

# Stakeholder Feedback and IESO Response

## Long-Term 2 RFP (LT2 RFP) – July 22, 2024

Following the June 13, 2024, LT2 RFP stakeholder engagement webinar, the Independent Electricity System Operator (IESO) invited stakeholders to provide feedback on the LT2 Resource Eligibility, LT2 Energy Contract Provisions and the Development of Project Sites on Agricultural Land. The IESO is currently in the design stage of the LT2 RFP. Feedback is posted on the Long-Term RFP [engagement webpage](#). Please reference the feedback forms for specific feedback as the information below is provided in summary.

### Note on Feedback Summary and IESO Response

The IESO appreciates the feedback received from stakeholders and communities. The tables set out below respond to the feedback received and are organized by topic.

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## A) Developing on Agricultural Land

Stakeholders were generally supportive of the proposed requirement for completion of an Agricultural Impact Assessment for projects sited on Prime Agricultural Lands but provided mixed feedback on the IESO’s proposed award of rated criteria points for projects not sited on Prime Agricultural Lands. Specific feedback on the proposed policy for development on agricultural land is summarized below.

Feedback / Common Themes	IESO Response
<p><b>The IESO should not award rated criteria points for projects not sited on Prime Agricultural Lands:</b></p> <ul style="list-style-type: none"> <li>• Many stakeholders indicated that rated criteria points are not needed to incentivize projects from not siting on Prime Agricultural Lands as existing regulations and other RFP requirements (i.e. municipal approvals) help ensure effective development on agricultural lands.</li> <li>• Some stakeholders indicated that the award of rated criteria points could make otherwise good projects that could easily mitigate agricultural impacts appear uncompetitive</li> <li>• Few stakeholders indicated that the IESO should instead award points for projects that are located at preferred locations, such as those near major load centres.</li> </ul>	<p>The IESO is proposing to award rated criteria points for projects not sited on Prime Agricultural Lands following the <a href="#">Ministerial Letter to the IESO on June 6, 2024</a>. At this point, the IESO has not received any direction from the Ministry of Energy and Electrification to alter this approach to the procurement.</p> <p>The IESO will be providing an update on rated criteria points under the LT2 RFP at a later date.</p>
<p><b>Provide clarity on how rated criteria points will be awarded for projects not sited on Prime Agricultural Lands:</b></p> <ul style="list-style-type: none"> <li>• Some stakeholders requested that the IESO clarify whether any portion of a project site could be sited on Prime Agricultural Lands.</li> <li>• Some stakeholders indicated that the IESO should utilize a scaled approach to award rated criteria points where the number of points awarded are based on the portion of prime agricultural lands that a project site encompasses.</li> <li>• Many stakeholders requested clarity on how points would be awarded for ground-mounted solar projects as the IESO has proposed that these projects be restricted from being sited on prime agricultural lands.</li> </ul>	<p>The IESO is evaluating the number of rated criteria points awarded to a proposal not sited on Prime Agricultural Lands. At this time, projects where a portion of the project site is located on Prime Agricultural Land will not be eligible to receive rated criteria points.</p> <p>Proposals for ground-mounted solar projects are restricted from being sited on Prime Agricultural Lands. The IESO will be providing additional clarity on the award of rated criteria points for projects not being sited on Prime Agricultural Lands at a later date.</p>

Feedback / Common Themes	IESO Response
<p><b>Agricultural Impact Assessments (AIAs) should not be required prior to the proposal submission deadline:</b></p> <ul style="list-style-type: none"> <li>• Many stakeholders indicated that municipalities may not be able to approve AIAs prior to the proposal submission deadline, especially if there are many projects within their jurisdictions.</li> <li>• Some stakeholders indicated that acceptance of an AIA after the proposal submission deadline would allow the assessment to evaluate a more detailed project design, project footprint and project impacts.</li> </ul>	<p>The IESO recognizes that the proposed requirement to submit an AIA prior to the proposal submission deadline may negatively impact the ability of a proponent to meet submission deadlines and will be bringing forward an updated proposal that will be reflected in the draft LT2 RFP and LT2 Energy and Capacity Contracts to allow for the submission of an AIA after the proposal submission deadline as a contractual requirement.</p>
<p><b>Municipalities should determine if an AIA is required, not the IESO:</b> few stakeholders indicated that municipalities should have the authority to make project siting decisions and have the authority to build in the requirement of an AIA into their municipal support resolutions.</p>	<p>The proposed AIA requirement reflects policy guidance by the Ministry of Agriculture, Food, and Agribusiness as well as the Ministry of Energy and Electrification in the <a href="#">Ministerial Letter to the IESO on June 6, 2024</a>. The IESO appreciates this feedback and will consider it as it finalizes the LT2 RFP and Contracts.</p>
<p><b>Biogas facilities should not be disincentivized via rated criteria points from siting on Prime Agricultural Lands:</b> one stakeholder indicated that the use of rated criteria points will disadvantage biogas projects which rely on organic materials that are sourced locally from the agricultural industry.</p>	<p>The IESO appreciates this feedback. While this has not been reflected in the policy guidance indicated in the <a href="#">Ministerial Letter to the IESO on June 6, 2024</a>, the IESO will consider it as it works toward finalizing the LT2 RFP and Contracts.</p>
<p><b>AIAs should not be required for on-farm biogas projects or biogas projects that use agricultural by-products for feedstock:</b> one stakeholder indicated the proposed AIA requirement would be duplicative or counterproductive to other regulatory processes for these facilities (e.g. Environmental Compliance Approval, Nutrient Management Act). Further, an AIA would act as a deterrent as it could add unnecessary costs.</p>	<p>The IESO appreciates this feedback. While this has not been reflected in the policy guidance indicated in the <a href="#">Ministerial Letter to the IESO on June 6, 2024</a>, the IESO will consider it as it works toward finalizing the LT2 RFP and Contracts.</p>

