Stakeholder Feedback and IESO Response

Long-Term RFP – April 20, 2022 Webinar

Following the April 20, 2022 Long-Term RFP (LT1 RFP) engagement webinar, the Independent Electricity System Operator (IESO) invited stakeholders to provide feedback on the materials presented.

The IESO received feedback from the following stakeholders:

- AB Energy Canada
- Atura Power
- Aypa Power
- BluEarth Renewables
- BW Solar
- Capital Power
- Compass Energy Consulting
- Consortium of Renewable Generators, Energy Storage Providers, and the Canadian Renewable Energy Association
- Evolugen by Brookfield Renewable
- Hydrostor
- Minodahmun Development LP
- Northland Power
- Ontario Power Generation
- Power Workers Union
- TransAlta
- Wind Concerns Ontario

This feedback has been posted on the engagement webpage.



Note on Feedback Summary and IESO Response

The IESO appreciates the feedback received from stakeholders. The table below responds to the feedback received and is organized by each topic. This document is provided for information purposes only. It does not constitute, nor should it be construed to constitute, legal advice or a guarantee, offer, representation or warranty on behalf of the IESO.

Additional Acquisition Mechanisms: Expedited Process

Considering higher security amounts, what incentives are sufficient to encourage expedited project development to meet the 2025 needs (e.g., increased term length, price adders, reduced RFP requirements)?

Feedback	IESO Response
Most stakeholder submissions indicated that increasing contract term length for the Expedited Process (up to 20 years, and even up to 30 years) would encourage expedited project development. Several stakeholders suggested price adders be incorporated for the Expedited Process.	In order to further incentivize expedited project development, the IESO will increase the term length for the Expedited Process to 22 years. In addition, a capacity payment multiplier paired with increased proposal security is under consideration.

A stakeholder noted that a hard stop at May 1, 2025 (e.g. contract cancelled and any securities forfeited) may be difficult for proponents to accept, and suggested there should be a defined process for managing project in-service delays and providing schedule relief for certain types of delays that are outside the proponent's control.

One stakeholder suggested the terms of the contract need to provide flexibility to the market participant to manage the regulatory risk for new-build development including greenhouse gas emission regulation (i.e., Clean Electricity Standard).

The intent of the Expedited Procurement is to address a system need starting in 2025. Any inservice delays, regardless of their cause, could present a reliability issue for Ontario. In exchange for a longer term and a potential capacity payment multiplier, higher termination penalties are intended to encourage participation only from those with very advanced projects with high confidence in meeting the in-service date requirements.

The IESO intends to outline provisions for liquidated damages that may apply to projects that fail to achieve commercial operation for the Expedited Process (May 1, 2025) in the draft contracts.

Additional provisions for Force Majeure will be outlined as well.

One possible approach would be to adjust the aforementioned modifier to account for any delays in achieving commercial operation.

Additional potential contract provisions that speak to regulatory or legislative changes will be outlined in the draft contracts.

One stakeholder encouraged the IESO to develop a contract that can be customizable (rather than a one-size fits all solution) such as trading off higher pricing for shorter term as some developers may be amenable to develop a project that pays back invested capital more quickly to manage long term regulatory uncertainty. As the IESO has transitioned to a procurement approach that aims to acquire products and services, rather than specific resources, there is a desire to standardize contract designs to the extent possible. Stakeholder feedback on contract provisions and their applicability to specific resource types will be taken into account as the IESO works to develop the contracts.

One stakeholder recommended the IESO establish and include a tangible net worth requirement in the LT1 procurement process, and further, that the IESO undertake to first prioritize the advancement of the procurement process, contract design (i.e., risk allocation principles, structure, salient commercial terms), and then turn its mind to what adjustments may need to be made in order to compensate suppliers for increased performance security.

Given the stringent timelines for the Expedited Process and LT1 RFP, the LT1 RFQ will not employ a tangible net worth requirement. Instead the IESO will rely on higher proposal security and penalties to evidence financial capability. Tangible net worth values can be a challenge to evidence and evaluate across different organization structures and countries of origin.

The IESO will aim to issue draft contracts that will outline commercial considerations shortly to allow for meaningful feedback and engagement.

