Feedback Form

Long-Term RFP – November 7, 2022

Feedback Provided by:

Name: Emma Coyle

Title: Director, Regulatory & Environmental Poicy

Organization: Capital Power Corporation

Email: [redacted]

Date: November 14, 2022

Following the November 7th public meeting on the Long-Term RFP, the Independent Electricity System Operator (IESO) is seeking feedback from participants on the proposed deemed generation model.

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

Please provide feedback by November 14, 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.

Thank you for your contribution.

Deemed generation model

Topic	Feedback
Do you support the proposed approach with fixed VOM and CRE value? Please explain why or why not.	Capital Power supports the Capacity Contract model previously contemplated. Capital Power does not support adopting a new contract model for the Expedited RFP at this time. It may be appropriate to consider alternate or evolved contract models for future procurements following the E-LT1 RFP
Do you have any feedback on the use of non-continuous 4 hours in the model?	Capital Power believes a continuous 4-hour model is more appropriate. Developers use price forecasts that average hourly prices and the shape of the daily curve over 22 years. Volatility and price polarity over 22 years cannot be adequately captured in these forecasts, and so developers will likely have to materially discount the likelihood that each hour in a non-continuous four-hour model can be matched by the resource. The adoption of a non-continuous 4-hour model thus increases forecasting risk with no payoff to market efficiency or the economics of a proponent's bid. While forecasting a 4-hour continuous model presents its own challenges, it does not result in the same amount of incremental risk which must then be priced and recovered through the proponent's bid.
Is there anything further you recommend be considered with respect to the implementation of this alternative model?	Capital Power does not support the adoption of the alternative model. Our objection is based on both the weak competing merits of the proposed alternative, and the fact that this late-stage introduction raises concerning process issues. Based on the IESO's forecasted need and process schedule, there is not enough time remaining to adequately review and consult on a new approach at this time.
Do you have any general feedback on the two models presented, including any feedback on financeability?	Both models are financeable.

Topic	Feedback
Do you have any feedback on potential market and operational impacts between the two models?	The IESO has made clear the minimum performance requirements for resources participating in its competitive process. Capital Power understands these minimum requirements to reflect the IESO's operational needs, and Capital Power also expects that IESO Market Rules will govern dispatch. Accordingly, Capital Power strongly supports contractual provisions that provide sufficient and reasonable protection to suppliers from losses due to change-in-law and changes in market rules following contract execution. During the IESO's stakeholder session, some participants stated that resource owners would foreseeably have the option to not dispatch their facility for reasons due to O&M optimization, or optimization of cycling costs. Capital Power would like confirmation of the IESO's position as to whether this type of asset optimization is being contemplated under the contract and the market rules. **Does the IESO expect that storage resources will be permitted to refuse or selectively respond to dispatch/optimize real time availability for the purpose of controlling cycling related O&M costs?**

Materials Cost Index Adjustment (MCIA): Lithium

Topic	Feedback
Do you have any feedback on the appropriate weighting for lithium in the MCIA?	Capital Power is supportive of the IESO's proposed lithium indexing weighting of 25% in the MCIA. We believe the 25% weighting provides adequate protection against lithium price volatility, and it also ensures that proponents continue to bear some lithium price risk which they can seek to competitively manage through commercial arrangements. Capital Power continues to believe that proponents are better positioned than ratepayers to manage this risk. Capital Power is not supportive of counterproposals which base 100% of the MCIA on lithium prices.

General Comments/Feedback

Capital Power supports the changes made to the Article 13 and believes the contract should also include language that provides the supplier with similar remedies where the effects described in 13.1 (c) are due to an amendment of the IESO Market Rules and Manuals.

Capital Power would also like to reiterate our position that the IESO should not adopt an alternative revenue model for the Expedited Procurement. Participants have been providing months of feedback to the IESO on the current capacity contract structure and shifting to a new revenue mechanism at this time will open the process up to potential issues and further delays. In addition, running two potential revenue models between now and December 6th will result in inefficiencies as participants work to prepare their bids on an expedited basis.