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Transmitter Selection Framework: Focused Engagement Session #3

Preliminary Indigenous Participation Considerations

Sonia Fazari, Supervisor, Indigenous Relations

Denise Zhong, Supervisor, Resource Acquisition

Stephen Lachan, Sr Advisor, Resource Acquisition

Purpose


- Provide an overview of preliminary considerations to inform Indigenous participation design features under the future Transmitter Selection Framework (TSF)
- Describe some of the Indigenous participation approaches seen in other electricity and infrastructure projects, and seek input from communities on their effectiveness (and whether they should be considered as part of the TSF)
- Provide a draft of guiding principles, for comment and feedback, to help inform and guide Indigenous participation design features under the future TSF

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Agenda

1. Recap of the TSF goals and objectives, and summary of engagement topics and feedback to date
2. Review of Indigenous participation approaches in previous electricity sector projects
3. Share initial Indigenous participation considerations and draft guiding principles for the TSF – for community comment and input



Recap of the TSF Rationale, Engagement Topics, and Feedback to date

Our Commitment to Engagement

The IESO's approach to community engagement is based on these key principles:

- Strengthening processes for early and meaningful engagements with Indigenous communities, local governments and the public
- Providing Indigenous communities, local governments and the public with greater voice and responsibility
- Bringing communities to the table
- Linking local and provincial planning, and reinforcing the link between planning and procurement
- Enhancing electricity awareness and improved access to information

Communities Have a Key Role

Significant electricity system needs are expected over the next decade, and communities have a key role, including:



Informing electricity planning to ensure a reliable and adequate supply



Shaping the province's energy transition by ensuring the system is prepared for future needs



Hosting new generation, transmission and storage



Working with project developers on the applicable approvals, and partnerships, where applicable

Indigenous Energy Support Program

Indigenous Energy Support Program (ESP)

Capacity Building

Support community capacity building initiatives and projects including training, community events, youth and Elder workshops and hiring the Community Energy Champion.

Economic Development

Support Indigenous community economic development projects, including procurements, renewable energy, transmission, storage, partnerships and capital projects.

Energy Resiliency & Monitoring

Support development of strategies for community energy resiliency, readiness and monitoring, including planning, project monitoring, impact assessments and auditing.

Recap: Transmitter Selection Framework (TSF)

To meet Ontario's growing needs, the development of a competitive transmitter selection framework to support new transmission and provide participation opportunities to communities and transmitters will be important.

Key details include:



The Minister of Energy asked the IESO to **develop a transparent, competitive and well-understood process for selecting transmitters**, and to report back in summer 2024.

