

# Feedback Form

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

### Feedback Provided by:

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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?	The OWA supports the proposed cadenced approach to LT procurements over the next number of years and would recommend that the IESO plan for and convey planned procurements for capacity, energy and ancillary products over a longer period of time (e.g. 10 years). The OWA also supports the IESO's proposed bifurcated approach to procurement where long lead time assets (i.e. waterpower) are evaluated separately from other resources with their own procurement target.

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>As detailed below, the OWA has concerns regarding the financability of the proposed new revenue model, particularly given:</p> <ul style="list-style-type: none"> <li>- the inability for a proponent to predict/incorporate, manage, or mitigate curtailment impacts (curtailment is best left with those who control planning and system management) - We understand from subsequent discussions with the IESO that the curtailment risk is to rest with the IESO through the contract payment of required revenue and would appreciate more detail and examples of how this is to work;</li> <li>- the uncertainty inherent and new risks opened in applying a new “deemed production” factor on an annual basis for firm resources that are known to have production profiles dependent on changing hydrological conditions over time (monthly production factors would be more appropriate);</li> <li>- the fact that the new Market Renewal Program has not yet been implemented and that there is no pricing history that waterpower proponents can use to assess the market risk to which they will be exposed; and</li> <li>- the lack of definition and risk around how and under what conditions would lead to a hydro facility not being dispatched for generation when it would normally have been available to generate on an energy basis.</li> </ul> <p>The OWA requests that the IESO provide additional detail and specific examples outlining how these risks are proposed to be mitigated in the proposed Enhanced PPA structure.</p> <p>Further, the OWA recommends that the procurement mechanism for new waterpower specifically recognize and ascribe value to the capacity and ancillary services that are unique to waterpower.</p>
<p>Do you have any concerns regarding the proposed target setting approach for upcoming MT RFPs?</p>	<p>No comments.</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?	The OWA and IESO have successfully developed provisions through the Small Hydro Program (SHP) to enable contractual certainty for these perpetual assets through to 2043. As acknowledged through a series of Minister’s Directives to the IESO, hydroelectric facilities of all sizes play an important role in meeting Ontario's electricity needs, as well as providing benefits such as recreational opportunities, flood control, irrigation, tourism and facilitating local employment and economic development. The OWA recommends that, building on the successful design and implementation of the SHP, the IESO should develop a Northern Hydro Program (NHP) to recontract eligible hydroelectric facilities >10MW in installed capacity in consultation with owners of these facilities. The NHP should adopt the framework and key principles of the SHP, with appropriate modifications incorporating the operational characteristics of these facilities.

## LT2 RFP Resource Eligibility and Timelines

Topic	Feedback
Do you have any general feedback on resource eligibility and timelines?	While the OWA is encouraged that the IESO has engaged key regulatory Ministries (MNRF, MECP), we remain concerned that the policies and processes of these Ministries are not yet aligned with the IESO’s timelines, particularly with respect to predevelopment and community/Indigenous engagement. For example, Slide 30 of the presentation proposes that site selection, data collection and community support occur starting in Q1 2024, with proposal submission in Q2 2025. We note in particular that MNRF has yet to release its “Access to Crown Land for Pre-development” procedure (a pre-requisite for virtually all new greenfield waterpower projects). The OWA strongly encourages the IESO and the Ministry of Energy to ensure that the policies and processes of regulatory Ministries are aligned with the IESO’s timelines to enable the required predevelopment and regulatory approvals.

Topic	Feedback
If the potential of repowering an existing facility applies to you, would you be interested in exploring this option further?	OWA generator members may be interested in the option of bidding incremental energy/capacity into the LT2. The SHP and proposed NHP are expected to be the primary vehicles to support ongoing operation and/or expansion of existing facilities.
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?	For waterpower, the determination of what constitutes an “upgrade” or “redevelopment” is articulated in O. Reg. 124/02 under the Electricity Act.
What considerations should be taken into account for new-build DERs?	New distribution-connected facilities should be eligible. The IESO should provide the option that such facilities may not be required to become market participants.
Please express any interest and opportunities for uprates and/or expansions at any of your existing facilities.	No comment.

#### LT2 RFP Design Considerations – System Congestion and Deliverability Approach

Topic	Feedback
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?	Proponents will not only require transparency with respect to present system congestion but, especially for long lead time projects, some assessment of congestion at the time of commissioning. As noted above, proponents are unable to predict/incorporate, manage, or mitigate curtailment impacts and should not be expected to include such estimates in proposal bids.

