

# Stakeholder Feedback and IESO Response

## Long-Term 2 RFP (LT2 RFP) – September 06, 2024

Following the July 4, 2024, LT2 RFP stakeholder engagement webinar, the Independent Electricity System Operator (IESO) invited stakeholders to provide feedback on the MT2 RFP, LT2 RFP Capacity Stream, LT2 RFP Proposal Evaluation, and LT2 RFP Proposal Security. The IESO is currently in the design stage of the LT2 RFP. Feedback is posted on the Long-Term RFP [engagement webpage](#). Please reference the feedback forms for specific feedback as the information below is provided in summary.

### Note on Feedback Summary and IESO Response

The IESO appreciates the feedback received from stakeholders and communities. The tables set out below respond to the feedback received and are organized by topic.

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## A) MT2(c) RFP and MT2(e) RFP (Medium Term 2 Capacity RFP and Medium Term 2 Energy RFP)

Stakeholders were largely supportive of bifurcating the MT2 RFP into capacity and energy streams (MT2(c) RFP and MT2(e) RFP). However, while some stakeholders were supportive of the 80% procurement target threshold put forth by the IESO, the large majority were unsupportive and felt the IESO should target procurement of 100% of all submitted proposals. There was mixed feedback on proposal security, with some stakeholders feeling the proposed amounts were necessary while others felt the security amount should be reduced. Many stakeholders agreed with the IESO approach to evaluate based solely on price, however many requested clarity on whether municipal support resolutions would be required. Specific feedback on the MT2 RFP is summarized below.

Feedback / Common Themes	IESO Response
<p><b>The IESO should expand MT2 RFP eligibility to include facilities with contracts expiring before December 31, 2029.</b></p>	<p>The April 30th deadline is consistent with the previous MT1 RFP. Facilities with contracts expiring after April 30, 2029 will be eligible to participate in the MT3 RFP and pursue a contract beginning on May 1, 2030, and may potentially be eligible for a 6-month bridging extension. Alternatively, proponents may choose to exit their existing contract early to meet the April 30th deadline for MT2.</p>
<p><b>Can resources participate in both the energy and capacity streams of the MT2 RFP.</b></p> <p>How is a resource’s capacity to participate in the capacity stream impacted by its participation in the energy stream.</p>	<p>Existing eligible resources can participate in either the MT2(c) RFP or the MT2(e) RFP, not both. For the MT2(c) RFP, a Qualified Facility is an existing registered facility under the IESO Market Rules that is not registered as a variable or self-scheduling generation facility (capacity resources such as natural gas or storage facilities). An existing facility that is registered as a variable or self-scheduling generation facility under the IESO Market Rules would be eligible to participate in the MT2(e) RFP only.</p>

Feedback / Common Themes	IESO Response
<p><b>The IESO should allow existing renewable facilities to expand with a Battery Energy Storage System (BESS) under the MT2 RFP.</b></p> <p>The expansion could secure an energy contract for the wind/solar facility and a separate capacity contract for a BESS expansion.</p> <p>Expansions would enhance product offerings, realize efficiencies of new market design and maximize value for Ontario rate-payers.</p> <p>Expansions could be limited to existing interconnection capacity, reducing implementation risk.</p>	<p>Facility expansions are not eligible under the MT2(c) RFP or MT2(e) RFP. Allowing an existing facility to expand with a BESS would require the introduction of a lengthy deliverability testing component to the procurements. Stakeholders have expressed the desire for the IESO to develop a simple and expedited procurement for MT2 RFP to be completed in advance of the LT2 RFP.</p> <p>Proponents proposing new battery storage facilities should seek to participate in the LT2 RFP.</p>
<p><b>Clarify if facilities that are currently off contract are eligible to participate in the MT2 RFP.</b></p>	<p>Existing facilities that are currently off contract are eligible to participate as long as the facility has had a contract with the IESO, OPA or OEFC at some point in the past.</p>
<p><b>Clarify how facilities with 20-year OEB licenses that expire before the end of MT2 RFP will be eligible to participate when the requirement is that they must have permits to continue operating until the end of MT2.</b></p>	<p>It is the responsibility of the Proponent to ensure that all necessary licenses, approvals and permits are up to date, valid for operation and in good standing for the duration of the MT2(c) Contract or MT2(e) Contract, as applicable.</p>
<p><b>The IESO should not set the MT2 RFP procurement target as a percentage of the total proposals submitted:</b></p> <p>The MT2 RFP should reacquire all existing resources coming off contract between 2026-2029, to support continued system reliability and economic growth</p> <p>A Proponent suggested a 95% clearing threshold to provide certainty to suppliers and encourage participation</p>	<p>The IESO endeavours to recontract all existing resources coming off contract between 2026-2029. However, to protect the ratepayer the IESO cannot accept all projects regardless of price. The IESO's methodology is more aligned with re-contracting <u>at least</u> 80% of existing resources to support continued system reliability, and depending on the reasonableness of prices of Proposals above the 80% threshold, awarding as many additional contracts that would be of value to the ratepayer. If prices submitted into the MT2(c) RFP and MT2(e) RFP are reasonable, there is a likelihood that 100% of projects could be awarded contracts.</p>

