

Feedback Form

Long-Term 2 RFP – May 21, 2025

Feedback Provided by:

Name: Tammy Wong

Title: Senior Market Specialist

Organization: Ontario Power Generation

Email: [REDACTED]

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To promote transparency, feedback submitted will be posted on the LT2 RFP engagement page unless otherwise requested by the sender.

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

Following the LT2 RFP May 21, 2025, 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 LT2 [engagement web page](#).

Note: The IESO will accept additional materials where it may be required to support your rationale provided below. When sending additional materials please indicate if they are confidential.

Please submit feedback to engagement@ieso.ca by May 29, 2025.

Post-Proposal Applicable Tariffs

Do you have any comments related to the approach to mitigating the risk of Post-Proposal Applicable Tariffs presented during the webinar?

Gas Turbine Delivery Delay Provisions

Do you have any comments related to the approach to handling potential delays in the delivery of gas turbines presented during the webinar?

Crown Land Site Report and MNR Confirmation Letter

Do you have any comments related to the CLSR and MNR Confirmation Letter requirements presented during the webinar?

LT2 RFP Deliverability Update

Do you have any comments regarding the deliverability guidance updates presented during the webinar?

General Comments/Feedback

Post-Proposal Applicable Tariffs

OPG supports and appreciates the IESO's efforts to establish a mechanism to in part mitigate the risk of post-proposal tariffs. Implementing such a mechanism is needed to provide greater clarity and certainty to both project proponents and the IESO in a continually evolving space. Provided below are OPG's concerns regarding the clarity, objectivity and limited flexibility of the proposed approach to address Post-Proposal Applicable Tariffs, along with potential solutions to enhance the process.

1. Assessing Tariff Adjustment Events

A *Tariff Adjustment Event* is defined as "where total Capital Cost based on third party documentation increases by more than 10%..." However, the Economic Bid Statement Form only requires proponents to submit a Fixed Price (i.e., \$/MWh for energy or \$/MW-Business Day for capacity) and does not require a breakdown of capital costs. Given this, it is unclear how the IESO will determine what was included in the original capital cost calculation, or whether any premium was incorporated to account for potential risk of future tariffs.

Recommendation:

Can the IESO clarify the process it will use to determine whether a capital cost increase of 10% or more has occurred, considering that this assessment is at the sole discretion of the Buyer, and proponents are not required to provide a breakdown of their capital costs at the time of bid submission?

Additionally, while the IESO has established a minimum threshold of 10% before a Supplier may submit a Tariff Adjustment Notice (TAN), could the IESO clarify whether there is a maximum limit or specific percentage cap on that proponents are permitted to include in a TAN submission?

2. Termination Conditions Too Restrictive

The contract provides that where a *Proposed TAE Price Notice* is rejected, the Agreement is cancelled and the IESO keeps 50% of the security as liquidated damages (LD), which is not insignificant on larger projects. This approach is overly restrictive and places disproportionate risk on the proponent.

For example, given the timelines, the IESO may terminate a contract as late as 12 months before Milestone Commercial Operation Date (MCOD) which poses a significant risk for the proponent, as the facility is typically close to fully constructed and preparing for commissioning. From a reliability perspective, the IESO-controlled grid requires these resources, thus progressing the projects benefits the grid. Termination due to rejected tariff cost recovery, therefore, presents a substantial risk for proponents.

Recommendations:

Where a *Proposed TAE Price Notice* is rejected, the IESO should allow the Buyer the option to either continue with the contract at the original awarded bid price or terminate the contract.

Retaining 50% of the bid security as liquidated damages places an undue and disproportionate amount of risk on the proponent. OPG recommends that the portion of security retained by the IESO in the event of contract termination be set at less than 50%, recognizing that the Supplier will have incurred costs, which become increasingly significant as a TAN is issued closer to the MCOD.

3. Defined Process for Acceptance/Rejection Needed

Acceptance or rejection of the *Proposed TAE Price Notice* is at the sole and absolute discretion of the IESO. There is no defined process to ensure transparency and fairness of the decision.

Recommendation:

Clarity and certainty of the assessment criteria of the *Proposed TAE Price Notice* is required. The IESO should develop and share objective criteria/guidance on how it assesses a *TAE Price Notice* to determine approval or rejection.

OPG appreciates the opportunity to provide comments and welcomes an opportunity to discuss further.