

# Feedback Form

## Long-Term RFP – June 9, 2022

### Feedback Provided by:

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Following the June 9<sup>th</sup> public webinar on the Long-Term RFP, the Independent Electricity System Operator (IESO) is seeking feedback from participants on the additional procurement mechanisms, as well as on proposed revenue streams.

The referenced presentation can be found on the [Long-Term RFP webpage](#).

Please provide feedback by June 20, 2022, to [engagement@ieso.ca](mailto:engagement@ieso.ca).

Please use subject header: **Long-Term RFP**. To promote transparency, this feedback will be posted on the [Long-Term RFP webpage](#) unless otherwise requested by the sender.

The IESO will work to consider and incorporate comments as appropriate and post responses on the webpage.

Thank you for your contribution.

## Additional Mechanisms: Overview and Linkages

Topic	Feedback
Please provide any feedback on the IESO's overview of the Additional Mechanisms (Expedited Process, Same-Technology Expansions, FCA) and the linkages between acquisition mechanism (e.g., Expedited Process and LT1 RFP, or LT1 RFP and LT2 RFP)	At this time, we have no comments on the overview or linkages as communicated by the IESO. Not all details were provided, but the principles of the approach to linking the Expedited Process, LT1 RFP and LT2 RFP were well communicated.

## LT1 RFP and Expedited Process: Mandatory Requirements and Rated Criteria

Topic	Feedback
Please provide any feedback on the Mandatory Requirements and Rated Criteria proposed for the LT1 RFP and Expedited Process.	<p>All pre-execution mandatory requirements for the Expedited Process need to be balanced with the urgency of need since the imposition of pre-execution mandatory requirements could disqualify projects capable of meeting the 2025 COD timeline.</p> <p>Regarding the Priority Zones, the magnitude of the Rated Criteria Points is not clear as no scale is provided. For example, is the 5-point adder for a project located in the high value zone graded out of 100? This is important to know as proponents think through potential developments.</p>

## LT1 RFP and Expedited Process: Proposed Contract Design

Topic	Feedback
Please provide feedback on the proposed contract design for the LT1 RFP and Expedited Process. The IESO welcomes feedback on the proposed approach for qualifying capacity as well as the proposed Capacity Payment Adjustment Mechanism.	The proposed contract design appears to be misaligned with the IESO's goals and the IESO-Administered Market ("IAM"). To help illustrate this, consider that the proposed design explicitly relies on the IESO's forecast of energy prices post-2025, even though the IESO itself has said that it is not possible to forecast post-MRP LMP. For evidence that up until now the IESO's position has been that an estimate of future prices under MRP cannot be generated, Capital Power relies on the IESO's response to APPrO's Information Requests in OEB Proceeding EB-2021-0136 in which APPrO requested the following from the IESO:

*Please provide any estimates of congestion cost for do-nothing scenario (i.e., the proposed project is not developed) on an annual basis. Please provide a detailed explanation of the assumptions and methodology in preparing congestion costs. Please provide all data sets, financial models, and sources of information used in the analysis.*

In response to this request, the IESO provided the following information:

*A do-nothing scenario is not an acceptable option for 2026 when Pickering GS retires. The proposed reconductoring project is required to meet North American reliability standards requirements as set out in NERC TPL-001 and NPCC Directory #1. The west-to-east transfer capability of the FETT transmission interface plus the capacity from resources located east of FETT needs to be sufficient to supply the demand east of FETT in manner meeting the above criteria. If the proposed reconductoring project was not developed, the IESO would need to acquire approximately 2,000 MW of new resources located east of FETT by 2026 to be compliant with its reliability obligations. The IESO has concluded that successfully acquiring approximately 2,000 MW of new resources east of FETT by 2026 represents an unacceptable risk. This RTR Project is being recommended to address this reliability risk. It is not being recommended to reduce congestion costs and, hence, calculating locational marginal prices and congestion costs is not necessary nor possible before the go-live of Market Renewal in 28 November 2023.*

The IESO has said that it acknowledges bidders may simply bid what is effectively their fixed capacity price and set the collar to eliminate risk of claw back based on energy prices, but no explanation was offered by the IESO with respect to why it believed bidders would be positioned to forecast future prices and model associated risk under a market design that's yet to be

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	<p>approved and implemented when the IESO itself has said this task is not possible to perform until after MRP. Skepticism with respect to forecast accuracy is further warranted because the IESO is proposing to prepare its price forecast prior to evaluating bids and announcing the successful LTRFP proponents. Accordingly, the IESO's forecast will not have any information with respect to what share of new generation will bid to select exposure to real-time market prices. The forecast will also not consider the characteristics of the supply mix being procured by the IESO over the next two to three years.</p> <p>The IESO in its role as market operator is also uniquely positioned to amend market rules to benefit its entitlements under the contract since the market rules for which it has authority to approve directly impact pricing and price formation in the IAM. The IESO's governance and rule amendment framework does not adequately protect the suppliers' interests that market rules will not prejudice their position vis-a-vis the buyer under future contracts.</p> <p>If the IESO were to move forward with this design, Capital Power would expect suppliers to seek adequate protections against changes in pricing due (in part or in whole) to IESO rule amendments.</p> <p>The IESO has also not provided detail describing how it will evaluate and rank proposals from proponents bidding a range of technologies, with a range of different operational characteristics and per MW break-evens, in a process where parties are bidding both collar price spread and discount to fixed capacity prices. With respect to these procurements, Capital Power's expectation is that a process where parties bid price on an energy collar is more likely than not to result in perverse outcomes and generate inefficient and costly pricing risk since the awards will be primarily allocated based on the IESO's forecast of quarterly market prices for the next 20+ years.</p>

