

Feedback Form

Long-Term RFP – June 29, 2023

Feedback Provided by:

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Following the June 29th 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 July 13, 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.

Revised COD of May 1, 2028

Topic	Feedback
Are Proponents supportive of the revised COD date and the introduction of Capacity payment multipliers for early operation?	Yes, EDF Renewables is supportive of the revised COD date with Capacity payment multipliers for early operation.

Revised procurement targets

Topic	Feedback
<p>Are Proponents supportive of the revised LT1 procurement targets on slide 15, which has increased the overall procurement target from 2,200MW to 2,505MW? This enables unused MWs in the Non-Storage Category from the E-LT1 RFP to the Non-Storage Category in the LT1 RFP. The IESO continues to reserve the right to accept the marginal bid above the Storage Category procurement target.</p>	<p>EDF Renewables participates in RFPs for renewables and storage across Canada and across North America. We invest our scarce development dollars in markets where there is transparency and stability on the type and the amount (MWs) of products and services our customer needs to safely and reliability operate the grid over the short, medium, and long term. A stable market outlook is critical to enable various business decisions, community engagement activities and pre-development activities to prepare in any pending competitive RFP. In this context, we can support the re-affirmation by IESO to maintain the overall gas capacity target for the LT 1 procurement stream. However, if the Non-Storage Target under delivers, again, those MWs should be allocated to the upcoming LT2 RFP in 2024.</p> <p>However, it is unclear as to why the IESO continues to seek out a more costly capacity product, especially when it would appear from the E-LT1 RFP that there are higher costs and more potential constraints on natural gas use in the future. Overall, it is still very unclear to EDF Renewables, due to a delay in the Annual Acquisition Report (AAR) and following a recent series of announcements /commitments for new supply to 2050, including bilateral recontacting for existing gas generation, new nuclear, SMRs and long duration storage, what the market outlook will be for clean technology needs in Ontario will be beyond LT2 and over the short, medium, and long term.</p> <p>Therefore, going forward, in future IESO procurement engagements, EDF Renewables will work with the IESO to develop:</p> <ul style="list-style-type: none"> i) a more predictable and stable procurement schedule i.e., clear dates, product/services, and amount (~1 GW per year) - phased procurements can manage the flow of awarded contracts for the Buyer, gain RFP efficiencies through some standardization, and lower project attrition. At the same time, Sellers can best manage various project development activities, consider the evolving transmission grid availability, work more closely with communities on siting and forge lasting partnership with Indigenous communities. ii) explore different products/services where renewables and energy storage can offer value to a decarbonized Ontario electric grid that includes regional power system needs, transmission system optimization, alignment of new transmission with new renewable development and considerations of re-powered existing facilities.

Changes to Rated Criteria

Topic	Feedback
<p>Are Proponents supportive of the revised Rated Criteria approach as laid out on slides 20 and 21? This includes the removal of the duration of service as a Rated Criteria and setting minimum duration requirements as a Mandatory Criteria for Storage Category and Non-Storage Category resources.</p> <p>Remaining Rated Criteria include: Local Governing Body Support, and Indigenous Participation.</p>	<p>For this next procurement, EDF Renewables understands why the IESO feels it is appropriate to remove duration as a rated criteria and implementing the minimum 4-hour duration requirement.</p> <p>However, EDF Renewables and various industry associations including Energy Storage Canada, have made attempts for the IESO to consider and allow shorter, and longer duration products able to compete in capacity-based RFPs. We do hope in future energy + capacity contracts that various durations are considered and reflected in the RFP/contract design.</p> <p>EDF Renewables supports maintaining points for local support and Indigenous Participation.</p> <p>Lastly EDF Renewables has previously supported a Price Adder for E-LT1 and we would like the IESO to consider it for LT1 RFP. EDF Renewables is a holder of three (3) LRP projects that have 50% Indigenous ownership. An equity agreement takes significant time and resources to bring together a fair and equitable partnership agreement. Moreover, resources for both parties are further stressed under very compressed timelines. As a result, an adder is a more tangible and transparent signal to Indigenous communities of the value the IESO places in such partnerships, and an Adder allows Projects to approach communities and give the partnership added time and flexibility, since an Adder can be secured after contract award, yet before contract signature.</p>

Inclusion of the MCIA in the LT1 RFP

Topic	Feedback
Are Proponents supportive of continuing to include MCIA options in the LT1 RFP?	<p>EDF Renewables participates in RFPs across North America for on-shore and off-shore renewables and storage. It has become commonplace for Buyers to propose 'fixed price adjustment mechanisms' (typically from bid submission to FID or when supply agreements are finalized/paid) to manage the various fluctuations in costs from bid submission. Buyers have been willing to do so as it increases the viability of projects.</p> <p>In the months leading up to the final RFP and contract design for E-LT1 RFP, EDF Renewables was a strong advocate for some form of contract bid price adjustment mechanism. Due to the volatility of lithium prices through 2022, the current MCIA was offered. However, EDF Renewables notes that when the E-LT1 RFP bids were submitted, the view of lithium prices were expected to decrease and would lower at the time of major equipment purchases for a 2025/26 COD. Therefore, we encourage the IESO to overlay this context to explain why so few used the MCIA.</p> <p>Since the IESO has expressed its intent to keep changes between E-LT1 and LT1 as limited as possible, and allow for a review of a more considered 'price adjustment mechanism', EDF Renewables would encourage the IESO to make minor changes to the MCIA:</p> <ul style="list-style-type: none">i) permit Proponents to determine the weighting factors for each index component (e.g., instead of weighting the lithium carbonate index by 0.25, ferrous and non-ferrous IPPI index by 0.45, and the CPI index by 0.3, allow a Proponent to select these weighting factors in its Proposal);ii) include a "collar" in the MCIA design, such that the IESO risk is capped at a certain pre-determined threshold value, but the Proponent can elect to proceed with the project even if the indexing is capped at that value. If either side of the 'collar' is breached, the Buyer allows the Seller a chance to reasonably re-price via an 'open book' process.