What evidence can proponents include in the proposal to show the advanced stages of project development?

Feedback	IESO Response
Stakeholders provided the following suggestions as potential evidence for proponents to demonstrate advanced project development: • Proof of site control/ownership	The IESO appreciates the feedback provided and will consider it in the design of the LT1 RFP and Expedited Process.

- Environmental studies
- Financial capability
- Available grid capacity
- Milestone schedule showing expected development and construction timeline
- Various planning documents and progress updates, including: permitting, community engagement, transmission or distribution interconnection, procurement, financing, construction
- Site layout drawing, electrical single line drawing
- Consider brownfield development on existing sites as
 project development that can occur more quickly than
 greenfield development, and accept any evidence,
 including: secured equipment, permit and licence
 provisions that contemplate expansion (including a filed
 application that has not yet receive permit and licence),
 evidence of previous engineering work for an
 expansion, and any records of previous public
 consultation on expansion as evidence of advanced
 stages of project development.
- Proof that applications for applicable MECP filing, zoning application, and municipal planning application have been submitted or returned with approval.

Stakeholders requested clarification on what specifics of evidence would establish "having supply chain lined up."

Stakeholders suggested that a Municipal Council Support Resolution should not be required to establish that a project is in the advanced stages of development, noting the challenge this poses when considering the proposed restrictions on communication relating to the RFQ. Requirements around supply chain considerations may be included as part of the Expedited Process and/or LT1 RFP. Evidence could include supply agreements or other documentation that point to a proponent's ability to secure equipment in the current economic environment.

The IESO proposes that Municipal council support resolutions be provided as part of Proposal Submission under the LT1 RFP, given longer timelines. However, under the Expedited Process, given shorter timelines and the upcoming municipal elections, the IESO proposes that support be evidenced after contract offer.

Furthermore, communications protocols in the RFQ have been modified to not preclude project development work.

Is there any other external support (e.g., from the IESO) that would be needed to help proponents meet expedited development timelines?

Feedback	IESO Response
Several stakeholders suggested the IESO could support by expediting interconnection approval and deliverability assessment. The IESO could also work with the transmission	The IESO aims to expedite deliverability assessment based on the proposed milestones for each

owner and/or distribution utilities to ensure timely delivery of the interconnection facilities and associated upgrades.

procurement. This means that the deliverability assessment will be conducted for Same Technology Expansions and the Expedited Process ahead of those for the LT1 RFP. The IESO is further coordinating with third parties (transmitters and LDCs) to identify areas to align our work and processes. However, the IESO does not have the ability to alter connection timelines that are established in applicable regulatory codes.

Several stakeholders suggested the IESO could support expedited development timelines by supporting in community engagement and permitting efforts. This would include engaging with relevant government ministries (Energy, Environment and Municipal) to educate them on IESO's energy delivery timelines to ensure resources are available and processes can be streamlined for the evaluation and processing of project applications and technical studies.

The IESO has and will continue to engage with communities and other government ministries and agencies to highlight the importance of the proposed procurements in meeting Ontario's system reliability needs. The IESO will continue to identify ways to support both communities and proponents in providing information throughout the procurement processes.

Are the proposed timelines acceptable to proponents? (slide 23 of April 20 presentation)

Feedback	IESO Response
Stakeholder indicated the proposed timelines would be challenging to meet. It was suggested that the process be made faster allowing for an earlier contract award or have later scheduled in-service dates.	The IESO understands that the timelines presented may be challenging for some proponents and specific projects. As such, the IESO has designed the Expedited Process and Same Technology Expansions procurements to target

Feedback	IESO Response
	those projects that are well advanced in their development processes, and with a high degree of certainty in meeting the 2025 inservice dates. The LT1 RFP and subsequent LT2 RFP will offer opportunities for projects that require additional time to complete development work.

Do the timelines for the Expedited Process offer sufficient time for proposal preparation? (slide 23 of April 20 presentation)

Feedback	IESO Response
One stakeholder submission indicated the timelines appear to be too short, while another suggested the timelines will work for small-scale projects.	The IESO appreciates the feedback and understands that the applicability of proposed timelines will vary for different projects of different sizes, locations and technologies.