Feedback / Common Themes	IESO Response
<p><b>Clarify how the IESO’s marginal price and percentage threshold approach will be used to establish a reference price:</b></p> <p>The reference price should contemplate the cost of new generation so that existing resource aren’t being abandoned for more expensive LT2 RFP projects.</p>	<p>The IESO will not be setting a reference price based on the cost of new generation. The pool of eligible resources for the MT2(c) RFP and MT2(e) RFP are existing facilities whose construction/financing costs should have already been covered through previous contracts and depreciation and therefore setting a reference price based on the net CONE (Cost of New Entry) of a new-build facility is not appropriate.</p>
<p><b>The IESO should offer term lengths greater than 5 years:</b></p> <p>The ability for Proponents to amortize costs over longer term periods will generate greater savings for ratepayers as Proponents can reasonably be expected to deploy significant capital into ~20-year old projects that are currently in operation.</p>	<p>If the capital required to extend the life of the facility is too great to be amortized over 5 years at a reasonable cost to ratepayers, the facility would be better suited to pursue repowering under the LT3 RFP or other future long-term procurements.</p>
<p><b>Will the IESO be offering the protected E-PPA model for MT2 RFP energy stream.</b></p>	<p>Yes, the IESO is proposing to use the E-PPA settlement model for the MT2(e) Contract under the MT2(e) RFP (for the energy stream).</p>
<p><b>The IESO should publish detailed analysis demonstrating how Qualifying Hours were determined for the MT2 RFP:</b></p> <p>Do those hours remain critical hours for capacity throughout the contract term of MT2 RFP.</p>	<p>Qualifying Hours, as defined in the MT2(c) Contract, align with the assumptions of the Annual Planning Outlook, as well as the MT1, E-LT1 and LT1 Contracts. Provisions exist in the MT2(c) Contract to make modifications to the definition of Qualifying Hours as necessary based on changes in system conditions.</p>

Feedback / Common Themes	IESO Response
<p><b>Having assets with different contract expiry dates participate in the same RFP creates a disadvantage for assets who have earlier expiring contracts:</b></p> <p>Assets retiring in 2026 and 2027 will have less opportunity to absorb asset life extension work in standard maintenance outages and operations. This will result in higher costs that must immediately be realized.</p> <p>Performance obligations for assets coming off contract in 2026 and 2027 should be relaxed for the first two years of their operation.</p>	<p>Performance obligations for the MT2(e) Contract or the MT2(c) Contract, as applicable will be uniform for all Proponents in the respective procurement, regardless of their contract expiry date. Facilities that require significant investment/refurbishment to meet the performance obligations established for the MT2(e) Contract or MT2(c) Contract should consider participating in the LT3 RFP as repowered facilities.</p>
<p><b>Confirm that the MT2 Contract holders will be allowed to terminate their contract prematurely and without penalty if they were successful in obtaining a future Long-Term RFP contract for repowering.</b></p>	<p>Yes, the MT2(e) Contract and the MT2(c) Contract will contain a provision to allow suppliers to exit their contract early if they are awarded a future long-term contract with the IESO pursuant to a competitive RFP for repowering.</p>
<p><b>Confirm that in future Long-Term RFPs, proponents would be able to combine two or more Medium-Term type contracts to offer a combined repowering project:</b></p> <p>For example, a proponent might have two MT2 Contracts with different end dates, which cover facilities adjacent to each other and of the same technology type. In the LT2 RFP, said proponent would be able to offer a single repowering project that combines the two facilities to take advantage of economies-of-scale; and, if successful in the LT2-RFP, be allowed to terminate the two MT2 Contracts without penalty.</p>	<p>Yes, adjacent facilities that have been awarded MT2(e) Contracts or MT2(c) Contracts would be able to exit their contract, provided they are awarded a long-term procurement contract.</p>
<p><b>The production factor and capacity qualification for the MT2 RFP should be based on the actual performance of the facility over the last 5 years.</b></p>	<p>The proposed qualification methodologies (as outlined in the draft MT2 RFP Capacity and Energy Qualification Guidance Document posted on August 19<sup>th</sup>) for the MT2(e) and MT2(c) RFP are based on facility specific historical data from the last 5 years.</p>