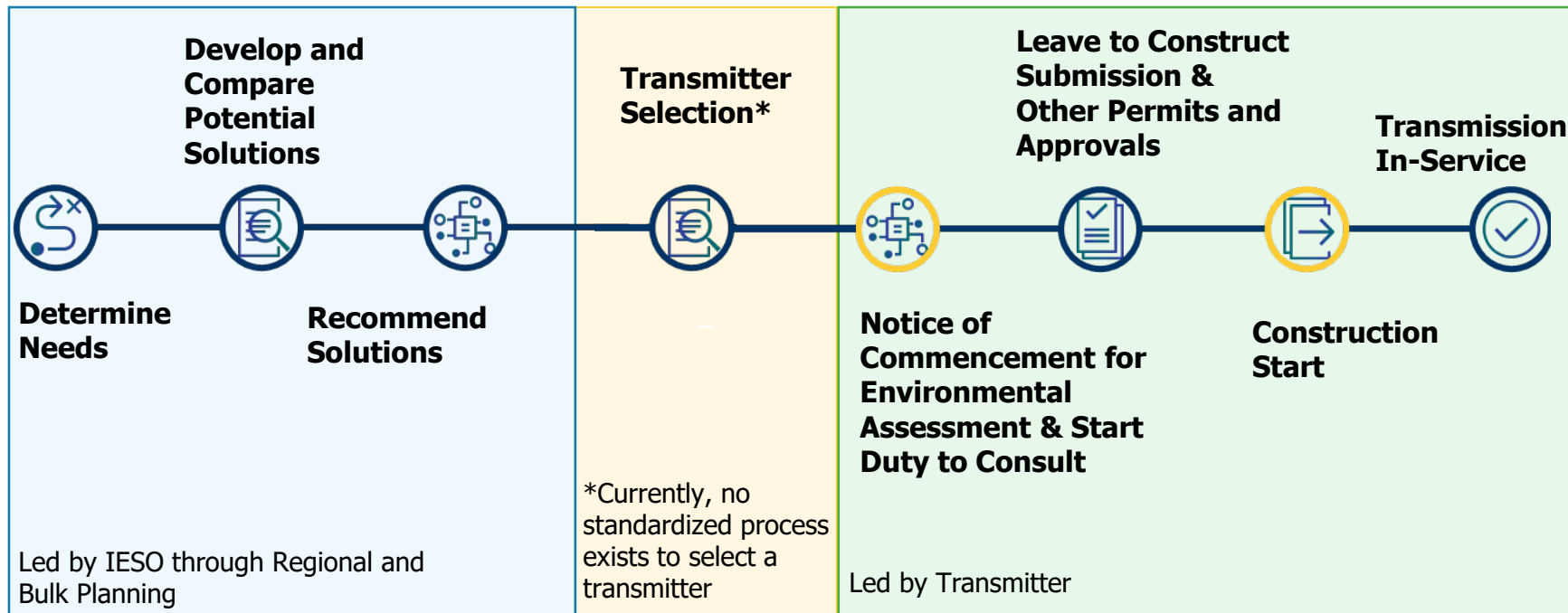


The competitive transmission framework will aim to align with IESO planning processes, provide participation opportunities to Indigenous communities, ensure infrastructure development accommodates growth and supports broader generation project siting.



Insights, input and recommendations from Indigenous communities, municipalities, and stakeholders is critical for the design of the framework.

Recap: TSF Rationale and Opportunities for Communities



What the TSF might mean for communities

- Currently, there are limited pathways for Indigenous communities interested in participating in new transmission projects
- The TSF is expected to expand participation pathways and options by introducing more competition through a predictable and transparent process

Opportunities to form Transmission entities fully owned by Indigenous communities

Opportunities for other forms of participation (e.g. equity)

Opportunities for employment, local procurement, environmental stewardship and capacity building

Recap: TSF Engagement approach

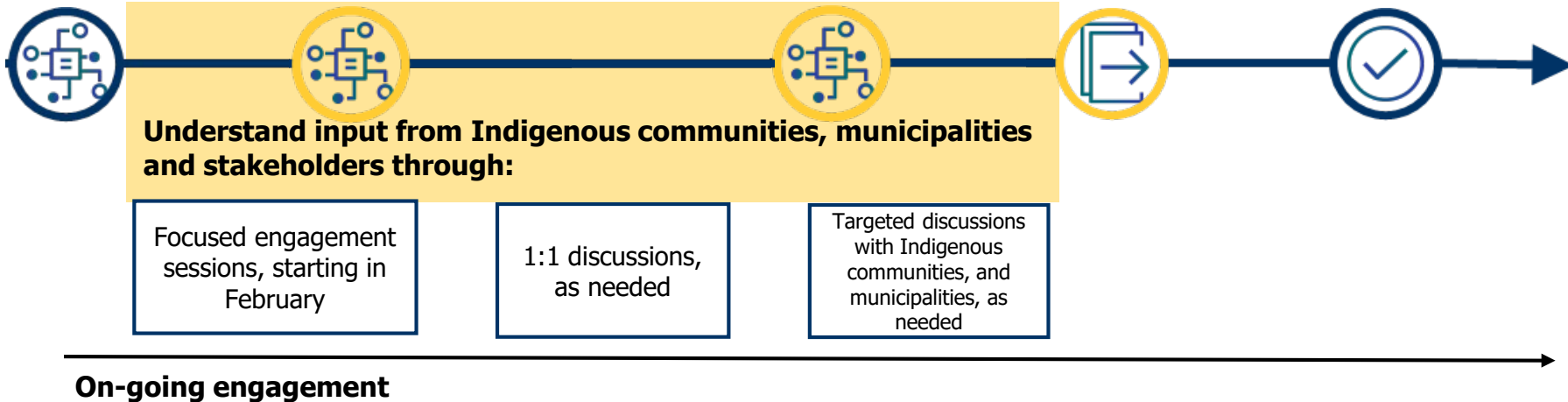
December 2023
Kick-off

February-July
Focused Engagement Sessions

April – Q3 2024
Final Process Design and Report Development

Summer 2024
Report back to Minister of Energy

Q4 2024 & Onward
Framework implementation or refinement (pending Minister direction)