Any further general comments on the Expedited Process?

Feedback	IESO Response
Stakeholders suggested the IESO take past contract designs into account; particularly that for contracts that are structured similar to the CHPSOP 2, obtaining financing would be straight forward and that terms that were not successful in previous procurements should not be considered so as to speed up timelines.	Thank you for your feedback.

Feedback	IESO Response
Stakeholders commented that imposing onerous evidentiary requirements to show advanced stage project development was likely to discourage participation of projects that could otherwise meet the expedited timelines.	The Expedited Process will be designed in a manner that takes into account stringent timelines and associated evidentiary requirements. For example, the IESO understands that obtaining municipal support resolutions ahead of proposal submission could be challenging in light of the fall municipal elections, and has therefore modified the requirement to be applied after contract offer. Similarly, limited timelines for obtaining participation from Indigenous Communities has led the IESO to remove this consideration from the rated criteria.
Stakeholders suggested allowing Small-Scale LT1 Projects into the Expedited Process given the urgent capacity need in 2025.	The IESO has modified the design of the LT1 RFQ and will allow for Small-Scale LT1 Projects to qualify for the Expedited Process.

Additional Acquisition Mechanisms: Same Technology Expansions

What milestones (i.e., contract execution) and forward period would be required to support a 2025 in-service date?

Feedback	IESO Response
 Stakeholders provided the following feedback on milestones and forward period to support a 2025 in-service date: December 15, 2022 Contract Offer, January 15, 2023 Contract Acceptance, February 1, 2023 Start Preliminary Engineering, May 1, 2023 Submit CIA Application, August 1, 2023 Secure Grid Capacity, November 1, 2023 Start Construction 	Thank you for the feedback. The IESO held further discussions on the framework for same technology expansions at the June 9 stakeholder engagement meeting.
RFP release and contract execution timelines should be the same as the ones outlined for the Expedited Process.	

 The procurement should contemplate incenting developers and IPPs to deploy resources and capital to accelerate their development projects by providing an upside price incentive and longer contract tenure (20+ years) for achieving the earlier commercial operation.

- The IESO should develop a process that would provide proponents the assurance to proceed with commitments to upgrades by Q4 2022.
- The forward period to meet a 2025 in-service date is highly ambitious as currently proposed (2-3 years).
 Contract execution is needed as soon as possible to devote the significant resources needed to meet the expedited timeline.
- Proponents require the IESO to communicate and expeditiously administer its process for Same Technology Expansions so that the proponent-owners can allocate their capital optimally across sites with consideration to available transmission capacity. Contracts should be executed by the end of Q3 2022

What considerations regarding the existing contracts does the IESO need to take into account in the design of the process?

Feedback IESO Response

Stakeholders suggested the following considerations with respect to existing contracts be taken into account in the design of the process:

- Maintain similar/identical contract structure that was used for prior RFPs (CHPSOP 2) to ensure projects can easily obtain financing
- A new contract can be put in place that would extend
 the life of the existing resource beyond its current expiry
 date but would have a shorter tenure than the
 expansion/uprate. The new contract will also incorporate
 the expansion/ uprate that would have an earlier
 operation date such that the expiry of both the existing
 resource and the expansion/uprate are aligned.

Thank you for the feedback. The IESO held further discussions on the framework for same technology expansions at the June 9 stakeholder engagement meeting.

 An approach needs to be determined to determine and track incremental capacity over and beyond the existing contract.

- Projects acquired under the STE (Same Technology Expansions) procurement, should be integrated into existing contracts, as applying a new contract on top of an existing contract with differing contract end dates would prove difficult to administer.
- The existing CES contracts are financeable and have proven to have a reasonable risk allocation between the parties. The contract price for the incremental capacity will be dependent on the term commitment for said capacity. The longer the IESO can commit to these upgrades creates opportunities for suppliers to offer the lowest incremental price. The price for incremental capacity can then be blended into the existing contract revenue requirement. The existing base contract term needs to align with the term commitment for the incremental capacity.
- The terms of existing facility contracts will need to be aligned with the term length of agreements executed for STE.
- If the IESO's intention is to apply the proposed CFD/hedge structures to the STE procurement, then both the IESO and supplier will need to consider whether the proposed structures can work effectively with the structure/incentives of the existing asset's contract.

