Feedback Form

Long-Term RFP – August 10, 2022

Feedback Provided by:

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Organization: [redacted]

Email: [redacted]

Date: August 20, 2022

Following the August 10th public webinar on the Long-Term RFP, the Independent Electricity System Operator (IESO) is seeking feedback from participants on: the LT1 RFP design and key updates presented in the meeting, Contract Design, Upgrades, and the Deliverability Test Guidance Document.

The referenced presentation can be found on the Long-Term RFP webpage.

Please provide feedback by August 22, 2022 to **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.

LT1 RFP Design and Key Updates

Topic	Feedback
Please provide any general feedback on the LT1 RFP design and the key updates provided by IESO in the meeting.	Feedback on the proposed Rated Criteria in the Expedited and LT1 RFP is listed in the General Comments/Feedback section below

Proposed Contract Design

Topic	Feedback
Please provide any feedback on the contract design and provisions proposed by the IESO.	Feedback on the proposed Contract Design is listed in the General Comments/Feedback section below

Proposed Upgrades Process

Topic	Feedback
Please provide any feedback on the proposed design and other considerations with respect to the Same Technology Upgrades procurement process.	No Feedback

Deliverability Test Guidance Document

Topic	Feedback
Please provide any feedback on the Deliverability Test Guidance Document and associated form.	**Connection Arrangements:** For the Deliverability Test Form and the RFP, for new build Expedited RFP energy storage projects, we strongly recommend that the IESO require such projects to have a separate and distinct connection to the listed substation or transmission or distribution circuit and not utilize an existing connection for an existing generation project, because otherwise, an energy storage project, that is sharing a connection to the grid with an existing generation project, will not be able to discharge to the grid at the same time as an existing generation project is delivering generated electricity to the grid. **Capacity Sizing:** For energy storage projects, it has been arranged to have a connection capacity that is larger than the guaranteed contract capacity. In filing out the Deliverability Test Form, please clarify if the IESO is looking for proponents to list the contract capacity or the connection capacity. **Charging of Energy Storage:** In Section 5.5 of the Deliverability Test Guidance document, it says: "For the charging demand test for electricity storage facilities, 50% of the maximum continuous rating levels will be used. Electricity storage facilities have 16 hour periods where the charging could occur and charging demand can be much less than the maximum continues rating in generation mode. The 50% level is thought to be a reasonable level for the test." We believe this is a flawed approach because we are aware of a potential energy storage project that could pass as "Deliverable" but in real life not be able to deliver its maximum continuous rated power level during peak times for a minimum of 4 hours. In this case, where a proponent receives a "Deliverable" result, such proponent will not know of the limitation it faces in being able to deliver its project's maximum continuous rated power for the minimum period of 4 hours during peak times. Furthermore, such proponent will not know to build into its bid proposal the impacts of this limitation, specifically the reduced revenues from energy market participation and/or the liquidated damages for not delivering the project's maximum continuous rated power for 4 hours during a peak event. We would greatly appreciate the opportunity to discuss this with you in more detail.

(A) Rated Criteria:

1) Municipal Support Council Resolutions ("MSCR"):
Based on information presented to the public at public open houses, we are aware that some proponents have not and do not intend to complete any technical studies (including, required environmental studies) for their projects until after contract award. On the other hand, other proponents have worked to de-risk their project proposals by completing technical studies pre-RFP submission. Municipalities rely on the feedback provided by the IESO and the requirements of the IESO's RFP in providing MSCRs. In past IESO procurements, the IESO has provided MSCR prescribed forms to be filled out and signed by Municipalities who wish to provide a project with a MSCR. If the IESO plans to draft and provide Municipalities with similar MSCR prescribed forms, we recommend that the MSCR prescribed form be drafted so that the Municipality can indicate whether the support provided was based on its review of the project's site specific technical studies that were completed, or if the support is of a more "general" nature and not based on the receipt and review of a project's technical studies. In addition, we strongly encourage the IESO to provide additional rated criteria points to those MSCRs that indicate that they were based on the Municipality being provided with the technical studies, as described above, as such MSCRs will indicate that those projects will be significantly more de-risked at the time of RFP submission than other projects that receive a MSCR that is of a general nature and which was not based on site specific studies and approvals. If the IESO will not be providing a MSCR prescribed form and MSCRs will be based on a Municipality's form, the same recommendations mentioned above should apply, in that additional rated criteria points should be awarded to those MSCRs that indicate that the Municipality was provided with project specific technical studies, in comparison to those MSCRs that were of a "generic" nature and not based on receiving technical studies.

2) Indigenous Participation:
The feedback we have received from First Nations is that it is critical to ensure that Indigenous Participation in a project include the participation of one or more of the First Nations that considers the location of the project (Project Site) to be within their traditional lands. As a result, we strongly encourage the IESO to either: (a) mandate that Indigenous Participation include the participation of one or more of the First Nations that considers the Project Site to be within their traditional lands; or (b) provide additional rated criteria points to projects where Indigenous Participation includes the participation of one or more First Nations that consider the Project Site to be within their traditional lands.

