent of market outcomes will reduce risk premiums bid by generators and reduce ratepayer's liability for the procured LT2 resources. We would be happy to discuss these and any other parts of our submission at the IESO's convenience.

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## General Comments/Feedback