Feedback / Common Themes	IESO Response
<p><b>Explain the difference in UCAP calculation from the MT1 RFP to the MT2 RFP.</b></p>	<p>The IESO posted a <a href="#">MT2 RFP Capacity and Energy Qualification Guidance Document</a> that explains in depth the capacity qualification methodology on August 19, 2024.</p>
<p><b>Proponents should be able to submit a contract capacity and production factor:</b></p> <p>It is possible that for some facilities, specific components cannot be extended an additional five years. Such a scenario could result in the facility's total capacity being below its current nameplate capacity.</p> <p>It is also possible that historical production factors will not be a good representation of a facility's capability near the end of its life. Asset owners are in the best position to determine their facilities' capability and what production factor to submit considering all operational and commercial risks.</p>	<p>Proponents participating in the MT2(e) RFP are required to submit a Contract Capacity and Monthly Imputed Production Factors. These values are entirely up to the discretion of the proponent, apart from the requirement that the Annual Average Imputed Production Factor (simple average of the 12 Monthly Imputed Production Factors) must fall between the Maximum Annual Average Imputed Production Factor and the Minimum Annual Average Imputed Production Factor established based on facility specific historical data as qualified during the MT2(e) RFP Registration Process.</p>
<p><b>Municipal Support Resolutions should not be required for existing projects.</b></p>	<p>The IESO is awaiting policy decisions from the Ministry of Energy and Electrification. The requirement of a Municipal Support Resolution for the MT2(e) RFP and MT2(c) RFP will be based on that policy.</p>
<p><b>Municipal Support Resolutions should be required for all Proposals:</b></p> <p>The IESO should contact the Ministry of Environment, Conservation and Parks to confirm that the project is operating within the terms of its Certificate of Approval or Renewable Energy Approval.</p> <p>The IESO needs to ensure that the project is operating in compliance within the 40 dBA noise standard.</p>	<p>The IESO is awaiting policy decisions from the Ministry of Energy and Electrification. The requirement of a Municipal Support Resolution for the MT2(e) RFP and MT2(c) RFP will be based on that policy.</p> <p>It is not the IESO's mandate to ensure that facilities operate in compliance with noise restrictions.</p>

Feedback / Common Themes	IESO Response
<p><b>Proposal evaluation for the MT2 RFP should include consideration for locational and operability benefits.</b></p>	<p>The IESO has a system-wide need for energy and capacity and with the MT2(e) RFP and MT2(c) RFP procuring existing facilities the location of these facilities will not be changing.</p> <p>The operability benefits of the facilities will be captured by the production factors in the energy stream and the capacity qualification in the capacity stream.</p>
<p><b>A facility that has unresolved complaints in the preceding 5 years should not receive equal ranking as a good performer.</b></p>	<p>The IESO appreciates the feedback but at this stage the MT2 RFP will evaluate Proposals that meet the mandatory requirements solely according to the Fixed Price.</p>
<p><b>Proponents should not be required to re-obtain or seek any new permits under the MT2 RFP:</b></p> <p>Existing assets in good standing with regards to their permits should be automatically eligible to participate. The MT2 RFP is anticipated to take place in Q4 2024, any last-minute requirements to re-obtain permits or to seek new permits would not allow proponents enough time to prepare for the MT2 RFP and submit offers.</p>	<p>While the IESO will not be evaluating permits, it is the responsibility of the Proponent to ensure that all necessary licenses, approvals and permits are up to date, valid for operation and in good standing for the duration of the MT2(c) Contract or MT2(e) Contract, as applicable. This would include re-obtaining or seeking new permits as required.</p>

