

# 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

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)

ESC appreciates that IESO has announced a series of procurements that provide a view in terms of upcoming opportunities for project development (e.g., Expedited RFP, LT1 RFP, LT 2 RFP).

That said, many prospective developers and investors are challenged given the uncertainty in the market resulting from a lack of clear direction from the IESO on its needs and future contract structures (e.g., capacity vs. energy, duration of service requirements, etc.).

ESC recommends the IESO consider phased procurements with clear timelines and targets and/or specific energy storage procurements to recognize the unique characteristics of energy storage resources.

The amount of capacity the IESO intends to procure within all the procurement streams is significant and will result in post-award process issues (e.g., permitting, connection approvals, community engagement). Phased (or energy storage specific) procurements can manage the flow of awarded contracts and project development activities while also providing both the IESO and developers the opportunity to improve on the process and address shortfalls/setbacks.

To ensure thoughtful development through this period, the IESO should provide as much firm guidance to the market on specific requirements and evaluation frameworks. For example, will LT 2 RFP have the same requirements as LT 1 RFP, or will it switch to focus on an energy-style procurement?

#### Same Technology Expansion

ESC believes the current proposed procurement would provide very limited opportunity for incremental energy storage. Given there is a limited deployment of energy storage in Ontario to date, there are few opportunities for expansion. Further, given IESO's focus on 8-hr duration, this is likely unfeasible for energy storage. The narrow requirements appear to indicate IESO interest in gas-fired generation expansion. Finally, there is no clarity on the treatment of different storage expansions. That is, will expansion of an existing storage facilities duration

qualify? What about expansion of capacity? Or expansion of both capacity and duration at an existing storage site?

Overall, ESC contends that the IESO should encourage siting of energy storage at existing facilities with different technologies rather than strictly focusing on same technology expansions.

#### Hybrids

While the IESO has confirmed that the Foundational model for Hybrids will be available for the LT 1 RFP, the IESO should also confirm that hybrids will be eligible as part of the Expedited Procurement as well.

## 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 data-bbox="771 829 1104 861">Mandatory Requirements</p> <p data-bbox="771 871 1526 1543"><b>Deliverability</b> - Greater detail from the IESO is required with respect to deliverability assessments. For example, at what point in time will deliverability assessments be completed, and what guarantees will be provided to developers that the capacity will continue to be deemed deliverable through the RFP evaluation process. ESC strongly recommends that the IESO identify the maximum capacity at each selected interconnection point instead of asking proponents to identify three project sizes. All deliverability assessment conclusions should be published publicly. The IESO should provide further clarity on the treatment of transmission system expansion including investments planned in southwest Ontario (i.e., priority projects) GTA (i.e., Richview by Trafalgar upgrades), northern Ontario (e.g., planned reinforcements near Sault Ste Marie) and eastern Ontario (i.e., Merivale to Albion)</p> <p data-bbox="771 1585 1526 1858">Further, the IESO must provide greater clarity with respect to the timelines for commencing the CIA/SIA process with connecting utilities. It is unclear as yet whether it is beneficial for developers to proceed with CIAs/SIAs prior to RFP submission in order to lock-in capacity allocation for projects. The IESO must provide clearly defined milestones for the deliverability</p>

assessments, CIA/SIA processes for all successful projects and explain how delays in the connection process will support extensions of LDs and other contract provisions. ESC continues to believe that the IESO has not adequately prepared for the volume of connection requests that will follow the large number of projects contracted through the various procurement streams.

**Permitting and Approval** - The IESO should immediately provide information about requirements for permitting and approvals that may be required in advance of the RFP submission deadline. ESC is concerned that there is limited time to work with permitting authorities in advance of the submission deadline.

**Community Engagement / Municipal Support / Indigenous Support** - The IESO should immediately provide requirements for community engagement and support resolutions which may be required at time of RFP submission. We are greatly concerned that there is limited time to meaningfully engage with communities in advance of the RFP submission deadlines and urge the IESO to take creative approaches that enable longer-term engagement with communities on proposed projects. In addition, ESC is concerned these rated criteria as currently drafted will be mis-represented in proposals and potentially scored improperly without further considerations and examples. ESC recommends that the IESO consider alternative formats for determining Indigenous support including the option for a price adder that can be adjusted post contract award to match final project financing terms.

Rated Criteria

**Duration** - ESC is concerned with the rated criteria for duration of service. If the IESO does proceed with these criteria, it is essential that the IESO ensure fair evaluation of "duration" and require that all suppliers demonstrate their ability to achieve the required duration. For example, gas-fired generators must be able to demonstrate firm gas supply contracts that lock-in gas for the required duration. This includes the ability to secure

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	<p>gas supply, storage and delivery to site during all hours of the year.</p> <p><b>GHGs</b> - ESC recommends that rated criteria be developed for GHG emissions. Energy storage and other forms of emissions-free generation should be eligible for rated criteria points. This is consistent with current provincial and federal government policies related to transitioning to a net-zero grid.</p>