Feedback / Common Themes	IESO Response
<p><b>Clarify why renewable energy projects are restricted from development on prime agricultural lands while residential, commercial and industrial projects continue to remove agricultural lands:</b> one stakeholder indicated that unlike other projects, renewable energy projects have the long-term ability to return lands back to their original use. Without the ability to earn income through the development of renewable energy projects on prime agricultural lands, farmers may sell their land to developers who may remove these lands through other projects.</p>	<p>The IESO received policy direction on the restrictions for siting energy projects on agricultural lands from the Minister of Agriculture, Food and Agribusiness and Minister of Energy and Electrification in the <a href="#">Ministerial Letter to the IESO on June 6, 2024 letter</a>. Any other siting policies are outside of the IESO’s purview.</p>

## B) Resource Eligibility

Stakeholders were generally supportive of the IESO’s decision include hybrid facilities as eligible resources in the LT2 RFP but were not supportive of the IESO’s proposal to defer eligibility of repowered facilities to future long-term procurements. Stakeholders were also generally unsupportive of the IESO’s proposal limit DER eligibility under the LT2 RFP to standalone DERs greater than 1 MW. Specific feedback is summarized below.

Feedback / Common Themes	IESO Response
<p><b>Repowered assets should be eligible under the LT2 RFP if they are able to meet all obligations of the LT2 Contract:</b></p> <ul style="list-style-type: none"> <li>• Few stakeholders indicated that excluding repowered assets from the LT2 RFP adds uncertainty for whether repowered assets can participate in future LT procurements.</li> <li>• One stakeholder indicated that biogas facilities should be eligible for repowering under the LT2 RFP energy and capacity streams.</li> </ul>	<p>The IESO has proposed to defer eligibility of repowered facilities to future long-term procurements (e.g. LT3 RFP) through consultations with stakeholders. To date, most stakeholders have expressed limited interest in repowering, citing concerns with technical, regulatory and permitting challenges. The IESO is committed to enabling repowered facilities in the LT3 RFP and beyond and helping stakeholders overcome these challenges. To support this effort, the IESO has proposed to accelerate MT2 RFP timelines so that facility owners can re-contract with the IESO beginning May 1, 2026, and make repowering decisions at a later date.</p> <p>As always, the IESO welcomes project specific feedback regarding repowering opportunities as it considers the design of the LT2 RFP and future procurements. To date the IESO has not received project specific feedback that speaks to repowering opportunities.</p>
<p><b>The IESO should seek contract extensions for facilities in expiring in 2026/2027:</b> few stakeholders indicated that contract extensions are needed as owners of expiring facilities may need to make investment decisions before the MT2 RFP.</p>	<p>As indicated in the IESO’s response to stakeholder feedback on June 28, 2024, the IESO is operating under the <a href="#">January 28, 2022 directive</a> that allows the IESO to offer contract extensions to contract counterparties whose facilities are successful in MT RFPs, and whose existing contracts with IESO have expiry dates that occur before the start date of the respective facility’s MT RFP Commitment Period. Contract extensions may only be to the earlier of (i) the start date of the MT RFP Commitment Period and (ii) the start date of the next Capacity Auction Obligation Period and cannot exceed 6 months.</p> <p>The MT2 RFP should provide ample opportunity for facilities coming off contract in the 2027-2029 timeframe. Facilities with contracts expiring earlier may also be eligible for extensions under the existing framework.</p>