Feedback / Common Themes	IESO Response
<p><b>Environmental Attributes for the MT2-RFP should not remain with the supplier.</b></p> <p>The lack of transparency and information regarding the Ontario Clean Energy Credit registry (e.g., the credits’ transaction volume, originating technology and vintage, and general clearing prices) makes it difficult for the industry to assess their market value. The exclusion of these attributes in MT2 RFP contracts (i.e., for suppliers to retain them as proposed) would cause RFP participants to price in their environmental attributes’ value differently and without a clear industry benchmark. In doing, the RFP offer prices could be distorted in an inconsistent manner, as different companies would value their attributes differently. Consistent with the IESO’s proposal to adopt no rated criteria for the MT2-RFP so that offers would compete purely on energy price, any distortions to the final clearing price, such as the environmental attributes’ value, should be removed.</p>	<p>Environmental attributes remaining with suppliers is consistent with the MT1 RFP and LT1 RFP and Government policy supporting the development of an independent market for Ontario Clean Energy Credits. Suppliers are free to value environmental attributes however they please and alter their Fixed Price accordingly. Any presumed reduction in Fixed Price caused by the environmental attributes is to the benefit of the ratepayer.</p>

## B) LT2 RFP Capacity Stream

Stakeholders were supportive of splitting the Capacity Stream from the Energy Stream with many feeling the same split should be taken in the development of the Long Lead Time procurement. Specific feedback is summarized below.

Feedback / Common Themes	IESO Response
<p><b>Clarify if the IESO is now proposing to conduct the LT2 RFP Long Lead Time stream and LT2 RFP capacity stream in one procurement.</b></p>	<p>No, the LT2 RFP is being split into an Energy stream (LT2(e) RFP) and a Capacity stream (LT2(c) RFP). A separate procurement will be designed for long lead time resources with targeted stakeholder engagement sessions.</p>
<p><b>Rated criteria points should not be awarded for long duration assets.</b></p>	<p>The award of rated criteria points for longer duration capacity resources would be consistent with the E-LT1 RFP and represents the value to system reliability that long duration assets bring. The IESO is still considering whether such rated criteria points will be awarded.</p>



Feedback / Common Themes	IESO Response
<p><b>The IESO should offer early operation incentives in the LT2 RFP:</b></p> <p>This will incentivize proponents to bring projects into operation as early as they can ensuring that the IESO meets their critical commercial operation targets.</p>	<p>The IESO is evaluating the timing of the LT2 as it aligns with emerging system needs and will consider early operations incentives as the LT2 RFP is finalized.</p>
<p><b>Why is the IESO considering abandoning the Material Cost Index Adjustment (MCIA).</b></p> <p>Indexation can significantly reduce the risk of non-delivery. The economic headwinds brought on by inflation, combined with a significant shift in supply chains, existing or new tariffs, and increased customer demand for non-emitting electricity are still affecting pricing well beyond the reasonable control of the buyer and seller.</p> <p>If the IESO is considering removing the MCIA, it should be replaced with some form of indexation.</p> <p>Two potential alternatives for alternatives could be:</p> <ol style="list-style-type: none"> <li>1) 100% CPI pre-and post-COD</li> <li>2) an adjustment mechanism for changes to CapEx. The adjustment can go up to a fixed price cap or down to a fixed price floor. If the adjustment exceeds the fixed price cap, then the buyer will have the option, but not the obligation, to proceed with the PPA contract at the fixed price adjustment exceeding the fixed price cap</li> </ol>	<p>The IESO is proposing to remove the MCIA for the LT2(e) RFP and LT2(c) RFP as Proponents expressed limited interest in it for the LT1 RFP, with a very small portion of proponents electing to apply the MCIA in their proposal bid.</p> <p>The IESO would like to highlight that removing the MCIA would not remove the twenty percent (20%) adjustment of the Fixed Capacity Payment under the LT2(c) Contract for inflation based on year-over-year change in the Consumer Price Index during the Term of the LT2(c) Contract.</p>

Feedback / Common Themes	IESO Response
<p><b>How will the IESO evaluate different resource types against one another:</b></p> <p>Different resource types support reliability differently, and these attributes need to be appropriately reflected within the procurement to result in the desired resource mix that maintains a reliable, affordable, and clean system over the long term.</p> <p>The IESO should provide examples of how the long duration criteria would be applied to thermal, long lead time pumped energy storage, and short duration battery storage.</p>	<p>The IESO proposing that both streams will have criteria for Indigenous participation and the capacity stream will have criteria for duration. However, as the rated criteria categories are under development other categories are being considered. The rated criteria points would apply within each stream, not across streams.</p>
<p><b>Can 2 projects (one for capacity, one for energy) share the same POI.</b></p>	<p>Yes, two projects may share the same land and the same Connection Point as long as they are separately metered.</p>