Procurement Design Features (Focused Engagement Session #1)

Current design considerations for future procurements under the TSF include:

- **Registry of qualification:** The IESO recommends establishing a database with prequalified transmitters in order to reduce timelines.
- **Request for Proposals (RFP) approach:** The IESO expects to issue an RFP ahead of each procurement, with key requirements, including evaluation criteria, and terms and conditions. Each procurement will undergo a public RFP design and engagement process to enable input and to seek feedback prior to launch
- **Bid-based approach:** The IESO plans to assess competitive proposals for the development of specific transmission facilities, with the possibility to evolve to a solicitation/innovation-focused approach at a later time
- **Commercial considerations:** The IESO is still reviewing options for a commercial arrangement, to strike the right balance between fostering competition and managing risks for ratepayers

Project Eligibility Recommendations (Focused Engagement Session #2)

Not all new transmission projects will be suitable for a competitive process under the TSF. In order for a project to be eligible for competition under the TSF, the IESO will establish attributes of transmission projects that would be suitable. As the TSF evolves, eligibility criteria could expand to include additional type of projects. Considerations include:

TSF Proposed Eligibility

- New Facilities
- Benefit all electricity ratepayers
- Estimated cost of \$100M or greater
- Nominal voltage of 200 kV or greater
- Lead-time of at least 6 years
- Requires new land and access rights

Potential Future TSF Eligibility

- Certain line expansions
- Facilities that are both customer connections and benefit all electricity ratepayers
- Smaller projects that are combined into a larger package
- Voltages below 200 kV

What We've Heard So Far (1)

- Indigenous communities have noted that participation opportunities form an integral component of a successful TSF, and the IESO will need to continue engaging communities within the transmission planning process to enable them to stay informed about potential projects affecting them and to identify opportunities within the TSF
- Indigenous communities have noted that proximity to the project is key when developing participation approaches, and that criteria for determining proximity should be transparent and predictable
- Some communities recommend the IESO establish clear and predictable participation pathways, especially for Treaty Nations, to ensure that communities can access the economic benefits of transmission projects

What We've Heard So Far (2)

- Some communities may not have capacity to engage on transmission development projects or assess participation opportunities
- Many Indigenous communities have recent experience partnering on, or participating in, electricity generation or storage projects; there are relatively fewer instances of communities participating in recent transmission projects
- In light of the above, capacity building and awareness-building for communities will continue to be important



Indigenous Participation Considerations for the TSF

Indigenous Participation Options in Recent Electricity Projects

- Recent electricity resource projects have included a number of different Indigenous participation approaches, as have other types of infrastructure projects
- The approaches noted are not mutually-exclusive or exhaustive
- The IESO understands that there are distinct considerations and potential barriers and tradeoffs associated with the different participation approaches, and is seeking feedback from communities on what has and hasn't worked well in other projects

Indigenous
Community-led
Projects

Development
Partnerships

Equity Participation

Royalty payments
or Community-
benefit agreements

Capacity building,
employment, and
local procurement
opportunities

Equity Participation

There are a variety of equity/ownership approaches associated with Indigenous participation in electricity projects or other forms of linear infrastructure; these may include:

- Indigenous Ownership – e.g. Five Nations' Omushkego Ishkotayo Project, Watay Power's Wataynikaneyap Transmission Project
- Equity/Partnership – e.g. East-West Tie Transmission Project

Ownership/Equity is associated with long-term economic benefits (i.e. revenue) to communities, but may come with a number of risks or barriers to participation

Other Forms of Participation

There are other forms of economic or project participation observed in projects; these include:

- Adders or Royalty payments
- Funding for community/business benefits or capacity building
- Local employment or training opportunities
- Local procurement opportunities

Compared to equity/ownership, the options above may be less onerous for communities to access, but may come with more limited community benefits

IESO Observations on Indigenous Participation Design Features in Other Projects

- Financing barriers (e.g. to participate in equity)
- Impacts to competition in cases where a developer has a pre-established exclusive relationship with communities (e.g. prohibiting communities from engaging in discussions on other potential partnerships)
- Capacity and resources to understand and appraise different participation options between different developers

Are there any other challenges communities have experienced with respect to participating in new electricity projects, or other infrastructure?