Feedback / Common Themes	IESO Response
<p><b>Aggregate DERS and DERs &lt;1 MW should be eligible under the LT2 RFP</b> as these resources can address system reliability needs by locally targeting where supply is needed without being limited by system constraints on the grid.</p>	<p>Proposals awarded a LT2 Energy or Capacity Contract are required to become a Market Participant by the milestone commercial operation date (milestone COD). Presently, aggregate DERs and DERs &lt; 1MW are not eligible to participate as Market Participants that can respond to dispatch instructions. The IESO is working to enable these resources as Market Participants through the <a href="#">Enabling Resources Program</a> which is currently in its design phase. To ensure that successful proponents can become Market Participants by the milestone COD, the IESO has decided to defer eligibility of these resources to future LT RFPs (e.g. LT3 RFP) once implementation timelines are finalized by the Enabling Resources Program.</p>
<p><b>DERs should be bifurcated into a separate stream under the LT2 RFP:</b> some stakeholders indicated that the IESO should consider a simplified procurement that targets DERs &lt;1 MW and aggregate DERS.</p>	<p>The IESO is currently developing a mechanism to enable DERs &lt; 1MW and aggregate DERs as Market Participants through its current Enabling Resources Program. Until a clear implementation timeline is established by the program, the IESO is unable to ensure that, if awarded an LT2 Energy or Capacity Contract, proposals for such resources would meet the LT2 RFP requirement to become a Market Participant prior to the LT2 milestone COD. The IESO believes that this consideration and the somewhat limited stakeholder feedback regarding interest in submitting proposals for aggregate DERs and DERs &lt; 1MW under the LT2 RFP currently does not warrant a standalone procurement.</p>

Feedback / Common Themes	IESO Response
<p><b>For a co-located BESS facility, the proposed participation mechanism under the LT2 RFP (energy stream only or energy and capacity stream) may not fully realize the benefits of a hybridized facility:</b> two stakeholders indicated that the proposed mechanism for participation of hybridized facilities would either result in facilities not being able to earn sufficient energy market revenues to offset project development costs (via participation under the energy stream only); or that, facilities would be less incentivized to shift generation due to having two independent contracts (via participation under the energy stream and capacity stream).</p>	<p>The IESO notes the feedback provided and encourages proponents to explore available options to determine if either mechanism is sufficient to justify project development costs amortized over the commitment period of the LT2 Contract.</p>
<p><b>For a hybridized resource, clarify whether the capacity at the connection point being greater than the combined capacity of the energy producing resource and storage resource is applicable to a project that is solely submitted under the LT2 energy stream:</b> one stakeholder indicated that this provision may not be required under the energy stream as extra interconnection capacity would not be required since the battery would likely be load-shifting and injecting when the energy-producing facility is not.</p>	<p>Both scenarios would require the capacity at the connection point to be greater than the combined capacity of the energy producing resource and the storage resource.</p>
<p><b>The LT2 RFP should accommodate all resources embedded within an industrial facility:</b> one stakeholder indicated that some embedded resources would be excluded from participating in the LT2 RFP as they would not be able to meet the IESO’s wholesale metering requirements.</p>	<p>The LT2 RFP requires that a facility awarded a LT2 Contract must meet all requirements necessary to become Market Participant by the LT2 milestone commercial operation date. To participate in the LT2 RFP, resources must make the necessary investments (e.g. installation of a wholesale revenue meter) to become a Market Participant.</p>

### C) LT2 Contract Provisions

Stakeholders were generally not supportive of the IESO’s proposed performance obligations and return of excess deemed market revenues. Specific feedback on the IESO’s approach to the two streams is summarized below.

Feedback / Common Themes	IESO Response
<p><b>Minimum Imputed Production Factors are not necessary under the LT2 RFP:</b></p> <ul style="list-style-type: none"> <li>• Many stakeholders indicated that the IESO should evaluate if factors are really needed and should be considered in totality of the LT2 Contract</li> <li>• Few stakeholders indicated that the use of minimum thresholds is not appropriate for variable generation resources as they are not able to control how much they produce and when.</li> </ul>	<p>The IESO has proposed to use Minimum Imputed Production Factors during the LT2 RFP evaluation process to ensure that resources awarded a LT2 Energy Contract meet a minimum performance standard needed to help address system reliability. The IESO will prescribe Minimum Imputed Production Factors for all technology types eligible under the LT2 RFP which will be calculated based on the historical performance of such facilities within Ontario.</p>
<p><b>The IESO should consult with stakeholders on the Minimum Imputed Production Factors for a biogas facility:</b> one stakeholder indicated that values could vary depending on the production schedule of a facility (i.e. some facilities may operate 24/7 while others operate 12/7).</p>	<p>The IESO encourages stakeholders to comment and provide suggestions on the Minimum Imputed Production Factors that are to be applied during the evaluation process of the LT2 RFP.</p>
<p><b>Non-Performance Charges are not necessary under the LT2 RFP:</b></p> <ul style="list-style-type: none"> <li>• Many stakeholders indicated that the IESO should evaluate if factors are really needed and should be considered in totality of the LT2 Contract.</li> <li>• Some stakeholders indicated that the proposed non-performance charge is not needed as the E-PPA protects against non-performance through deeming of DA revenues.</li> <li>• One stakeholder indicated that other jurisdictions have removed non-performance charges for variable generators as they have no control over their actual production.</li> </ul>	<p>Thank you for your feedback. The IESO will be proposing a revised approach to Non-Performance Charges at an upcoming stakeholder engagement webinar.</p>



