

# Feedback Form

## Long-Term 2 RFP – July 24, 2024

### Feedback Provided by:

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Following the LT2 RFP July 24, 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](#).

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 "Yes" below:

- Yes – there is confidential information, do not post**
- No – comfortable to publish to the IESO web page**

**Please submit feedback to [engagement@ieso.ca](mailto:engagement@ieso.ca) by August 9, 2024.**

# Draft LT2 Energy Contract

Topic	Feedback
Do you have any comments regarding the calculation of the monthly payment information presented?	<p>Given that settlement periods are monthly, the proposed inflation mechanism should be calculated/updated on a monthly basis to better align with the settlement mechanism. This is especially relevant within the current inflationary/interest rate environment and will result in more accurate payments to/from the Buyer/Supplier.</p> <p>Additionally, we recommend that the Contract Price be inflated, or a key commodities inflation indexing and inflation mechanism be built into the contract price to cover the period from the Contract Date to the Commercial Operations Date (COD). We feel that this takes into consideration the long lead time between the contract award and operations (~4-5 years) and the risk associated with the inflation of key capital expenditure items heavily dependent on commodity costs (turbines, solar panels, inverters, transformers, steel, concrete, etc) over that period.</p>
Do you have any comments regarding the treatment of excess deemed revenues or analysis to share? Please attach any supporting information.	<p>Excess deemed revenues should be split between the Buyer and Supplier. This incentivizes the Supplier to maximize monthly generation from the facility, which in turn will result in the IESO securing as much energy as possible for Ontarians in a period of a projected electricity supply deficit.</p> <p>The splitting of excess deemed revenue should not be offered in lieu of DART downside risk protection as the two contract mechanisms address separate and distinct issues. DART downside risk protection addresses risks associated with the introduction of the MRP while sharing of excess deemed revenues encourages Suppliers to maximize generation from a facility.</p>

Topic	Feedback
Do you have any comments regarding the proposed approach to the performance obligations?	<p>Production from wind and solar projects varies from year to year; this is normal and to be expected. Variations in production are not due to errors in estimating long term production. They are simply a result of variations in short and long-term weather patterns; variations that cannot be precisely and fully estimated. It does not benefit Ontario ratepayers to penalize project owners with performance LDs related to under-production, and conversely to not reward project owners for production above what was originally estimated. These LDs will simply be built into the long term PPA price and Ontario ratepayers will pay for this conservatism whether it occurs or not. We recommend the contract either be a "take and pay" style contract, or project owners have a mechanism to sell their surplus production, perhaps into a wholesale market, for production beyond their contractually estimated production.</p> <p>Given the short period of time being provided to project developers to prepare projects for the RFP, and the lack of clarity pre-bid that developers will have on key cost inputs like interconnection costs and interconnection availability, we further recommend that the bid security amount be refundable in the event a project developer receives these results post bid and they materially impact the PPA price offered to the IESO. Some form of guarantee or price cap around interconnection costs not controlled by the proponent will increase competitiveness and result in lower bid prices.</p>

## LT2 Capacity Contract - High-Level Design Details

Topic	Feedback
Do you have any comments or feedback regarding the design details presented for the Capacity Contract?	Similar to the energy contract, an inflation mechanism should exist that contemplates inflation from the Contract Date to COD.

## LT2 RFP Community Engagement Requirements

Topic	Feedback
<p>Do you have any comments or suggestions regarding the approach for community engagement?</p>	<p>Presently, all projects sited on Private lands require a Municipal Support Resolution (MSR) and re-zoning of applicable lands to submit into the LT2 RFP. Similar to the recent update that allows the Agricultural Impact Assessment (AIA) to be submitted within 18 months of the Contract Date, the rezoning requirement should be made to match the AIA requirement. Rezoning prior to RFP submission places a disproportionate amount of work on local governments (especially when several Proponents may submit RFP proposals in a given area) and is not the preference of project landowners as their lands will have to be re-zoned again if the RFP proposal is not successful. A path forward would be to introduce a requirement into the MSR that the local government commits to re-zoning the applicable lands proposed for the project, if successful in LT2.</p> <p>Additional clarity regarding MSR is also required for potential projects that are located on crown lands but fall within a municipality. It is not currently clear which entity the MSR needs to be issued from (the municipality, the crown, both, or neither). It is also not currently apparent which entity needs to issue an MSR if a potential project is located within a Lower and Single and Upper and District Municipal boundary.</p> <p>With respect to indigenous equity participation, we recommend that the RFP requirements require an executed Letter of Intent between the project developer and the indigenous group(s) and a Band Council Resolution from the indigenous group. We do not recommend fully executed partnership project agreements be required at the RFP stage because of the heavy cost and resource burden this places on indigenous groups and project developers in advance of knowing if their project has been successful in the RFP.</p>

## General Comments/Feedback

The lack of clarity surrounding the yet to be released updated interconnection guidance document, crown land engagement requirements with the closest municipality, and community engagement requirements prior to RFP submission are all combining to create material development risk for

proponents. The more information that can be provided on these topics the faster proponents can de-risk projects for submission into the RFP.