Changes to Proponent Group Award Limit

Topic	Feedback
<p>Are Proponents supportive of increasing the Group Award Limit for Storage Category resources from 600 MW to 900 MW?</p> <p>Additionally, the IESO invites Proponents to provide Group Award Limit feedback with regards to the Non-Storage Category.</p>	<p>Given that the procurement target in the LT1 RFP is larger than in the E-LT1 RFP and given the potential for several larger projects to be proposed, EDF Renewables supports increasing the limit from 600MW to 900MW.</p>

Other or General Comments/Feedback:

Investment Tax Credit (ITC) – Section 2.16 of the LT1 RFP Contract entitles the IESO to 50% of any direct government funding. Meanwhile, a Q&A from the ELT1 process states: *The IESO will not be instructing Proponents on whether or not to include tax credits in the pricing assumptions in their Proposals. For clarity Section 2.16 of the E-LT1 Contract outlining claw-back of funding from Additional Sources of Government Support does not apply to the Investment Tax Credit (ITC).* It is broadly understood that the contract overrides any responses posted via Q/A process. EDF Renewables supports CanREA, ESC and IPP Consortium requests the IESO clarify in the contract language that *Additional Sources of Government Support* will exclude funding from the ITC. It must be noted that other jurisdictions in Canada interpret the words ‘grant’ and ‘tax incentive’ as the same. So while the IESO feels it has been clear in the contract, EDF Renewables would appreciate it be made explicit in the contract that ITC is not included in the definition of *Additional Sources of Government Support*.

Market Rule Protection - On slide 11 of the IESO’s webinar presentation, it was indicated that the topic of market rule protection was a closed design item as it was significantly stakeholdered in the E-LT1 RFP. However, EDF Renewables has been consistent throughout the E-LT1 RFP that the contract did not provide commercially reasonable market rule protections. While the contract does offer a 15% cap on lost revenue re: Fixed Capacity Payment in the event of unforeseen market rule changes, the proponent has no control over future market rule changes. Moreover, the Market Renewal Program is still very uncertain. As a result, this risk must be included in the bid price, which increases the final bid prices. If the IESO wanted to get the most competitive price, the LT1 Market Rule protections 15% cap should be reviewed, and the primary consideration should be to remove this cap entirely.

Contractual Flexibility – EDF Renewables understood the E-LT1 RFP needed to assure no attrition to maintain reliability, therefore the IESO RFP and contract relied on a very high bid proposal security and no contractual flexibility. However, LT1 is a much larger RFP. EDF Renewables has been consistent throughout the E-LT1/LT1 engagement that the IESO continues to place unreasonable risks onto bidders outside of the proponent’s control i.e., capped market rule protections, limited price adjustment mechanism, unknown interconnection costs and timelines (LDCs, approval authorities), etc. One very tangible suggestion would be to enable bid price flexibility on transmission

connection costs. It is very challenging to manage the timelines between the Deliverability Test results and applying for SIAs and CIAs prior to bid – to where the IESO has advised against an SIA/CIA request. As a result, projects have extremely limited information about system requirements, so EDF Renewables must estimate connection costs in their bids, and a minor error could kill a project. Therefore, EDF Renewables is proposing IESO include a mechanism to adjust contract pricing based on connection costs.

Greater Transparency on Transmission System - As outlined in a CanREA letter to the IESO dated June 19, the E-LT1 RFP deliverability process lacked reasonable and necessary transparency. EDF Renewables must note to IESO that proponents are developing projects largely in the dark, without sufficient access to information from the IESO or Hydro One on system availability or optimal connection points. The E-LT1 Deliverability Test led to wasted time and money on projects that were once 'deliverable but competing' and were rendered 'undeliverable' after bid submission. This leads to confusion with indigenous partners, in project communities and across councils of municipal hosts. EDF Renewables is very concerned that this process is bound to repeat itself in LT1 RFP, unless the IESO releases much more information about system capacity ahead of the November 2023 proposal submission deadline. EDF Renewables requests that the IESO release the results of the deliverability assessments from E-LT1 RFP, as well as any other helpful information that could help developers situate their projects in locations that can be fully 'deliverable'. Moreover, when proponents receive a "deliverable but competing" result from the Deliverability Test, it would be helpful to receive further intel about the assigned status and competition. For instance, an estimate for the deliverability paths capability and the total combined capacity proposed by qualified applicants as well as the number of projects competing for the remainder capacity. Furthermore, additional information on the reasons for the "deliverable, but competing" status would be beneficial: e.g. feeder capacity limitations and where, short circuit limitations and where, network transmission circuit capacity limitation, etc.