Feedback / Common Themes	IESO Response
<p><b>The Non-Performance Charge should include an adjustment for economic curtailments and IESO operator actions:</b> many stakeholders indicated that instances of economic curtailment and curtailment by IESO operators should not be reflected as part of a facility’s performance as these situations are out of a proponent’s control and will result in a generator injecting less than its potential.</p>	<p>Thank you for your feedback. The IESO recognizes that performance obligations that are linked to actual injection will have to account for instances of economic curtailment and IESO operator actions. The IESO will be proposing a revised approach to Non-Performance Charges at an upcoming stakeholder engagement webinar.</p>
<p><b>The IESO should not require proponents to payback all excess deemed market revenues:</b></p> <ul style="list-style-type: none"> <li>• Many stakeholders indicated that the payback of excess deemed market revenues can lead to a potential double loss situation as deemed revenues are not actually realized</li> <li>• Some stakeholders indicated that the IESO should not finalize a decision and engage with stakeholders after the initial draft LT2 RFP and Contract are issued as other terms may make payback not necessary.</li> </ul>	<p>The IESO has included numerous protections in the E-PPA revenue model, significantly protecting against supplier downside while encouraging upside, however the IESO also needs to ensure ratepayer protection over the life of the contract. The IESO will be addressing the treatment of excess deemed revenues at a later time.</p>

## D) General Comments

Specific feedback is summarized below.

Feedback / Common Themes	IESO Response
<p><b>The IESO should protect at least 85% of the DAM settlement under the E-PPA mechanism.</b></p>	<p>The IESO has considered stakeholder feedback and will be bringing forth an updated proposal on its E-PPA design at the upcoming July 24, 2024 Stakeholder Engagement Webinar.</p>
<p><b>The IESO should consider an expedited process for biogas facilities that participated in the LT1 RFP:</b> one stakeholder indicated that many biogas facilities are ready for construction and may be able to achieve in-service dates in advance of 2030.</p>	<p>At this time the IESO is not considering a separate expedited process for biogas facilities that participated in the LT1 RFP. Proponents that participated in the LT1 RFP and were not awarded an LT1 Contract are encouraged to submit a proposal to the LT2 RFP.</p>

Feedback / Common Themes	IESO Response
<p><b>The IESO should introduce a small biogas program for facilities under 1MW:</b> one stakeholder indicated that several biogas facilities currently have no mechanism to re-contract, particularly if the MT2 RFP is also limited to facilities &gt; 1MW.</p>	<p>The IESO appreciates this feedback and is currently considering a separate program to enable small distribution connected facilities through the Enabling Resources Program. At this time, a separate program is not being considered for transmission connected facilities less than 1 MW.</p>
<p><b>The IESO should consider a pre-determined connection cost that will give small distribution projects (i.e. &lt;20 MW) greater certainty in project development costs.</b></p>	<p>The IESO appreciates this feedback. While the IESO is responsible for the connection assessment and approval process, connection costs are administered by Hydro One. Stakeholders are encouraged to engage with their Hydro One account executive or contact Hydro One for inquiries related to connection costs.</p>
<p><b>The IESO should better enable market participant readiness for MRP:</b> one stakeholder indicated that proponents may be behind in their preparation for market trials as the IESO is yet to release materials to support testing during market trials. Further, the IESO should provide additional MRP training to proponents to facilitate internal planning and coordination.</p>	<p>The IESO's Market Renewal Program recently held an engagement webinar for the kick-off of Phase 1 of its Market Trials on July 9, 2024. Stakeholders are encouraged to participate in the on-going implementation engagement series of the Market Renewal Program and can register to do so by contacting <a href="mailto:engagement@ieso.ca">engagement@ieso.ca</a>.</p>