

Feedback Form

Long-Term RFP – June 29, 2023

Feedback Provided by:

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Date: July 13, 2023

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, we are supportive of the revised date and the early payment multipliers.

Revised procurement targets

Topic	Feedback
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>No, we do not agree with increasing the Non-Storage target by 305MW. We recommend that the IESO reallocate the unused MWs from the E-LT1 Non-Storage Category to the LT1 Storage Category, or to future procurements such as for longer duration energy storage. The results of the E-LT1 RFP provide a clear indication that the Storage Category resulted in lower costs for Ontario ratepayers. Using the average contracted E-LT1 prices, moving the 305MW target to the Storage Category from the Non-Storage Category has the potential to provide Ontario ratepayers with savings of over ~\$16 Million per year.</p> <p>We agree that the IESO can reserve the right to accept the marginal bid above the Storage Category procurement target.</p>

Changes to Rated Criteria

Topic	Feedback
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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.

Remaining Rated Criteria include: Local Governing Body Support, and Indigenous Participation.

We are supportive of the 4 hour minimum duration for Storage projects.

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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 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 and Contract, Proponents will be incentivized to rely on interruptible gas services to lower their bid prices, severely affecting reliability.

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Through discussion with our Indigenous partners we continue to believe further changes should be made to adequately encourage and prioritize Indigenous Participation across projects, ensuring that meaningful equity investment and economic participation is enabled and structured in a way that increases rather than decreases the competitiveness of such projects.

We believe that the IESO should include an Indigenous Participation Price Adder as part of the LT1 Contract. This structure has historically been used by the IESO and can transparently enable increased Indigenous equity across projects without

impacting the competitiveness of bids. The Price Adder should be available to projects through to COD, such that Indigenous Communities can take the time needed to make investment decisions according to their own processes and potentially enter successful projects post-Contract award if desired. The Price Adder can be expressed in \$/MW-month multiplied by the Indigenous ownership percentage in order to scale the size of the adder to the amount of participation and size of project.

In addition, there continues to be challenges with the points structure of Municipal Community Support gaining the equivalent points as Indigenous Community Equity Participation. The work required for Indigenous Communities and Proponents to establish partnerships and structure equity participation and financing arrangements is significantly more material than securing a Municipal Support Resolution, and is not sufficiently incented with 3 points. We suggest increasing the points for Indigenous Participation to 6 points to reflect the materiality of this objective.

We are supportive of the concept of including point(s) for Indigenous participation in project on a community's treaty lands and traditional territory, however we suggest that further discussions between the IESO and Indigenous communities is needed on this concept, recognizing that all of Ontario is sited on Indigenous traditional territory and that many nations may have overlapping treaty and traditional territories.

Furthermore, in order to encourage early engagement with Indigenous communities across projects, we suggest that the IESO and Ministry of Energy provide clear pathways and guidance regarding Duty to Consult prior to project bids being submitted and contracts being awarded. There is concern that beginning the Duty to Consult process after contracts are signed is not in keeping with the principles of free, prior and informed

Topic	Feedback
	consent and may not sufficiently provide local Indigenous communities with the opportunity to provide feedback and explore potential opportunities to participate in projects, which is a desired objective of the LT1 process.

Inclusion of the MCIA in the LT1 RFP

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Are Proponents supportive of continuing to include MCIA options in the LT1 RFP?	<p>Yes, MCIA options are important to include, however, it is important that they be adjusted from the E-LT1 formula such that the formula accurately mitigates commodity risks that proponents are exposed to. Currently the MCIA formula introduces risks as the formula does not align with technology supplier formulas. Indexing against benchmarks that projects are not exposed to introduces new, unnecessary risks to proponents. To better align with technology vendor agreements, the MCP metals index and CPI terms should be deleted, and the lithium index weighting should remain:</p> <p>$MCIA_{LI-ONLY} = CIF \times (LiCPm / LiCPb) \times FCP$</p> <p>Where CIF is a Commodity Index Factor representing the proportion of the project cost exposed to commodity price changes. The CIF can be specified by each Proponent at the bid submission, ensuring that it accurately reflects each project's exposure as the MCIA can move both up and down.</p>