Topic	Feedback
Do you have any general suggestions for how to approach deliverability evaluation in the LT2 RFP?	The OWA is seeking additional information on how the deliverability evaluation is expected to be implemented for long lead time projects. As currently proposed, the preliminary deliverability test is to take place during the "Open Period" (i.e. while proponents are developing submissions) and deliverability evaluation as a condition of evaluation and contract award. Does this mean that a project determined to be deliverable at the time of contract award will be confirmed (i.e. reserved) to be deliverable at the time of commissioning? How will the IESO consider planned Tx or Dx upgrades during the period between contract award and commissioning? There is no obvious linkage to any form of transmission expansion. This will be a critical long lead-time issue that needs to be factored in to make LT2 and other future procurements feasible. The OWA recommends the IESO convene a specific engagement session on deliverability and transmission system expansion.

LT2 RFP Design Considerations – General Feedback

Topic	Feedback
Do you have any comments regarding the impacts that agricultural land-use limitations may have on project development?	No comment.

Topic	Feedback
<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>Per previous comments, the IESO is encouraged to work with the Ministry of Natural Resources and Forestry (provincial Crown land) and Parks Canada (federal Crown land) to ensure their processes for resources access are aligned with the IESO's expectations. "Site control" should not be defined by "secure tenure" rather by "site access" under these provincial and federal processes.</p> <p>For LT2, the IESO may also want to consider the concept of "proponent readiness", as demonstrated through a proponent having owned or operated a waterpower facility and/or having previous experience in navigating the pre-development process (e.g. Site Release, Environmental Assessment, Lakes and Rivers Improvement Act, Dominion Waterpower Act)</p>
<p>Do you have input on the proposed mechanism for valuing Indigenous participation?</p>	<p>The OWA supports the inclusion of Indigenous participation but notes that the IESO is proposing that the IESO intends to make obtaining municipal support ahead of proposal submission a mandatory requirement. Given the tight timelines for LT2, and the demonstrated capacity concerns expressed by municipalities in recent procurements, the OWA is of the view that moving municipal support to a mandatory requirement may be premature at this time.</p>
<p>Are there any other rated criteria that should be considered?</p>	<p>The OWA recommends that the IESO consider the provision of additional contractual value for projects with Indigenous and/or municipal equity participation.</p>

### Long Lead Time Resources

Topic	Feedback
<p>Does the proposed approach to enabling long-lead time resources enable meaningful participation or sufficient certainty?</p>	<p>The OWA appreciates and strongly supports the IESO's proposal to adopt a bifurcated approach to the procurement(s) such that long lead time assets (i.e. hydroelectricity) are evaluated separately from other resources with their own procurement target(s). We encourage the IESO to move forward with this approach and note that it would appear that the only non-emitting resource to meet this criteria is waterpower. As such, we recommend that the IESO confirm that the proposed "Stream 2" procurement is waterpower-specific.</p>

Topic	Feedback
What additional considerations should the IESO contemplate for enabling broader participation from long-lead time resources?	<p>It is recommended that contracts for new waterpower:</p> <ul style="list-style-type: none"> <li>- are for a term reflects the fact that these facilities will be perpetual assets (e.g. minimum of 40 years, consistent with previous and other procurements and moderating prices);</li> <li>- include provisions that recognize waterpower provides system benefits in addition to energy (capacity, reliability services) and these benefits should be economically valued; and</li> <li>- address the fact that longer lead-times necessarily result in greater uncertainty with respect to input costs (e.g. permitting, grid connection/expansion).</li> </ul>

## 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?	As noted above, our initial assessment of the IESO's proposed generic "Enhanced PPA" model suggests that it will be difficult to finance new build waterpower projects under this construct given the additional risks introduced relative to previous successful Contracts for Differences.

## General Comments/Feedback

On Slide 28, the IESO indicates that in response to the Minister's letter, the IESO is considering ways to enable participation of projects in Northern Ontario. Given the significant untapped waterpower potential in the north, the OWA would appreciate the opportunity to discuss potential enabling mechanisms (e.g. FCEF, Transmission expansion) with the IESO.

On slide 34, the IESO is proposing that absent an RFQ process, the use of a significant proposal security. The OWA recommends that the IESO include the financial wherewithal assessment in the RFP process rather than "significant proposal security".

On Slide 63, the IESO suggests it will compare proposals through a mechanism that is intended to, take into account contract capacity and production factor. This appears to be a form of Value Adjusted Levelized Cost of Energy (VALCOE), adjusting the LCOE of various generation alternatives such that they can be compared on a like-for-like basis related to the value that each generation alternative brings to the respective interconnected grid. The OWA is interested in exploring this concept with the IESO further.



Finally, the OWA recommends that the IESO publish and communicate to stakeholders, in advance of the February 1<sup>st</sup> engagement, examples of how the proposed contractual model places the risk of curtailment on the IESO rather than the generator.