

Long-Term 2 RFP – August 20, 2026

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Date: September 4, 2026

To promote transparency, feedback submitted will be posted on the Long-Term 2 RFP engagement page unless otherwise requested by the sender.

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NO - There is confidential information, do not post

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YES - Comfortable to publish to the IESO web page

Following the August 20th, Long-Term 2 RFP 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 Procurement engagement webpage](#).

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 September 4, 2026.

Repowering

Do you have feedback on the proposed requirements?

Environmental Defence Canada supports repowering as a tool to preserve viable, affordable, non-emitting electricity resources. However, we oppose the IESO's proposed framework for LT2 Window 2, under which repowering projects would compete directly with new builds within a unified pool and volume cap.

As recommended in our April 21, 2026 submission, existing non-emitting facilities should have access to a separate, streamlined repowering and recontracting pathway that is additional to the LT2 New Build Target. Repowering should complement—not substitute for—the procurement of new clean electricity. Ontario needs both to preserve existing non-emitting supply and build substantial new resources to meet growing electricity demand.

We are also concerned that the proposed framework does not adequately distinguish between repowering fossil fuel facilities and non-emitting resources. Extending the life of fossil gas infrastructure has fundamentally different consequences for emissions, fuel-price exposure, public health and stranded-asset risk. The framework should prioritize non-emitting resources and the transition of existing fossil fuel generation to clean alternatives.

Repowering: Requirement for Commercial Operation

Environmental Defence supports rigorous performance requirements for repowered facilities. Requiring an Independent Engineer to certify that the repowering work is reasonably designed to enable the facility to operate until the end of its contract is an appropriate measure to protect reliability and ratepayer value.

These requirements should be sufficiently rigorous to prevent contracts from being awarded to facilities that cannot operate reliably for the full contract term, while avoiding unnecessary administrative barriers for viable non-emitting facilities seeking to modernize.

Certification should also be considered alongside the different public-interest implications of repowering emitting and non-emitting facilities. Demonstrating that a fossil fuel facility can continue operating until contract expiry does not establish that extending its life is in Ontario's broader economic, environmental or public-health interest. Commercial-operation requirements should therefore be accompanied by procurement safeguards that prioritize non-emitting resources and avoid locking Ontario into continued fossil fuel dependence.

Repowering: Competition Mechanics

Environmental Defence has significant concerns about the proposed competition mechanics. As stated in our April 21, 2026 submission, repowering existing facilities should not compete directly against the new non-emitting resources Ontario needs to meet growing electricity demand.

The proposed approach creates four principal problems:

1. **Repowering would displace new supply.** Accepting repowering proposals within the LT2 New Build Target would reduce the amount of new electricity capacity procured. Preserving existing generation does not meet incremental demand in the same way as adding new supply.
2. **The price threshold is uncertain.** Repowering proposals would be required to fall below a marginal new-build price that only emerges through the competition. This provides limited advance certainty for proponents considering investments in existing clean infrastructure.
3. **The cap may artificially limit clean repowering.** Tying the Repowering Cap primarily to the maximum acceptable level of concurrent outages may prevent otherwise cost-effective non-emitting projects from being repowered, rather than assessing their broader system value.
4. **The framework does not distinguish between fossil fuel and non-emitting facilities.** A price-ranked competition that does not account for emissions, fuel-price volatility, public-health effects or stranded-asset risk could facilitate the life extension of fossil gas generation. It could also allow fossil fuel repowering to displace both non-emitting repowering and new clean electricity projects.

Environmental Defence recommends establishing a separate, streamlined repowering and recontracting pathway for existing non-emitting facilities, with appropriate contract lengths and safeguards, operating in addition to the LT2 New Build Target. This would preserve existing affordable clean electricity while ensuring LT2 delivers the substantial new non-emitting supply Ontario requires.

If the IESO retains repowering within LT2, it should, at minimum, establish technology-specific guardrails or sub-targets that prioritize non-emitting resources, account for the wider costs and risks of fossil fuel generation, and ensure fossil fuel repowering cannot displace new clean electricity procurement.

Federal Crown Land

Please inform the IESO if you intend to site your project on federal Crown land.

Not applicable to our organization.

Disclosure of Additional Pricing Information for Window 1

Do you have feedback the IESO should consider when determining whether to release price curves for LT2 Window 1?