3) Location:
Considering how important project location is for the capacity needs of the Province, we strongly encourage the IESO to award more than 6 maximum points to those projects located in the most "beneficial" areas, resulting in project location being weighted higher than other rated criteria. Location based point allocation should be based on the locations identified in June 21st IESO report titled "Locational Consideration for New Resources". Furthermore, in addition to site based

locational considerations, we ask the IESO to recognize that some connection arrangements provide for more flexibility, more reliability and a higher degree of system benefits over other connection arrangements. With this in mind, we strongly encourage the IESO to provide additional rated criteria points to projects with connection arrangements that provide for a higher degree of flexibility, reliability in being able to actually deliver the energy and capacity to the grid when its needed and overall system benefits over other connection arrangements.

4) Duration:

For the proposed energy storage specific stream in the RFPs, if all energy storage projects submitted to a RFP have a duration that is less than or equal to 6 hours, then the IESO should remove the "duration" rated category from the overall evaluation, as this category will not be applicable and will arbitrarily reduce the value of the other rated categories.

For example, assume that the max points for each one of 4 rated categories is 6 points totaling 24 points. Also assume that "duration" is one of the 4 categories and that all projects got a score of "0" for this category. In this example, if the IESO were to remove the "duration" category all together, a company that received a max score of 6 for the remaining 3 categories would have a total score of 18 out of 18, or 100% versus a total score of 18 out of 24, or 75% where the "duration" category was not removed.

5) Rated Criteria General Feedback:

Considering how quickly the Expedited RFP is being rolled out, how critical the Provincial need for capacity is and how important the rated criteria items are in demonstrating which de-risked projects are most likely able to reach commercial operations, we strongly encourage the IESO to increase the proposed Evaluation Criteria Weighting from 20% to something much more significant (at least 33% up to 50%).

(B) Contract Design:

1) Overall Comments:

As noted by the IESO in its August 10th presentation, there is a lack of an ancillary services market and lack of clarity on post-MRP energy pricing in Ontario. In addition, the current energy market in Ontario is not fully open and transparent. Given this high degree of uncertainty with the Ontario energy market and lack of historical data that will be representative of the future in Ontario, we strongly recommend that the IESO not force proponents to engage in "future betting" on long term energy market revenues, as "future betting" will increase the cost of the investment made by selected proponents, and increase the risk that projects selected under the Expedited RFP do not reach financial close and/or commercial operations.

2) Contract Structure:

Considering the contract term associated with the Expedited RFP is 22 years and with the lack of clarity in the Ontario energy market place today, we strongly recommend that the IESO not expect proponents to "future bet" on long term energy market pricing and instead the IESO should require proponents to bid a net revenue requirement and structure all contracts as a "Contract For

Differences" meaning that any revenue earned by a project above its associated net revenue requirement will be clawed back by the IESO.

3) Spread Scenarios:

If the IESO is going to proceed with the spread structure for energy storage projects as communicated in its presentation on August 10, we strongly recommend that the IESO use one percentage based spread scenario rather than split it into low, average and high dollar value scenarios, as these three dollar value scenarios will force proponents to engage in too much "future betting" of Ontario's energy market prices over the next 22 years. It is worth noting that the Phase II Energy Storage Contracts used 30% in determining the spread between the cost of charging and the revenue earned from discharging. We strongly recommend using this same figure. So to calculate whether or not there was a 30% spread experienced each day, the IESO would compare the sum of the 6 lowest per MWh energy market prices in a day against the 4 highest per MWh energy market prices in that same day. If the sum of the 4 highest per MWh energy market prices is **more** than 1.3 times the sum of the 6 lowest per MWh energy market prices, then any excess above 1.3 times would be shared 80% to the IESO and 20% to the proponent. If the sum of the 4 highest per MWh energy market prices in a day is **less** than 1.3 times the sum of the 6 lowest per MWh energy market prices in that same day, then the IESO will top up the proponent so the spread scenario of 30% is met.

Note #1: Assuming all energy storage systems is sized to deliver 4 hours of discharge, we strongly recommending using 6 hours to account for the cost of charging and 4 hours to account for the revenue earned from discharging to match the round trip efficiencies of substantially all energy storage technologies.

Note #2: An 80% IESO / 20% Proponent split, provides incentive for the proponent to ensure they are maximizing revenues and also removes a significant amount of "future betting" from proponents' proposals.

4) Early COD Incentive

Considering the market dynamics facing energy storage projects, we strongly recommend that the IESO allow for the staggered commissioning of a project so that the "Early COD Incentive" can apply to that portion of the project that has reached commercial operations, rather than having the "Early COD Incentive" only apply to the project once 100% of the project has reached commercial operations.