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	<p>With respect to the proposed settlement schedule under the contracts, Capital Power is concerned that under the proposed structure, quarterly settlement would be too frequent given the proposed risk profile of the contract. Forecast granularity required to support quarterly settlement is likely not reliably achievable, and so additional settlement risk will need to be priced into bids so as to manage cash flow risk under the contract. Capital Power recommends revisiting this issue once the principal design elements the contract design have been settled.</p> <p>Capital Power does not believe that the IESO needs to implement payment multipliers to the contracts. Incentives are more appropriately incorporated through a longstop COD date and applicable liquidated damages.</p> <p>Capital Power urges the IESO to prioritize the finalization of contract design and encourages it to consider common themes in feedback received from a wide range of stakeholders.</p>

## LT1 RFP and Expedited Process: Proposed Term Lengths

Topic	Feedback
<p>Please provide any feedback on the term length considerations proposed in addition to the incentive mechanism for the Expedited Process.</p>	<p>The proposed term lengths are sufficient. Capital Power appreciates the IESO's effort to align term length with commercial realities.</p>

## Deliverability Assessment

Topic	Feedback
<p>Please provide feedback on the IESO's proposed process for deliverability testing and timelines.</p>	<p>No comments at this time.</p>

## Additional Acquisition Mechanisms: Same Technology Expansions

Topic	Feedback
<p>Are the descriptions of the different kinds of upgrades/expansions clear and reflective of the options?</p>	<p>At this time, the descriptions appear to generally capture the broad types of enhancements/investments that could be made at existing facilities.</p>
<p>What are the interdependencies between the existing contract, any upgrades and on-site expansions that need to be considered?</p>	<p>Responses to this question necessarily require careful consideration of complex and confidential commercial agreements in place and would require discussion with contract management and existing suppliers.</p> <p>As a starting point the following would need to be considered:</p> <ul style="list-style-type: none"> <li>- Term length</li> <li>- Price</li> <li>- Settlement mechanisms</li> <li>- Impact to any OM&amp;A compensation under the contract</li> <li>- Impacts to operating covenants</li> <li>- Impacts to any project finance arrangements with respect to the existing facility and site</li> <li>- Supplier estimates of fixed costs</li> <li>- Risk allocation under existing agreements</li> </ul> <p>Could the IESO confirm whether same technology expansions deliverable after May 1, 2025, will be considered in the same technology expansion process?</p>
<p>Are any interdependencies missing/not fully captured?</p>	<p>Please see above.</p>
<p>What are the considerations for participating in the Expedited Process or LT1 RFP?</p>	<p>Expected return on and of capital, impact to existing agreements, opportunity costs, project deliverability risks and associated penalties.</p>

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<p>What other key considerations/risks need to be included to help ensure this initiative is successful?</p>	<p>Capital Power strongly encourages the IESO to address opportunities and potential to expand and upgrade existing facilities directly with existing suppliers. These are confidential commercial arrangements that are existing and binding today. It is neither appropriate nor realistic to expect an open discussion of their terms, obligations, and remedies as part of a broader public stakeholder engagement process.</p>

## Additional Acquisition Mechanisms: Forward Capacity Auction

Topic	Feedback
<p>Is expanding eligibility to variable generation, self-scheduling and co-located hybrid facilities in the FCA and ACA a priority for stakeholders?  (Refer to slide 99)</p>	<p>No additional comments at this time.</p>
<p>Any feedback and suggestions on how the performance assessment framework may need to be modified to reflect the design differences?  (Refer to slide 106)</p>	<p>No additional comments at this time.</p>
<p>Any feedback on potential features that could be considered for the design of the FCA?  (Refer to slide 108)</p>	<p>No additional comments at this time.</p>
<p>Is expanding eligibility to variable generation, self-scheduling and co-located</p>	<p>No additional comments at this time.</p>

Topic	Feedback
hybrid facilities in the FCA and ACA a priority for stakeholders?	
Any feedback and suggestions on how the performance assessment framework may need to be modified to reflect FCA design differences?	No additional comments at this time.
What other design features should be considered to increase the attractiveness of a Forward Capacity Auction as part of IESO's suite of acquisition mechanisms?  (Refer to slide 110)	No additional comments at this time.

### General Comments/Feedback

No additional comments at this time.