Any further general comments on the same technology expansions?

Feedback IESO Response

Stakeholders provided the following general comments on the same technology expansions procurement:

 Considering the imminent capacity need, we recommend that the IESO consider technology expansions/uprates that do not involve the same technology. A different technology, such as energy storage, would have a higher UCAP and given the disturbed nature of an existing site/project, energy storage can be added as a hybrid or Thank you for the feedback. The IESO held further discussions on the framework for same technology expansions at the June 9 stakeholder engagement meeting.

co-located resource that would provide a higher capacity value for the existing resource or as a new resource which would be beneficial for meeting the capacity need at a lower cost than a new build greenfield project.

- For uprates, community engagement should be the obligation of the supplier to manage within their existing stakeholder relations plans.
- Any expansion must keep original stakeholders whole on investment.

One stakeholder requested clarity on whether additional battery storage facilities at operating FIT sites would be eligible under Same Technology Expansions.

Additional Acquisition Mechanisms: Forward Capacity Auction

To what extent does a forward capacity auction with longer forward and commitment periods increase interest for prospective auction participants?

Feedback	IESO Response
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One stakeholder noted that longer forward periods may encourage greater participation and competition in the procurement. And with respect to the commitment period, that longer contract terms would generally be more attractive but given the regulatory uncertainty with respect to the Clean Electricity Standard it may also impose long term risk on a proponent given that future regulation could make it difficult to meet the obligations of the contract in the future. It was recommended the IESO consider adding contract off-ramp, regulatory change and termination provisions that would help a participant to manage this risk.

The IESO appreciates this feedback and will consider it as the design of a potential Forward Capacity Auction (FCA) evolves. The IESO looks forward to discussion with stakeholders on potential design features like these that would increase the attractiveness and provide options to manage risk for potential participation in the FCA.

Do stakeholders have any comments on expanded participation and eligibility for resources?

Feedback	IESO Response
The capacity auction is not attractive for generation investment. A three-year contract term does not provide a reasonable opportunity to earn a return on and of capital deployed for generation investment.	The IESO appreciates this feedback and will consider it as the design of a potential FCA evolves.
Another stakeholder indicated that a forward capacity auction with a three-year term would not be considered a sufficient incentive for additional investment in existing or new facilities.	

LT1 Design Considerations: Revenue Streams

Are stakeholders supportive of the concept of a bundled CFD style approach?

Feedback	IESO Response
All stakeholder submissions responding to this question indicated support for the concept of a bundled CFD style approach.	The IESO recognizes stakeholders' concerns regarding energy revenue certainty. As such, a contract structure is being explored that will incorporate a mechanism that compensates suppliers in low pricing seasons while still encouraging competition and mitigating impact on market efficiency. More detailwas provided at the June 9th stakeholder engagement session.

As per slide 54, is a bundled CFD contract preferred that is either: (1) linked to energy market prices, with a strike price set at a \$/MWh value beyond a capacity payment, or (2) linked to a total revenue requirement \$/MW-month that includes both capacity revenues and energy market revenues?

Feedback	IESO Response
The majority of stakeholders had a preference for option 2 which was linked to a total revenue requirement \$/MW-month that includes both capacity revenues and energy market revenues.	The IESO is exploring an approach that will allow capacity payments to be increased (or decreased) by fixed amounts based on average pricing conditions over a set time frame. Proponents will bid in 3 \$/MW-day values — a baseline scenario, a low average pricing scenario and a high average

Feedback	IESO Response
	pricing scenario. The average price over a set timeframe (i.e., seasonal) will dictate which of the 3 rates the Proponent is settled at for that given timeframe. Specific average pricing thresholds that will constitute each of the 3 scenarios are yet to be determined.
	As the IESO has transitioned to a procurement approach that aims to acquire products and services, rather than specific resources, contract designs will be standardized to the extent possible. Stakeholder feedback on contract provisions and their applicability to specific resource types will be taken into account as the IESO works to finalize the contracts.