Feedback / Common Themes	IESO Response
<p><b>All projects should be subject to a minimum requirement to provide continuous injections for 4 hours or more and rated criteria points should be awarded by the IESO for projects that inject for a greater duration.</b></p> <p>It is recommended that in order to have a realistic evaluation of usable capacity that 4-hour projects be assessed at 50% the capacity of nameplate (i.e. derated to half of nameplate such that 4-hour projects can bid a capacity of no more than 50% of nameplate capacity), and 8 hour projects be assessed at 100% of nameplate capacity, with 5,6,7 hour projects prorated between 50% and 100% of nameplate.</p> <p>Alternatively, negative rated criteria points could be applied so as to have a similar effect, in terms of doubling the evaluated cost of the capacity bid of 4-hour projects in line with the system value. To further incent longer duration above 8 hours, it is recommended that a significant additional level of rated criteria points at 16 hours duration with some lesser levels of rated criteria points between 8 hours and 16 hours. There may be some additional system value, and thus value in awarding additional rated criteria points, to projects that can deliver 16 hours of energy on consecutive days e.g. a 5-day week of 16-hour days (or alternatively 16 hours on two or three consecutive days).</p>	<p>The IESO is considering using rated criteria to value longer duration capacity resources under the LT2 (c) RFP; the exact number of points and overall rated criteria categories are still under consideration.</p>
<p><b>4- hour BESS facilities should be considered as long-duration assets.</b></p> <p>These BESS have demonstrated their efficiency worldwide to provide similar services than unlimited reserve assets with lower carbon footprint</p>	<p>The IESO is currently proposing that long duration storage is that which is able to provide continuous injection for 8+ hours.</p>

Feedback / Common Themes	IESO Response
<p><b>The IESO should change its stance and provide deliverability to the capacity stream prior to bid.</b></p>	<p>While the IESO recognizes the value of conducting deliverability or feasibility tests ahead of proposal submission, it also recognizes that in addition to being resource intensive, this process' effectiveness is limited by the volume of applications and the point in time nature of the test.</p> <p>In order to remain consistent in its approach and align with upcoming milestones, the LT2(c) RFP , will use the same approach as the LT2(e) RFP and provide a guidance document along with consultations.</p>
<p><b>Residential and small C&amp;I aggregated DERs should be enabled to participate in the LT2 RFP.</b></p> <p>At a time where there is a heightened growth in demand, aggregated disturbed energy resource can help lower the need for substantial increased investment in transmission and distribution infrastructure.</p>	<p>Any DERs that meet the standard to be able to become Market Participants (MPs) are eligible. Those DERs that are less than 1 MW or seeking an aggregated market model will not be able to participate. As such, the IESO has deferred eligibility of these resources until clear timelines for when these resources can be enabled as Market Participants have been established by the IESO's Enabling Resources Program.</p>

### C) LT2 RFP Proposal Evaluation

Stakeholders supported the IESO proposed approach to the LT2 RFP proposal evaluation, but many felt more clarity around deliverability was required. Specific feedback is summarized below.

Feedback / Common Themes	IESO Response
<p><b>The IESO needs to provide examples of how all factors included in the evaluation of Proposals (e.g. Indigenous equity ownership, production factors etc.) would produce different contract award outcomes (i.e. updated slide 39).</b></p>	<p>The IESO will provide more fulsome examples in future stakeholder engagement sessions when decisions on rated criteria points are closer to being finalized.</p>

Feedback / Common Themes	IESO Response
<p><b>Can the IESO provide clarity on how Proponents can manage production factor reductions over the course of a contract.</b></p> <p>Equipment wear and tear (i.e. should proponents base their expected monthly production factors on that expected at project commissioning or at contract expiration?)</p> <p>The IESO should includes a mechanism to adjust monthly production factors over the duration of the contract, to account for potential asset degradation due to increasing severity of weather over the life of the contract.</p> <p>It seems necessary to have the confirmation from the IESO whether the monthly imputed production factors should account for PV panel degradation over the 20- year PPA. Specifically, significant deltas could be observed between the first and last years of the project’s lifetime.</p>	<p>The IESO will not allow modification of Monthly Imputed Production Factors over the life of a facility under the E-PPA contract model. Proponents are expected to account for equipment wear and tear/degradation when deriving their Fixed Price, Contract Capacity and Monthly Imputed Production Factors as part of Proposal Submission. To facilitate proponent management of equipment degradation the IESO will allow like for like replacements of key parts.</p>
<p><b>How will the IESO mitigate the risk of Proponents overestimating the Production factor:</b></p> <p>Over-estimating the production factor would reduce the equivalent proposal price.</p> <p>IESO data shows there are consistent examples of very low capacity, in particular during periods of highest demand (atmospheric high-pressure periods resulting cold crisp winter, or hot stagnant summer). There should be some demerit for proposals that cannot assure energy when needed.</p>	<p>Proponents who overstate their Monthly Imputed Production Factors will be negatively impacted by way of having higher deemed revenues subtracted from their Monthly Payment relative to what they are actual earning in the market. This impact would be compounded if market prices were to rise.</p> <p>Proponents whose rolling 3-year Actual Performance Factor falls below 80% of their Annual Average Imputed Production Factor will incur additional penalties by way of the Non-Performance Charge.</p>