Publishing sequential proposal prices from lowest to highest—without identifying information—would meaningfully advance transparency while appropriately protecting commercially sensitive details. This approach strikes the right balance between public accountability and procurement integrity. Price curves would help ratepayers, municipalities, Indigenous communities, and policymakers better understand the competitiveness of Ontario's clean energy market, the range of pricing received, and the value delivered through public procurement. Greater pricing transparency can strengthen market confidence, improve future proposal quality, and support evidence-based policy decisions—all without compromising future competition or revealing proprietary bid strategies. Thus, releasing price curves would be consistent with Environmental Defence's longstanding position that electricity procurement—funded by ratepayers and critical to Ontario's climate and economic future—must be conducted with maximum feasible transparency and public accountability.

General Comments/Feedback

Do you have additional feedback to share with the IESO?

Window 1 delivered an important market result that the IESO has reported but has not explicitly interpreted: when fossil gas competed directly with battery storage for capacity, storage won every contract and gas won none. Similarly, the energy stream attracted a large and diverse field of renewable-energy proposals with municipal support, but no gas proposals. This should be publicly recognized as a strong market signal that storage was more competitive than gas for the capacity product procured through Window 1 and that there is strong market interest in renewable energy in Ontario—not presented simply as a list of technology-specific results.

Yet despite these results, the draft Window 2 design—together with additional capacity-stream changes now under consideration—could weaken fair competition, tilt the procurement toward gas and undermine the IESO's stated commitment to technology-agnostic procurement. The following sections explain how key Window 2 design choices could give emitting resources an unfair advantage over non-emitting alternatives.

1. Potentially creating a separate pathway for gas

Most immediately, as the IESO is considering changes to the Window 2 capacity stream, the proposed design changes could weaken direct competition between battery storage and gas. These include alternatives to a single capacity target, potentially through separate targets for storage and non-storage resources. The IESO is also analyzing the relative capacity value of storage and fossil gas

and has delayed releasing the draft capacity documents while it determines whether and how to change the procurement.

Environmental Defence Canada is concerned that moving away from a single capacity target could shield gas from direct competition with battery storage. Although a separate non-storage target would not formally be limited to gas, 31 of the 32 non-storage proposals in Window 1 were gas. In practice, it could function as a reserved allocation for gas after storage won every contract in an open competition.

The success of battery storage should be treated as a valid market result, not a problem requiring the procurement to be redesigned. If the IESO identifies a capacity need that current battery configurations cannot meet, it should clearly define the required duration and operating characteristics, publish the supporting analysis, and allow all capable resources—including longer-duration storage, demand response, hydroelectricity and other non-emitting options—to compete to provide that service.

Any departure from a single capacity target should be narrowly tied to a transparently demonstrated reliability need. It should not be used to guarantee fossil gas a role that it did not secure through open competition in Window 1.

2. Repowering could give existing gas plants a structural advantage

The proposed repowering framework is formally technology neutral but could favour gas in practice. Eligibility is generally limited to facilities with a medium-term contract or those commissioned by May 1, 2009. Most Ontario wind and solar facilities were built after that date, while battery storage is newer still. Several large gas plants, by contrast, may qualify.

Eligible gas plants would also benefit from existing sites, transmission connections, pipelines, permits and other sunk infrastructure. Repowering projects that do not increase their existing capacity would be presumed deliverable, while new renewable and storage projects must secure sites and connections and pass deliverability assessments. These advantages could produce lower gas bids without reflecting the fuel costs, price volatility and emissions extended through another long-term contract.

Repowering projects would also have access to a separate cap beyond the new-build target if they bid below the most expensive selected new project. Given the likely composition of the eligible pool, this could provide aging gas plants with a contract pathway that is not meaningfully available to newer renewable and storage facilities.

The IESO should disclose eligible repowering capacity by technology and assess the full contract, fuel and emissions costs of gas repowering. It should establish a distinct pathway for non-emitting

repowering, while considering gas only where a specific reliability need cannot be met more cost-effectively by non-emitting alternatives.

3. Reduced DARTA protection shifts more risk onto wind and solar

The Day-Ahead to Real-Time Adjustment (DARTA) mechanism represents another design choice that could make Window 2 less equitable for clean energy. Environmental Defence Canada supports the IESO's decision to retain DARTA for LT2(e-2), as renewable-energy stakeholders warned that eliminating it would transfer significant and largely uncontrollable market risk onto variable generators. However, reducing the protection threshold from 85% to 60% transfers more largely uncontrollable market risk to wind and solar proponents.

Wind and solar facilities must forecast their production in advance, but weather and system instructions can cause actual output to differ from day-ahead schedules. Reducing DARTA does not make that risk more manageable; it requires proponents and their lenders to absorb more of it. This can increase financing costs and bid prices, reduce competition and make projects less likely to proceed.

