Feedback Form

Long-Term RFP – March 28, 2023

Feedback Provided by:

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Date: April 11, 2023.

Following the March 28th public webinar on the Long-Term RFP (LT1 RFP), the Independent Electricity System Operator (IESO) is seeking feedback from participants on design of the LT1 RFP and LT1 Contract.

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

Please provide feedback by April 11, 2023 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 Lessons Learned from E-LT1 RFP

Topic	Feedback
E-LT1 RFP: Please provide any general feedback reflecting on your participation in the E-LT1 RFP as it relates to the upcoming LT1 RFP.	We remain concerned that gas generation facilities will not be required to demonstrate their ability to meet the duration specified year-round. The requirements for firm gas storage, firm intra-day gas balancing, firm short notice gas transportation and distribution services should be specified in order to pre-qualify the MWs from a gas-fired resource. A gas-fired resource relying on interruptible gas services and without sufficient quantities of gas storage will not be able to deliver reliable capacity to the IESO, especially in the winter months. Brownouts are an active point of discussion and exposure for power markets that have not specified firm gas arrangements, such that on critical peak days gas plants are curtailed from not having fuel supply and enter forced outages. Historically, IESO has provided strict requirements and oversight to confirm sufficient firm gas deliverability and management services are in place. This has ensured gas-fired power plants can be relied upon during peak winter needs. Without clearly specifying these requirements in the RFP, Proponents will be incentivized to rely on interruptible gas services to lower their bid prices, severely affecting reliability. Additionally, in cases where a non-emitting energy storage project is ready to serve the grid and is "Deliverable but Competing" with a non-storage asset, the priority is currently being given to the non-storage asset. We believe this should be changed to the opposite -- the priority should be given to the non-emitting storage asset instead.
LT1 RFP design: Please provide any feedback on the proposed Mandatory Requirement for Municipal Support.	
LT1 RFP design: Please provide any feedback on the Rated Criteria Categories and Point Allocation.	We believe rated criteria points should be provided for projects with no emissions.

Indigenous Community Participation

Topic	Feedback
Please provide any feedback on the Rated Criteria for Indigenous Community Participation as contemplated in the E-LT1 RFP as it relates to the upcoming LT1 RFP.	Awarding 3 points, only in the case of 50% economic interest is concerning is that some Indigenous communities may not be interested in an equity ownership, but rather prefer other avenues for economic benefits such as royalties, employment, etc. This type and level of participation should not be dismissed. All projects with any level (equity or royalty) of Indigenous participation should receive 3 points. Additional 3 points for Indigenous economic interest should be awarded using a sliding scale ("% Sliding Scale") similar to that noted in section 4.3(c.) of the RFP being: 1 point= 10%-25%; 2 points= >25% to 50%; and 3 points > 50%. Regardless of the % Sliding Scale, we believe that any Indigenous Community committing over $25M in equity into a project, should automatically be awarded 3 points. It is helpful to have a financial incentive, such as a contract price adder ("Price Adder") to help incentivise private sector proponents to work with the Indigenous community to secure the needed funding to ensure the Indigenous equity economic interests contemplated in the RFP are in fact, realized. The adder should be scaled relative to Indigenous participation levels. We would also like to highlight that the way the RFP and contract are currently written, Proponents can "game" the system by showing 50% percentage Economic Interest in the project through project structuring methods that result in the illusion of equity. For example, this can be achieved by way of setting up shell companies for Indigenous equity participation but having all the assets of the project sitting elsewhere, thereby having the illusion of real equity in a project. This example does not meet the intent of arriving at true Indigenous equity participation in projects, with equivalent equity ownership, rights, and returns as non-Indigenous equity investors.

Proposed Contract Design: General Feedback

Topic	Feedback
Please provide feedback on any contract provisions you wish to comment on. *Note: the commercial structure/ revenue model for the LT1 Contract will not be modified from that which was used under the E-LT1 Contract.*	CONTRACT CAPACITY: We would like to emphasize that it is an inherent technology characteristic for many energy storage facilities to degrade over time. While it is possible to augment facilities to maintain capacity at a fixed level for 20 years or greater, we believe that requiring project proponents to do so will unnecessarily add costs and negatively impact ratepayers due to the current market environment with high commodity pricing, inflation and foreign exchange risks. Providing only 3 reset opportunities for Contract Capacity is not enough to optimize project capabilities and minimize ratepayer costs. Exhibit B should include a table for Minimum Annual Contract Capacity to be specified, which would allow for annual adjustment. COST INDEXING: Regarding the Materials Cost Index Adjustment (Section 2.13 of E- LT1 contract), rather than requiring every proponent use the same formula, we suggest that each proponent should be able to submit their own unique commodity adjustment formula that aligns with their particular technology supplier adjustment mechanisms. Proponents should be able to specify whether and what commodity exposure they may have, as well as the proportion of their capacity payment related to the exposure. This will allow for back-to-back commodity exposure arrangement between suppliers and the IESO, both up and down. For instance, a large-scale BESS could have $50-$100M raw material cost exposure and without an appropriate indexing mechanism in the contract, would require equivalent/excessive contingency amounts to be held by Proponents, which is not good for ratepayers. Additionally, any generic indexation formulas, such as currently contemplated by the IESO, do not align with commodity exposures that Proponents are exposed to, and therefore introduce new, unnecessary risks to proponents, and will cause additional unnecessary contingency costs to be passed onto ratepayers. Finally, foreign exchange and interest rate exposures should be indexed between the bid date and contract signing date, at which time appropriate hedging commitments can be made by the project without carrying excessive contingencies to the detriment of ratepayers.

General Comments/Feedback

Sufficient time is required between when the Deliverability Assessment Results are received and Bid Submissions are due in order to complete sufficient public engagement and receive accurate equipment pricing. We recommend having at least 10 weeks between these two Milestones, as was provided in the E-LT1 RFP. Ideally having the Deliverability Results sooner – within a month of submission- would allow the timeline for bids to remain the same. We do not recommend further delaying the Bid Submission Dates and Contract Offer dates.