



Chuck Farmer
Vice President, Planning, Conservation and Resource Adequacy
Independent Electricity System Operator
1600-120 Adelaide Street West
Toronto, ON M5H 1T1

May 9, 2025

Dear Chuck,

This submission responds to the Independent Electricity System Operator's (IESO's) invitation for feedback in relation to the April 24, 2024, webinar (the "webinar") on the Long-term 2 Request for Proposals (LT2 RFP).¹

Power Advisory has coordinated this submission on behalf of a consortium of renewable generators, energy storage providers, Energy Storage Canada (ESC) and Canadian Renewable Energy Association (CanREA) (the "Consortium").²

We would like to thank the IESO for its continued outreach to stakeholders during the ongoing development of the LT2 RFP. We think that the IESO is making great strides in developing a procurement process that will efficiently share risk and encourage participation. We are pleased to see that the IESO is taking a proactive stance regarding the emerging trade challenges that are confronting developers. During the webinar, the IESO outlined three different measures aimed at addressing these challenges. We generally support these measures and offer comments to improve them on a going forward basis. We do note, however, that these measures do not address the entirety of the financing issues associated with tariff exposure. Without clear outcomes, proposal prices will need to be risk-adjusted if prices are locked in at the proposal submission deadline and lenders will be reluctant to lend to projects given the uncertainty.

Two-Stage Proposal Submission

We take a neutral position on the two-stage proposal submission. As we understand it, the non-price proposal would be submitted first and then the price proposal would be the second submission. If all tariffs that would apply to a developer's equipment and materials were known with certainty in advance of the second stage price submission, there are definite advantages to this approach. If, on the other hand, tariffs emerge after the second stage price submission, there would be no way to address the increase in cost and the approach falls short in this respect. There is also a risk for the IESO that it might be inundated with less developed projects because it has effectively lowered the cost of entry to the process.

¹ See <https://www.ieso.ca/-/media/Files/IESO/Document-Library/engage/long-term-rfp/lt2-rfp-20250424-presentation.pdf>

² The members of the Consortium are: ESC; CanREA; Axiom Infrastructure; BluEarth Renewables; Boralex; CarbonFree Technology; Connor, Clark & Lunz; Cordelio Power; EDF Renewables; EDP Renewables; Enbridge; ENGIE; Evolugen (by Brookfield Renewable); FirstLight; Kruger Energy; Liberty Power; NextEra Energy Canada; Northland Power; Pattern Energy; Potentia Renewables, RES; and wpd Canada.

Pre-COD Contract Price Escalation

This approach as we understand it, consists of escalating the entire proposal price using CPI prior to COD. We generally support this approach and recognize that there is precedent from past procurements for doing this.

Mechanism to Re-Submit Contract Price

As we understand it, this mechanism would trigger if a tariff were to be introduced by the Canadian federal government that would have a material impact to the capital costs of a project. The mechanism should only trigger if a tariff were to be introduced after the submission of proposals, but before major equipment would be expected to be purchased for a project, has a material impact on project cost. The IESO may establish a set time period to reflect this. If the parties agree that the mechanism should be triggered, the developer would be allowed to re-submit its price for consideration by the IESO to reflect the impact on the capital costs of its project. The IESO would accept or reject the re-submitted price in its sole and absolute discretion. If the IESO were to reject the re-submitted price, the developer would have the opportunity to exercise an off-ramp to terminate its contract and have a percentage of its Proposal Security returned.

We generally support this proposed with the following recommendations:

- a) There should be no limits on the number of times a developer invokes this mechanism since it exercises no control whatsoever of the occurrence and timing tariffs, duties, levies, etc. We request that the IESO provide clarity on this by confirming that this is acceptable.
- b) Further clarity on the definition of material impact and any associated triggers and/or thresholds is required.
- c) The proposed time period should be extended beyond "*when major equipment would be expected to be purchased for a project*" as tariff risk may remain even after equipment is ordered.
- d) If the IESO rejects the re-submitted price, we agree that the developer should have the opportunity to exercise an off-ramp to terminate its contract and strongly recommend that the entire proposal security be returned. The developer should also have a percentage of its verified sunk development costs reimbursed, too. The developer has no control over the imposition of tariffs and other such levies on equipment and materials and ought not to be penalized.



We will be pleased to meet with IESO about this submission at a mutually convenient time.

Sincerely,

A handwritten signature in black ink, appearing to read "JCA", followed by a vertical line.

Jason Chee-Aloy
Managing Director
Power Advisory

cc:

Barbara Ellard (IESO)
Justin Rangooni (ESC)
Leonard Kula (CanREA)
Elio Gatto (Axiom Infrastructure)
Roslyn McMann (BluEarth Renewables)
Adam Rosso (Boralex)
David Oxtoby (CarbonFree Technology)
Jason Woods (Connor, Clark & Lunn)
Paul Rapp (Cordelio Power)
David Thornton (EDF Renewables)
Nathan Roscoe (EDP Renewables)
Sukhminder Purba (Enbridge)
Sarah Bresolin (ENGIE)
Julien Wu (Evolugen by Brookfield Renewable)
Stephen Somerville (First Light)
JJ Davis (Kruger Energy)
Deborah Langelaan (Liberty Power)
Michelle Gardner (NextEra Energy)
Brandon Kelly (Northland Power)
John O'Neill (Pattern Energy)
Jennfier Tuck (Potentia Renewables)
Stephen Cookson (RES)



Ian MacRae (wpd Canada)