Weaker DARTA protection could therefore make wind and solar appear less competitive—not because their underlying costs have increased, but because the procurement design places more risk on variable renewable resources than on generators that control when they produce. The IESO should maintain DARTA at no less than 60% and should not reduce or remove it in future windows without publishing a quantitative assessment of the effects on project financeability, competition, bid prices and ratepayer costs.

4. Domestic-content rules must not become another barrier to non-emitting technology

Environmental Defence Canada supports creating Canadian jobs and strengthening domestic energy security. However, these objectives should be advanced through a phased, incentive-based approach—not requirements that could restrict renewable-energy and battery-storage procurements, raise costs or delay projects.

This is particularly important given the broader provincial policy direction under Bills 5 and 40, which enables restrictions on foreign participation and the procurement of goods and services from specified jurisdictions, including within Ontario's electricity sector. Wind, solar and battery projects depend on global supply chains for components that are not yet manufactured in Canada at the scale Ontario requires. If poorly coordinated or overly restrictive, the foreign-participation and sourcing restrictions enabled by the province—combined with LT2's domestic-content provisions—could narrow the pool of viable clean-energy projects, disrupt existing investments and partnerships, and jeopardize procurement and reliability timelines.

Furthermore, any domestic-content rules must also be applied consistently. Ontario continues to depend heavily on fossil fuels for gas generation imported from the United States, exposing ratepayers to ongoing foreign-fuel costs and price volatility during an active trade war. Renewable and storage projects may require imported equipment initially, but they do not create decades of dependence on imported fossil fuel. Hence, a framework that penalizes non-emitting energy projects for internationally sourced components while ignoring gas generation's continuing reliance on imported fuel would provide a distorted picture of energy security and could further tilt the procurement toward gas.

Therefore, the IESO should prioritize Canadian labour, engineering, construction, electrical equipment, operations and maintenance while recognizing current domestic manufacturing limitations. Domestic-content provisions should be phased and incentive-based, strengthening Canadian supply chains without restricting access to the global components needed to deliver renewable-energy and storage projects at the scale required through 2035 and 2050. They should be announced well before proposal submission, coordinated with potential foreign-participation regulations, and should not be retroactive or impose sourcing obligations that cannot reasonably be met.

The IESO should also publish how these incentives affect proposal rankings, actual project costs and ratepayers, and assess whether they reduce renewable and storage participation. Domestic supply-chain development should support—not constrain—the timely and affordable deployment of non-emitting electricity resources.

Conclusion

Taken together, the capacity-stream changes under consideration, the structurally unequal repowering framework and reduced DARTA protection could tilt Window 2 toward gas despite the competitive results of Window 1. Domestic-content provisions could create an additional barrier for renewable energy and battery storage if they are not designed around the realities of non-emitting energy supply chains.

The IESO should ensure that every design decision responds to an independently demonstrated system need and that the combined effect of these decisions does not create preferential treatment for fossil gas. Window 2 should build on the strong competition and clean-energy market interest demonstrated in Window 1—not redesign the procurement to produce a predetermined role for gas.

Recommendations Summary

Environmental Defence Canada recommends that the IESO:

1. **Maintain open capacity competition:** Retain a single capacity target unless the IESO transparently demonstrates a specific system service that cannot be secured through that

approach. Do not establish a separate non-storage target that effectively guarantees an allocation for gas.

2. **Publish the capacity-value analysis:** Release the assumptions, methodology and results of the IESO's comparison of storage and gas, including the duration and operating characteristics of the identified reliability need and an assessment of non-emitting alternatives.
3. **Create an equitable repowering framework:** Procure repowering separately from new builds, with distinct pathways for emitting and non-emitting resources. Approve gas repowering only where a demonstrated reliability need cannot be met more cost-effectively by non-emitting alternatives.
4. **Retain DARTA:** Maintain DARTA at no less than the 60% threshold contained in the draft LT2(e-2) contract and make future changes contingent on a published assessment of financeability, competition, bid prices and ratepayer impacts.
5. **Adopt a phased, incentive-based approach to domestic content:** Prioritize Canadian labour, services and available equipment without restricting access to global components needed for renewable-energy and storage projects. Ensure the provisions are realistic, non-retroactive and transparently assessed for their effects on competition, project costs and ratepayers.
6. **Expand clean-energy procurement opportunities:** Set ambitious Window 2 targets reflecting Ontario's growing needs and strong clean-energy pipeline, and improve transmission access, while procure repowering separately from new builds.