How can a bundled CFD be best designed in order to ensure resources adhere to energy market incentives, in exchange for investor certainty?

Feedback	IESO Response
Some stakeholders suggested the IESO consider the deemed dispatch structure from the IESO Phase II Energy Storage contract for energy storage resources.	While the deemed dispatch structure from the IESO Phase II Energy Storage contract could be appropriate for an energy storage specific procurement, the IESO's technology agnostic approach to the LT1 RFP and Expedited Process suggests that more general contracting approach is required in order to account for a diverse group of resources and technology types.

Feedback	IESO Response
Some stakeholders recommended the CFD component on energy prices should be designed to provide an energy price floor to mitigate the uncertainty of locational market pricing.	The IESO is exploring an approach that will allow capacity payments to be increased (or decreased) by fixed amounts based on average pricing conditions over a set time frame (i.e., seasonal). The aim of this approach is to balance pricing uncertainty minimizing the distortion of efficient market operations. More information on this approach was provided at the June 9th stakeholder engagement session.
Some stakeholders suggested that generators not have minimum availability requirements under the CFD contract.	Contracted facilities will be subject to must-offer provisions to ensure that they are available at times of peak demand.
Other Stakeholders suggested the operator of the facility can be required to submit an operating plan on an annual basis which can be audited by the IESO to ensure the system operator is maximizing revenue from the energy markets in exchange for the long-term investor certainty.	

LT1 Design Considerations: Mandatory requirements

Do stakeholders have any feedback on the examples of mandatory requirements on slide 63?

Feedback	IESO Response
Some stakeholder suggested that the minimum Indigenous engagement would generally not be available for proposed projects.	Municipal/Band Council Resolutions will be a mandatory requirement at the LT1 RFP stage, where applicable, not the RFQ stage. There may also be a requirement to reconfirm this support after contract execution.
	Given the tight timelines for the Expedited Process, the IESO is considering provisions for allowing proof of Municipal/Band Council resolutions to be provided after contracts are offered.
Some stakeholder suggested increasing the 4 hours of continuous energy injection to 8 hours to better meet the needs of reliability needs of the province as stated in the Annual Acquisition report. Over 50% of risk events as stated in the AAR report are expected to be greater than 8 hours.	4 hours of continuous energy will serve as the minimum Mandatory Requirement, however, Rated Criteria points will be awarded to facilities that are able to provide 8 hours or more of energy duration. More details on Mandatory and Rated Criteria were provided at the June 9th stakeholder engagement session.
Some stakeholders suggested that rated criteria not mandatory requirements, should include performance needs. (e.g. 4-hour energy production duration)	
One stakeholder sought clarity on how the "availability window" would be defined and determined, questioning whether the "availability window" would differ based on project location? And if yes, would that be accounted for within the deliverability assessment?	The exact nature of the "availability window" is still being determined through the contract design process and stakeholder feedback is being taken into account.

Are stakeholders supportive of the Indigenous and Municipal mandatory requirements proposed for the LT1 RFP and Expedited Process on slide 64?

Feedback	IESO Response
Submissions from stakeholders included the following points for consideration:	The IESO thanks stakeholders for feedback on the proposed Indigenous and Municipal mandatory requirements. Further

Feedback	IESO Response
 Our focus is to locate generating facilities at new or existing greenhouses to lower the marginal cost of generation and provide additional benefits to the greenhouses. It will be difficult to seek indigenous engagement for the projects we intent to propose under the LT1 RFP. 	information on this was provided at the June 9 stakeholder session, where the IESO confirmed the mandatory requirements to demonstrate Indigenous and Municipal support.
It will be important for IESO to provide examples of acceptable Support Resolution forms well in advance of the final RFP to allow proponents sufficient time to secure resolutions.	On the Expedited Process, the condensed timing may require the IESO to take a different approach. However, the IESO is still contemplating requiring successful proponents to obtain applicable Support Resolutions after contract offer.

LT1 Design Considerations: Rated criteria

Are stakeholders supportive of the rated criteria approach that is proposed for the LT1 RFP and Expedited Process?