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>Yes, we are supportive of this increase.</p>

Other or General Comments/Feedback:

1. Remove Prioritization of Gas Generation Over Storage

The process of creating the Offer lists in Section 4.4 and 4.5 of the RFP continues to prioritize Non-Storage over Storage projects. We suggest that the IESO reconsider this process and remove the distinction and instead create one Preliminary Offer List based on the Evaluated Proposal Price. This will ensure that when two projects are competing for Deliverability, the lowest cost project will be selected rather than prioritizing the Non-Storage Project to be selected even if a Storage Project is lower cost for Ontario ratepayers.

2. Provide Earlier Feedback Regarding Notice of Change

Currently any changes regarding Control Group Members require Proponents to submit these changes alongside their bid submission to the IESO using the Prescribed Form at the same time as providing the full bids, bid securities, and fees. This can create significant risk given that the IESO has full discretion regarding whether the proposal will be evaluated or not. In order for Proponents to feel confident that their proposal will be evaluated in the event of any changes to the project ownership structuring prior to bid submission and post the RFQ process last year, we request an opportunity for potential changes to be submitted and feedback to be provided by the IESO prior to bid submission.

3. Remove Exclusivity of Contract Capacity to IESO in Section 2.12

The LT1 Contract is based around a must-offer provision in the IESO-Administered Market under the Day-Ahead Commitment Process (and subsequent Day-Ahead Market). This structure should incentivize participants to seek out the most profitable services during real-time operation while ensuring the IESO receives capacity in the day-ahead process during qualifying hours. The language in Section 2.12 severely restricts the ability of LT1 Suppliers to seek out additional markets and services in real-time due to the “exclusively” language in Section 2.12. We suggest updating the language to:

“The Supplier shall ensure that the Contract Capacity ~~is exclusively~~ prioritizes commitments ~~ted~~ to the Buyer hereunder and that no part of the Facility is subject to any physical or

contractual arrangement that conflicts with the Supplier's ability to satisfy the Must-Offer Obligation during the Term."

In keeping with this change we also suggest updating Section 7.1(j) to:

"The Contract Capacity ~~is exclusively~~ prioritizes commitments ~~ted~~ to the Buyer hereunder and no part of the Contract Capacity is subject to any physical or contractual arrangement that conflicts with the Supplier's ability to satisfy the Must-Offer Obligation hereunder."

Additionally, the IESO may consider revenue sharing (e.g., 50/50) or reasonable granting of additional services with the contract capacity that may be able to serve both purposes. For example, co-optimization of energy storage resources to both provincial capacity and regional capacity needs could add significant value in the future, particularly as the overall power system evolves and communities grow at different rates.

4. Remove same technology requirement within Eligible Expansion definition

We believe that the Eligible Expansion project definition should remove the requirement that the expansion only use the same technology at the existing facility. This approach reduces the competitive pressures in the LT1 RFP by limiting the different types of projects available for submission. Since Eligible Expansions require separate metering, there is no reason why the IESO should restrict to the same technology, particularly when new technologies at existing sites could leverage common infrastructure (e.g., civil, municipal access, etc.) which will lead to reduced costs for Ontario customers.

5. Exclude ITC from Section 2.16 Additional Sources of Government Support

The Investment Tax Credit (ITC) offered by the Federal Government has the opportunity to greatly reduce costs for customers. The ITC is new and the application by entities will be explored in great detail with their equity funders and lenders. To maximize the potential cost savings, the IESO should exclude the ITC from Section 2.16 Additional Sources of Government Support so as to maximize customer savings. If the ITC is included in Section 2.16, many proponents may not see a benefit in pursuing the ITC at the detriment of Ontario customers.