Feedback Form

Long-Term 2 RFP – September 12, 2024

Feedback Provided by:

Name: Justin Rangooni

Title: Executive Director

Organization: Energy Storage Canada (ESC)

Email: [redacted]

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Following the LT2 RFP September 12, 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 Long-Term RFP (ieso.ca).

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**
- X **No – comfortable to publish to the IESO web page**

Please submit feedback to engagement@ieso.ca **by September 27, 2024.**

LT2 RFP Deliverability Guidance – Update

Topic	Feedback
Do you have any feedback to share regarding the updated Preliminary Connection Guidance document?	ESC strongly requests that the IESO publish a Single-Line Diagram of the Ontario transmission network to accompany the geographical map published. Both documents are critical in understanding the transmission network and optimizing the location & design of new energy & capacity resources. ESC is concerned with the number of transmission circuits that have been listed as "avoid" along with the restrictive circuits listing. In many cases these circuits are long and offer the only connection option in an area. Ontario is expected to experience significant demand growth over the next decade but with uncertainty on the pace and location of the demand growth. Restricting or rejecting connection options because of a single view of future power system dynamics is short-sighted and does not consider the variety of options available to manage system constraints. For example, scheduling & dispatching resources under the new market design should be able to manage many of the thermal and other operating constraints. Further, the transmission system is undergoing broad expansion with many bulk and regional investments already underway. The resources being procured under LT2 are expected to operate for 20 years (and most likely longer). Their role and operating in the Ontario electricity system will rapidly evolve and are critical to meeting supply needs. ESC strongly recommends that the IESO reduce or eliminate restrictions and consider the long term capabilities of the transmission system when considering projects as part of any deliverability test.

Topic	Feedback
Do you have any feedback to share on the procedure to request access to the transmission system map or process to request pre-submission consultations?	ESC thanks the IESO for publishing the transmission system map, it is very helpful in understanding the Ontario power system and ensuring the right information is submitted to the IESO as part of their procurement processes. ESC is also pleased at the opportunity for its members to request pre-submission consultations. That being said, transmission map, connection guidance document and pre-submission consultations are not a substitution for a feasibility study on potential connection options for a project. To develop a cost-effective bid and reduce risk, proponents must understand the capabilities of the transmission network at the connection point, the connection asset requirements and design and options available for connection. The current process does not offer the information required to properly develop a proposal and will result in higher bid prices and lower participation. ESC has advocated for changes to the Transmission System Code (TSC) to support feasibility studies as part of IESO procurements funded by the proponents participating. This would provide greater flexibility and insight for IESO in their procurement processes and give greater confidence to participants when preparing bids. ESC strongly recommends that the IESO immediately look into better coordination with transmitters and connection assessments. IESO should be advocating for these changes to help meet their objectives and obligations to government policy.

Topic	Feedback
Do you have any feedback on the types of information that you would like to see in the LT2 Capacity RFP Guidance Document?	Q4 publication of the guidance document for LT2 capacity is too late and information must be published as soon as possible. Similar to comments above, the Ontario power system is expected to evolve significantly over the next decade and the contributions of new capacity resources will evolve with the power system. Creating an arbitrary restriction for a single year at the beginning of a project's operating life severely restricts the capability of the project to support the Ontario power system. The IESO must re-think their approach to connection assessment within the procurement process. Capacity resources can meet both resource adequacy needs along with bulk, regional and local transmission system needs. For LT2 capacity, the IESO should determine where new capacity resources are best sited to meet future system needs in multiple ways. Set-asides or locational specific procurements streams can help ensure that Ontario maximizes the value of investment in capacity resources. This is particularly true when considering hybrid resources that can offer firm energy and flexibility at lower land use and less interconnection costs.

LT2 RFP Design – Policy Considerations

Topic	Feedback
Do you have any feedback to share on the policy considerations outlined in the August 29, 2024, letter from the Minister of Energy and Electrification to the IESO?	ESC believes that the IESO should respond to the Minister that LT procurements become an annual activity with procurement targets, locational preferences and resource attributes adjusted to reflect the latest outlook for the province. ESC believes there is a significant gap in resource options based on the current eligibility and design for MT and LT procurements. In particular, there is no path for existing resources to make sustainment capital investments or enhancements to meet Ontario system needs. ESC has additional comments and a recommendation in the general comments section.