Feedback	IESO Response
Some stakeholders suggested that instead of evaluating Indigenous Participation as rated criteria, the IESO should consider having a price adder for the various levels of Indigenous.	Thank you for the feedback. While the IESO is looking to incentivize Indigenous participation and is proposing rated criteria as the preferred mechanism for that incentive under the LT1 RFP, the IESO is continuing to consider options to encourage meaningful engagement and/or partnership formation with Indigenous communities as part of the Expedited Process.
Some stakeholders suggested that COD date be considered in the rated criteria.	Thank you for the feedback, however the IESO is looking to incentivize earlier COD through the use of longer term lengths.

Feedback	IESO Response
Stakeholders suggested the IESO release the weighting of each rated criterion, specifically the weighting given to locational considerations.	The IESO outlined and discussed both the proposed weighting assigned to locations as well as the overall weighting of some additional rated criteria under consideration during the June 9 engagement.
A stakeholders suggested the IESO include a rated criterion for community acceptance.	Thank you for the feedback, the mandatory requirements will require that the any LT1 RFP and Expedited Process proponents develop and post a community engagement plan on a dedicated website and hold 1 public meeting with each local community to inform them of the proposed project. They will also be required to attain either a Municipal Council Support Resolution or an Indigenous Community Support Resolution.
Stakeholders suggested the IESO should consider rated criteria that evaluate the environmental impact of the various technologies through their entire lifecycle. The IESO should ensure that the supply chain used to deploy any technology is environmentally sustainable and meets global anti-slavery laws. This is a key aspect of the procurement	Thank you for the feedback, the IESO will be considering a number of rated criteria when designing the procurements.
conducted by the New South Wales government for similar services.	

Are stakeholders supportive of the Indigenous participation rated criteria proposed on slide 66?

and timelines. They also sough clarity on the IESO's definition of economic interest.	Thank you for your feedback. Economic interest will be defined in the draft contracts. For past definitions that the IESO has used, please refer to earlier IESO contracts, such as FIT and LRP.

General Feedback

Feedback	IESO Response
Stakeholders stated that they would need to assess multiple procurement mechanisms to determine which mechanism yielded the best value. They recommended combining the midterm and all the long-term RFPs, with one RFQ issued and the same contract structure.	The IESO's Resource Adequacy framework and the additional mechanisms introduced in the 2022 AAR seek to acquire products and services to meet emerging system needs identified through the IESO's iterative planning cycle. Each of the procurement mechanisms is focused on addressing a specific need over a specific timeframe. For example, the MT I RFP was an opportunity for existing resources coming off contract, whereas the LT1 RFP is focused on new-builds that require longer term length.
	As the IESO continues to operationalize its Resource Adequacy framework and undertakes different procurement mechanisms, we will aim to clearly articulate the opportunities that each mechanism offers for different resources at different stages of their life-cycle.
Stakeholders encouraged the IESO consider longer term contracts as offered by other jurisdictions.	The IESO is considering 20-year term contracts with increased terms for those projects that reach COD earlier than May 1,

Feedback	IESO Response
	2027. 22-year terms will be available to those facilities that opt for the Expedited Process stream.
A Stakeholder commented on how no mechanism seemed well suited to renewable facilities that may be candidates for repowering.	The IESO welcomes feedback on repowering, especially as we look ahead to the second medium-term (MT2) and long-term (LT2) procurements that may offer an opportunity for resources with more of an energy, rather than capacity, producing profile.
A stakeholder requested more details around the deliverability assessment process.	The deliverability assessment was further discussed during the June 9th engagement.
Some Stakeholders requested review the minimum security for small scale projects.	Thank you for the feedback.
Stakeholders also suggested the security deposits per MW could be cost prohibitive.	
Some stakeholders suggested that the "Small-Scale LT1 Project" definition for northwestern Ontario be restated as a capacity project with a nameplate capacity which is equal to or above 1 MW but less than 11 MW.	Thank you for the feedback, however changing definitions for certain zones is not a preferred approach as it would unnecessarily complicate the evaluation of different projects across the Province.