Developing Principles for Indigenous Participation under the TSF (1)

- The IESO recognizes that Indigenous communities cannot fully assess and provide comment on their preferred level of involvement in new Transmission projects under a future TSF; there will need to be time provided for Indigenous communities to assess opportunities for each specific project under the future TSF
- At the same time, the IESO wishes to ensure that Indigenous participation expectations under the TSF are clearly set-out (e.g. to enable developers/proponents to understand incentives for Indigenous participation or minimum requirements for offering participation opportunities), and that these expectations are communicated in the summer-2024 report to the Minister

Developing Principles for Indigenous Participation under the TSF (2)

Based on previous electricity projects and feedback received from communities so far, the IESO has identified a number of goals related to Indigenous participation in future transmission projects. Ideally, the TSF should enable:

1. Meaningful **economic participation** opportunities
2. **Purposeful engagement** with Indigenous communities through the transmission planning and procurement process
3. **Capacity building** to enable greater participation and engagement among Indigenous communities
4. **Transparency and Predictability** with respect to future Transmission project opportunities for developers and communities

Draft Indigenous Participation Principles - Engagement

To help guide the development of Indigenous participation design features under the TSF, the IESO has identified principles for Indigenous participation which we are seeking your feedback on.

- 1. Engagement** with applicable Indigenous communities should begin at the onset of the **Transmission Planning stage** and continue through the design of the procurement and through to selection.
- To inform a competitive transmission procurement, the IESO should **engage** with Indigenous communities in a meaningful and timely manner, to enable the IESO **to identify and understand Indigenous interests, priorities, and potential barriers** to participating as desired in new transmission projects.

Draft Indigenous Participation Principles - Participation

3. For projects under the TSF, applicable Indigenous communities should be given the opportunity to **participate in the development, construction and/or long-term operation** of the facility.
4. The IESO will seek to provide opportunities for **capacity building** of Indigenous communities, organizations, businesses and peoples to enable those communities to **meaningfully engage with the IESO and developers, and participate in projects under the Transmitter Selection Framework.**
5. The **IESO will evolve these principles** based on lessons learned from competitive transmission procurements under the future Transmitter Selection Framework, including addressing feedback gleaned during engagements.

We are seeking your input on these guiding principles. If there are others that should be included, please let us know.

Questions to inform Indigenous Participation Principles (1)

Engagement with applicable Indigenous communities should begin during the TX planning stage and continue through to the design and launch of the procurement. Applicable communities should be given the opportunity for economic participation within projects.

Questions for community input:

1. How should the IESO think about designing requirements around Indigenous engagement and participation under the TSF? What criteria should be used to determine which communities are required to be engaged? how should conflicts and differing perspectives among communities be navigated?
2. What should the IESO consider when exploring the challenges and opportunities associated with Indigenous communities securing capital for participation in transmission projects?

Questions to inform Indigenous Participation Principles (2)

To inform a competitive transmission procurement, the IESO should engage with Indigenous communities in a meaningful and timely manner, to enable the IESO to identify and understand Indigenous interests, priorities, and potential barriers to participating as desired in new transmission projects

Questions for community input:

1. How, and at what stage in the Tx development process, should the IESO and developers/proponents engage with communities with respect to new competitive transmission opportunities?
2. How should different Indigenous-community interests be prioritized?

Questions to inform Indigenous Participation Principles (3)

The IESO will seek to provide opportunities for capacity building of Indigenous communities, organizations, businesses and peoples to enable those communities to meaningfully engage with the IESO and developers, and participate in the project being procured

Questions for community input:

1. How can the IESO help build capacity for new transmission projects within Indigenous communities?
2. What supports are needed within communities in order to assess participation options within a new transmission project?

Questions to inform Indigenous Participation Principles (4)

The IESO will update the TSF Indigenous participation principles and design features based on lessons learned from the initial competitive transmission procurements under the future TSF, including addressing feedback gleaned during engagements.

Questions for community input:

1. How flexible should the IESO and MOE be in setting the Indigenous participation design features under the TSF? