

Feedback Form

Long-Term 2 RFP – July 4, 2024

Feedback Provided by:

Name: Lukas Deeg

Title: Director, Regulatory and Environmental Policy

Organization: Capital Power

Email: [REDACTED]

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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. If you wish to provide confidential feedback, please mark "Confidential".

Following the LT2 RFP July 4, 2024, 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 LT RFP [engagement web page](#).

Please submit feedback to engagement@ieso.ca by July 19, 2024.

MT2 RFP

Topic	Feedback
Do you have any feedback regarding resource eligibility under the MT2 RFP?	No comments at this time.

Do you have any feedback regarding the IESO's proposed method of determining the procurement target for the MT2 RFP?

Target as a percentage of submitted proposals

Capital Power fails to understand how setting any capacity-based target on already connected resources during a time when Ontario is facing a substantial need for energy will result in a more efficient outcome for ratepayers. Consistent with our previous submissions, we remain unsupportive of this approach.

Such an approach, even with a soft target, risks the retirement and loss of affordable and proven renewable facilities at a time clean, non-emitting energy is required by the IESO. The IESO may need to procure more costly generation in the LT procurements if existing generating resources opt to retire.

The IESO would likely be able to achieve the desired competitive outcomes without unnecessarily risking the retirement of proven assets by leveraging other standard RFP procurement practices and by simply having an effective reference price.

The IESO's suggested approach also raises several questions on how the RFP will be administered. For example, how will projects with different contract expiries be compared?

Assets with different expiry dates have inherent advantages, provides an effective backstop for LT2 and beyond, and will effectively support a more orderly resource transition as new resources come onto the grid. A capacity target ignores these advantages.

Proposal price threshold

Capital Power would like to better understand the IESO's marginal price + threshold approach to establish a reference price and what threshold the IESO is considering.

The approach does seem limited when viewed in the context of the IESO's broader resource adequacy framework. It has no contemplation of the cost of new generation, and it is quite possible that submitted MT2 projects will be more cost effective for ratepayers than LT2

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	projects. As such, Capital Power submits that any reference level price should also contemplate the cost of new generation in its decision making.

Do you have any feedback regarding the contract structure or term length under the MT2 RFP?

As a general comment, the overall term and provisional frameworks must be contemplated in the totality of the draft MT agreement and RFP. As such, Capital Power submits that these items should remain part of the review of the draft MT2 documents set to be released in August.

Revenue Model

Capital Power requests the IESO clarify if it intends to use the protected E-PPA model for the MT2 energy stream contract.

Assessing assets with different contract terms

As stated in previous submissions, renewable facilities coming off contract in 2026 and 2027 must urgently make life extension decisions, and Capital Power continues to believe extensions of these facilities' existing contracts until the end of their useful lives is in the best interest of ratepayers, the IESO, and asset owners.

Having assets with differing contract expiries participate in the same RFP creates a disadvantage for assets who have earlier expiring contracts. For example, assets retiring in 2026 and 2027 will have less opportunity to absorb life extension work in standard maintenance outages and operations. This will result in higher costs that must immediately be realized. Other RFP provisions proposed by the IESO in their webinar further limits the opportunity for these assets to complete necessary work. Facilities with a contract that expires later than 2027 will be able to incur costs later and potentially discount them when they prepare their valuation for the MT2 bid.

First year performance obligation

Capital Power is concerned that the IESO is considering no exception for the first year's performance obligations. These assets require life extension work to maintain safe and reliable operation. The IESO not accommodating this work risks the reliability of these assets over the contract term. Again, by not accommodating this work, the IESO is effectively impacting the overall competitiveness of assets set to retire in 2026 and 2027 as they do not have the same amount of time to complete extension work prior to

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	<p>the expiry of their existing assets. This risk will need to be contemplated in bids and will likely result in higher costs for these assets.</p> <p>With the above in mind, Capital Power submits that the performance obligation for assets coming off contract in 2026 and 2027 should be relaxed for the first two years of their operation.</p> <p>Capital Power will need to see the draft agreement to comment any further.</p>

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<p>Do you have any feedback regarding capacity qualification for the MT2 RFP?</p>	<p>Capital Power requests more information on how the IESO will undertake the qualification process.</p> <p>Subject to other contract provisions, Capital Power submits that proponents should still be able to submit a contract capacity and production factor. It is possible that for some facilities, specific components cannot be extended an additional five years. Such a scenario could result in the facility's total capacity being below its current nameplate capacity. It is also possible that historical production factors will not be a good representation of a facility's capability near the end of its life. Asset owners are in the best position to determine their facilities' capability and what production factor to submit considering all operational and commercial risks.</p> <p>With MT2 now being expedited, facility owners will not be able to complete a full assessment of equipment to determine capacity and operational risks associated with life extension prior to the IESO's proposed submission deadline. As such, the RFP and MT2 contract must make allowances for equipment that may not be able to extend, lower nameplate capacity, and declining production factors over time.</p> <p>As stated above, historical production factors may not be representative of production capability of an extended asset. Further, the contract provisions of the E-PPA model differs from assets today. Therefore, Capital Power submits that a qualifying capacity factor should be consistent with what the IESO proposed for LT2, with proponents having the flexibility to choose an appropriate production factor for the MT2 RFP as long as it remains higher than the minimum production factor but in line with historical performance.</p>
<p>Do you have any feedback regarding proposal submission fees and proposal security requirements for the MT2 RFP?</p>	<p>For security requirements, Capital Power recommends a parental guarantee be an option for proponents who has an investor grade credit rating.</p>

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Do you have any feedback to share regarding the IESO's proposed method of proposal evaluation under the MT2 RFP?	As stated above, Capital Power is concerned with how facilities with different contract expiries will effectively be evaluated. Strictly assessing the RFP on price will not account for the other inherent advantages of assets whose contracts are set to expire in different years and will likely create a disadvantage for assets whose contracts will expire earlier than others.

LT2 RFP Capacity Stream

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Do you have any feedback to share regarding the capacity stream under the LT2 RFP?	Capital Power would like to understand more on how different resource types will be evaluated against one another if the IESO will no longer use a bifurcation process in the procurement. Different resource types support reliability differently, and these attributes need to be appropriately reflected within the procurement to result in the desired resource mix that maintains a reliable, affordable, and clean system over the long term.

LT2 RFP Proposal Evaluation

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Do you have any feedback to share regarding the IESO's proposed method of proposal evaluation under the LT2 RFP?	<p>No comments related to the proposal evaluation at this time.</p> <p>Capital Power would like to better understand how deliverability assessments for LT2 as it relates to capacity resources.</p>

LT2 RFP Proposal Security

Topic	Feedback
Do you have any feedback to share regarding the proposal security requirements under the LT2 RFP?	Capital Power recommends a parental guarantee be an option for proponents who has an investor grade credit rating.

General Comments/Feedback