## LT1 RFP and Expedited Process: Proposed Contract Design

Topic	Feedback
<p>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.</p>	<p><b>Contract term</b> – ESC supports 20-year contract terms</p> <p><b>In-service deadlines</b> – ESC supports the flexibility for expedited projects to reach in-service by May 1, 2026, before incurring LDs.</p> <p><b>CECs</b> - The IESO should immediately clarify how the proposed CEC registry will impact the IESO contract design.</p> <p><b>Participation</b> - Timeframes for appropriate and meaningful engagement with Indigenous communities is short for both Expedited and LT 1 RFP. The IESO should add a contractual provision that would allow for a price adjustment at any point in time that an Indigenous partner is added to the project. This would allow for more time for capacity building in local communities and would ensure opportunities could be explored in the longer-term rather than rushing through prior to RFP submission.</p> <p><b>Connection</b> - ESC recommends that the contracts incorporate the different steps of the CIA/SIA process, with the ability to extend the in-service date (and delay LDs) on a day-for-day basis if the CIA/SIA process takes longer than the specified schedule durations.</p> <p><b>Supply Chain</b> - ESC also recommends consideration for potential rising equipment costs. For example, that the contract includes a cancellation provision that would allow</p>

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	<p>suppliers to cancel without penalty within a reasonable period of time (e.g., 16 months) from contract award if overall equipment prices increase beyond a set threshold (e.g., 20%). Alternatively, the IESO could implement a capital cost adjustment for storage.</p> <p><b>Contract Payment Adjustment Mechanism</b>  ESC is concerned that the proposed mechanism does not reflect the realities of operation for energy storage, as the payment would likely need to be based on an on-off peak spread rather than average prices</p> <p>In general, ESC recommends that the IESO take steps to simplify the contract payment structure as much as possible. From the perspective of energy storage, the IESO should recognize that energy arbitrage could be a significant revenue stack and the proposed approach could lead to increased costs if those revenue streams are exposed to merchant risk for both the sale and purchase of electricity. From a debt modeling perspective, lenders take an aggressive stance and will assume the most conservative capacity revenues.</p> <p>IESO should explore best practices from other jurisdictions, recognizing that it is possible to acquire capacity through a <b>CFD-style contract</b>. For example, the Long-Term Energy Services Agreement for storage and generation developed in New South Wales provides a top-up to market revenues including energy.</p> <p>If a priority objective of the IESO is to encourage market participation, the IESO should explore revenue sharing for IESO-Administered Markets (IAMs) services above a net-revenue requirement (similar to the Phase II energy storage RFP contracts from 2014). Under this concept, energy storage resources are encouraged to maximize IAM service revenue throughout the contract term.</p>

## LT1 RFP and Expedited Process: Proposed Term Lengths

Topic	Feedback
Please provide any feedback on the term length considerations proposed in addition to the incentive mechanism for the Expedited Process.	We appreciate that the IESO has listened to stakeholder input and support 20+ year contract terms that would be available for successful projects. We believe this will lead to more affordable energy projects through this procurement process.

## Deliverability Assessment

Topic	Feedback
Please provide feedback on the IESO's proposed process for deliverability testing and timelines.	Much more detail is required from the IESO. We note that the IESO suggests additional information will be shared prior to the end of June. ESC will review and comment at that time, as necessary.

## Additional Acquisition Mechanisms: Same Technology Expansions

Topic	Feedback
Are the descriptions of the different kinds of upgrades/expansions clear and reflective of the options?	No comment. As indicated above, this procurement phase does not seem to be targeted toward energy storage. We would appreciate the opportunity to discuss with the IESO if it is the IESO's view that energy storage should be viable in this process.
What are the interdependencies between the existing contract, any upgrades and on-site expansions that need to be considered?	As mentioned, the IESO should clarify the ability of to expand duration, capacity, or both at existing facilities.
Are any interdependencies missing/not fully captured?	The same technology expansions should include the ability to add energy storage to provide firm capacity at existing supply resource sites.
What are the considerations for participating in the Expedited Process or LT1 RFP?	ESC is extremely concerned about the timelines for the expediated process and continues to recommend that the IESO forgo an RFQ stage to speed up the procurement, permitting and construction process.



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What other key considerations/risks need to be included to help ensure this initiative is successful?	No comment.

## 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?</p> <p>(Refer to slide 99)</p>	<p>In general, while we support expanding opportunities for hybrid facilities, we are unconvinced that an expanded capacity auction approach would lead to more cost-effective outcome relative to an RFP/contract approach for the acquisition of required resources.</p>
<p>Any feedback and suggestions on how the performance assessment framework may need to be modified to reflect the design differences?</p> <p>(Refer to slide 106)</p>	<p>No comment.</p>
<p>Any feedback on potential features that could be considered for the design of the FCA?</p> <p>(Refer to slide 108)</p>	<p>No comment.</p>
<p>Is expanding eligibility to variable generation, self-scheduling and co-located hybrid facilities in the FCA and ACA a priority for stakeholders?</p>	<p>No comment.</p>
<p>Any feedback and suggestions on how the performance assessment framework may need to be modified to reflect FCA design differences?</p>	<p>No comment.</p>

Topic	Feedback
<p>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?</p> <p>(Refer to slide 110)</p>	<p>No comment.</p>

## General Comments/Feedback

ESC is concerned that the process and proposed contract terms that the IESO has outlined are unduly complex and could lead to delays or ineffective outcomes. Overall, the IESO should streamline its focus on RFPs, and confirm a schedule for procurements (or energy storage specific procurements) that is predictable for both developers and communities. Contract terms and RFP design should be held as consistent as possible from procurement to procurement to reduce development uncertainty.

While the IESO has indicated a desire to remain technology agnostic, it may be more appropriate to ensure that the unique considerations of each technology be considered in procurement design. As mentioned above, many of the terms proposed by the IESO are not compatible with the attributes of energy storage (e.g., duration, average prices, etc.). One approach could be to develop a specific RFP for energy storage and hybrids recognizing these technologies are likely to be most developed in the future.