Feedback / Common Themes	IESO Response
<p><b>Different nodal prices will produce different GRP payments for Proposals with the same Proposal Price, how will the IESO mitigate risk of project attrition if prices stray materially from the assumptions made during the RFP stage.</b></p>	<p>Proponents are not required to make assumptions about the nodal prices to bid in their Imputed Production Factors and Fixed Price (which produce their annual revenue requirement).</p> <p>While it is true that different nodal prices will produce different GRP payments these payments are “top up” payments to a supplier to get them to their revenue requirement and should not factor into the risk of project attrition. The financial risk is in the supplier being unable to meet their production factor and therefore being deemed for higher revenues than they are actually earning in the market.</p>
<p><b>What is accepted as a variation in the 3 laminations of a projects proposal (e.g., price, project size and POI):</b></p> <p>It is not clear whether a project will be allowed to submit multiple POIs or double circuit connection</p>	<p>A proponent is eligible to submit three independent laminations as part of their Proposal where each lamination may include a unique Contract Capacity and Fixed Price.</p>
<p><b>Could the IESO clarify what bid parameters suppliers will have to submit at proposal:</b></p> <p>It is unclear if suppliers are required to provide a contract price or an annual revenue requirement as part of their proposal price submission.</p>	<p>Proponents in the LT2(e) RFP must submit their Monthly Imputed Production Factors and their Fixed Price (which will generate an annual revenue requirement). The IESO is considering releasing a workbook where suppliers can enter the required information and have a calculated annual revenue requirement for added visualization.</p>
<p><b>Non-Storage projects should be given deliverability priority over storage projects like in the LT1 RFP:</b></p> <p>Non-Storage projects provide greater system reliability.</p>	<p>The IESO is considering which deliverability mechanism will be in the LT2(c) RFP.</p>

Feedback / Common Themes	IESO Response
<p><b>What is the expected timeline for releasing the second iteration of the IESO guidance document.</b></p> <p>Any updates on the deliverability assessments methodology under LT2. This information would be invaluable in assisting proponents to make informed decisions and better align their efforts with IESO requirements and timelines</p>	<p>The IESO plans to publish the second iteration of the IESO deliverability guidance document as soon as possible.</p>
<p><b>The proposed LT2 RFP Evaluation Process may result in a higher overall energy cost:</b></p> <p>For example, the interconnection capacity is 150MW. A 100MW project is the cheapest, followed by a slightly more expensive 150MW project, followed by a very expensive 50MW project. According to the current process the 100MW and 50MW projects would be selected, even though the 150MW project would have the lower overall cost. Consequently, developers might propose smaller, more expensive projects to exploit remaining capacities in the lines that cannot be met with large competitive projects, this is especially the case in the capacity stream where the deliverability priority is given to the energy stream.</p>	<p>The proposed LT2 RFP evaluation process and deliverability studies consider projects on a system wide scale and not a single connection point. The proposed LT2 RFP Evaluation Process (for both the capacity and energy streams) mirrors the approach taken in the recent E-LT1 RFP and LT1 RFP, which yielded encouraging results, particularly from a price perspective. The IESO is aiming to build on this success by implementing a similar evaluation approach in the LT2 RFP.</p>
<p><b>The IESO should release details on how Indigenous Equity Ownership and Municipal Ownership will apply to the Evaluated Proposal Price.</b></p>	<p>Details on the proposed approach to rated criteria points will be included in the draft LT2 RFP documents posted in September 2024.</p>

## D) LT2 RFP Proposal Security

Stakeholders had mixed opinions on the amount of proposal security required with some stakeholders agreeing with the IESO proposed amounts, and others advocating for a reduction or increase. Specific feedback is summarized below.

Feedback / Common Themes	IESO Response
<p><b>The IESO should clarify if the LT2 RFP proposal security requirements are the same as those in the LT1 RFP.</b></p>	<p>The proposed LT2 RFP proposal security requirement is less than that of LT1 RFP. The IESO is proposing \$35,000/MW for all projects under the LT2 RFP, with a minimum requirement of \$500,000 and a maximum requirement of \$15,000,000.</p>
<p><b>Proposal security for LT2 RFP should be reduced:</b></p> <p>The proposal security should match that of the MT2 RFP.</p> <p>There should be no minimum as this disproportionately negatively affects smaller projects (e.g. &lt;10MW).</p>	<p>Projects in the MT2 RFP already exist and, in most cases, currently operate in the IESO markets. As such, there is a reduced risk to the IESO of these facilities failing to meet their contract obligations.</p> <p>The LT2 RFP is a procurement for new-build facilities that still need to be constructed and therefore requires greater security than the MT2 RFP to ensure that projects bidding into the LT2 RFP will meet their commitments.</p>
<p><b>Under what circumstances would the IESO refund proposal security.</b></p>	<p>The IESO will return the Proposal Security for any Proposal that is not selected under the applicable procurement (or where the Proposal is withdrawn prior to the Proposal Submission Deadline).</p>
<p><b>The IESO should accept a parental guarantee as option for proponents with and investor grade credit rating.</b></p>	<p>The IESO will not be accepting parental guarantees.</p>
<p><b>How will Proponent experience be evaluated:</b></p> <p>Evaluated criteria should be included to rank proponents' qualification in various regards like experience developing projects and financial health requirements.</p>	<p>The IESO will not be providing rating criteria points based on proponent experience. The IESO will require team member experience as a mandatory requirement and will rely on proposal security to ensure financial wherewithal.</p>

## E) General Comments

Specific feedback is summarized below.



Feedback / Common Themes	IESO Response
<p><b>The Long Lead Time (LLT) stream should be bifurcated for energy and capacity.</b></p>	<p>The IESO will explore the merits of bifurcating the LLT stream in upcoming targeted LLT stakeholder engagement sessions. However, as previously indicated the IESO sees competition as key to deriving value out of the LLT procurement and still aims to have hydroelectric generating resources compete against long-lead time long duration storage.</p>
<p><b>Can the IESO provide details on the indexation of contract price to inflation.</b></p> <p>Both during the period between contract execution and Commercial Operation and through the term of the contract. Especially in the context of long lead time resources.</p>	<p>For the LT2 RFP the IESO is proposing a twenty percent (20%) adjustment of the fixed contract payment (i.e., the “Fixed Price” for the energy stream and “Fixed Capacity Payment” for the capacity stream) for inflation based on year-over-year change in the Consumer Price Index during the term of the Contract.</p> <p>Indexation for the LLT procurement will be explored in future targeted LLT stakeholder engagement sessions.</p>
<p><b>Will supplier retain all revenue opportunities associated with the Environmental Attributes in relation to their facilities for the LT2 RFP.</b></p>	<p>Yes, as presented in the July 24 stakeholder engagement session, the IESO is proposing that suppliers retain all revenue opportunities associated with environmental attributes for the LT2 RFP.</p>
<p><b>Long Lead Time resources should require 20% of proposal security at proposal submission and 80% at the NTP stage.</b></p> <p>LLT resources have a longer and higher-cost development cycle compared to intermittent renewables and short-duration storage, and a sizable development security at a relatively early point of their development cycle may hinder competitive participation in the RFP process</p>	<p>The IESO is open to working with stakeholders to establish a flexible framework for proposal security that aligns with the unique requirements of Long Lead Time resources.</p>