Draft LT2 Energy RFP and Contract

Topic	Feedback
Do you have any feedback regarding the recently posted LT2(e) RFP?	
Do you have any feedback regarding the recently posted second version of the LT2(e) Contract?	
Do you have any feedback to share on the proposed Rated Criteria for the LT2(e) RFP?	
Do you have any feedback to share on the proposed mandatory requirements for the LT2(e) RFP, including Municipal and Indigenous Support Resolutions requirements as well as requirements for siting projects on Crown Land?	
Do you have any feedback to share on the Indigenous and Community Engagement requirements for the LT2(e) RFP?	

Key Themes from Recent Stakeholder Feedback

Topic	Feedback
Do you have any feedback to share on the IESO responses to recent stakeholder feedback?	Given the expected demand growth projections, ESC believes that the IESO should consider moving to annual procurements for both energy and capacity. In addition, the deployment of resources for both system needs and local system requirements (i.e., as Non-Wires Solutions) likely requires either targeted procurements or parallel procurement within constrained areas.

General Comments/Feedback

ESC believes that the IESO should consider moving to annual procurements to meet Ontario's future system need. Annual procurements support investor and asset owner confidence to develop projects to determine options for existing resources to assess options. As mentioned in previous submissions, annual procurement objectives can be adjusted to reflect the latest system outlook and needs. This can include the quantity of energy and capacity procured, the locational preferences and the service requirements.

ESC believes that the current procurement designs inadvertently restrict investment options and resource development possibilities. Specifically, the ability of an existing resource to offer different continued operational configurations and enhancements removes some of the most cost-effective solutions for Ontario. In addition, these facilities have existing interconnection capacity and established energy center sites in communities. The sites would also have a higher rate of success in reach commercial operation compared to new greenfield development. To be clear, ESC believes the IESO will still need greenfield sites given the demand growth expectations, but all options should be considered in meeting future system needs.

In the immediate term under the MT program, the IESO should allow proponents with site access the option to offer projects for different fixed contract term. For example, an existing capacity resource may be able to operate for 5 years (i.e., current MT Contract term length) for a specific price. That same proponent could determine that with some sustainment capital investment a lower capacity price could be offered but would require 10-year contract term to recover the costs. Further, a complete rebuild at the site using the existing interconnection capacity could be completed for a third price over a 20-year contract term. The important aspect for the IESO to understand is that continued operation may only be capable for 5 years while capital investment would allow longer operational life, so different contract terms are required to reflect the operating life extension (or rebuild). ESC therefore recommends that the IESO adopt annual procurements and also adopt the ability of proponents to submit different prices for different pre-determined contract term lengths (e.g., 3-years, 5-years, 10-years and 20-years). For each annual procurement, the IESO can issue guidance (e.g., a range or upper limit) on how much capacity or energy they need for different term lengths. The IESO can also retain the right to select the best combination of projects and term length offers to meet future Ontario system needs.

In the longer-term, the IESO should seek to integrate the MT and LT procurements to a single annual procurement for capacity and energy with guidance on targets for different contract term lengths. This is a similar approach taken by government borrowing and central banks to assess market conditions and product offering prices. An additional benefit of the multiple term submissions by proponents is that the IESO can target capacity and energy development in regions that only have short term needs. For example, areas where transmission expansion is expected but with in-service dates outside of 8-10 years, a targeted capacity procurement for resources with 5-10 year contract terms would be beneficial. Energy storage resources offer all existing resources the ability to greatly enhance their facilities and maximize the interconnection capacity that exists.

The integration of MT and LT procurements also resolves a core issue of timeline crunch do to the instance of IESO to operate a deliverability assessment. Having a single annual procurement will allow the IESO to operate one deliverability assessment each year and to provide updated and

detailed insight into the power system connection capability through guidance and analysis documents. This would greatly increase confidence for proponents developing projects or upgrade plans.