Feedback / Common Themes	IESO Response
<p><b>Proponents require a way to confirm whether the proposed project type and size is deliverable at the location proposed:</b></p> <p>Despite the information released by the IESO, proponents have no ability to confirm this essential detail and are still left guessing on deliverability. The IESO must include a mechanism, whether through more detailed line-specific and zonal maps, through detailed, project-specific one-on-one meetings, through a deliverability test or other mechanism, to enable companies to confirm this information with certainty.</p> <p>Recommend that the IESO offer a deliverability test / feasibility study / pre-assessment service well in advance of the LT2 bid deadline. This will provide proponents with project-specific information, including whether the project is deliverable, whether network upgrades may be needed, and what a non-binding interconnection cost estimate would be</p> <p>There was support for the idea of outsourcing pre-bid deliverability assessments to third parties and passing these costs onto the developer.</p>	<p>The IESO is working with Hydro One to develop a process to provide geographical mapping of the transmission system to interested parties as a compliment to the Preliminary Connection Guidance document.</p> <p>The Preliminary Connection Guidance document is intended to replace the pre-submission assessment used in E-LT1 and LT1 RFPs.</p> <p>While the IESO recognizes the value of conducting deliverability or feasibility tests ahead of proposal submission, it also recognizes that in addition to being resource intensive, this process' effectiveness is limited by the volume of applications and the point in time nature of the test.</p> <p>Given that parties require significant time to select viable sites for the LT2 RFP and work with local communities, the IESO believes that providing early transparent information, and providing individual consultations to developers and testing projects at the Proposal evaluation stage, aligns best with the LT2 RFP timelines and site selection activities.</p> <p>For stakeholders that would like to schedule one-on-one pre-submission consultations, please contact <a href="mailto:engagement@ieso.ca">engagement@ieso.ca</a>.</p>

Feedback / Common Themes	IESO Response
<p><b>The IESO should adopt a “split facility” principle. Under this principle, a single facility’s output would be allowed to be split up and sold to different buyers.</b></p> <p>The IESO already accepts a single facility—albeit an external one from a neighbour market—to sell only a portion of its total output in Ontario’s capacity auctions. It is simply asked that the IESO adopt this principle across the board. For example, a wind facility should be allowed to sell a part of its output in the MT2 RFP (or in the IESO’s capacity auction), and another part of its output to a corporate buyer using the corporate PPA construct. The IESO can easily design rules to ensure that double counting or selling does not occur.</p>	<p>Under the MT2 RFP or LT2(c) RFP, a Proponent may bid any portion of a facility’s capacity as their Maximum Contract Capacity. The IESO does not require that all of a facility’s capacity be bid into its procurements. However, for their offered Maximum Contract Capacity, Proponents are required to meet all performance obligations of the MT2 Contract or LT2 Contract. However, for the LT2(e) RFP, under the E-PPA model, the Contract Capacity must be 100% of the facility’s Nameplate Capacity.</p>
<p><b>The IESO should consider awarding rated criteria points to projects with energy storage systems produced in Canada or in jurisdictions with free trade agreements with Canada.</b></p> <p>These high-confidence solutions sourced via reliable supply chains that can be trusted to confer resiliency and security to critical infrastructure.</p>	<p>The approach to rated criteria categories is based on the direction of the Minister. The IESO is exploring rated criteria points for energy storage systems produced in Canada or in jurisdictions with free trade agreements with Canada.</p>
<p><b>Community-based investment entities should be granted equivalency to Indigenous participation in terms of rated criteria points as well as set-asides.</b></p>	<p>The approach to rated criteria categories is based on the direction of the Minister. At this stage community-based investment entities are not being granted equivalency to Indigenous participation, however the IESO continues to explore rated criteria options.</p>

Feedback / Common Themes	IESO Response
<p><b>The IESO should design the LT2 procurement process in a manner that ensures the 30% CTC credit does not disadvantage 100% Municipal and/or Indigenous projects:</b></p> <p>It is suggested that this could be achieved through a proposal evaluation process that credits 100% Municipal and/or Indigenous owned projects relative to the 30% CTC credit afforded to others.</p>	<p>The IESO will not be structuring the LT2(e) RFP or the LT2(c) RFP in this manner. While the IESO appreciates the difference in eligibility for certain federal tax incentives that has been identified here, the IESO is not practically in a position to structure these procurements to account for federal (or provincial) tax policies of general application that, among other things, are subject to change at any time and affect different proponents in a variety of different manners based on their own corporate, financing and tax structuring needs and desires. The IESO’s mandate is to secure the most cost-effective energy or capacity resource (as applicable) that is available that otherwise complies with all of the procurement requirements. Government policy preferences, which manifest in the form of rated criteria points in the LT2(e) RFP and LT2(c) RFP (which, for clarity, do not impact the price actually paid under any awarded contracts), are strictly a matter of government direction. The IESO is also aware that draft legislation in respect of the proposed 15% “Clean Electricity” investment tax credit available to certain non-taxable investors was recently published in August and appears to be on an expedited track for implementation.</p>
<p><b>Will suppliers in the MT2 and LT2 energy streams will also be allowed to retain any capacity-related revenues (e.g., resulting from successful participation within IESO capacity auctions.</b></p>	<p>Yes, suppliers would be allowed to retain capacity related revenues, however they must be able to meet the obligations of both their energy contract and the capacity auction.</p>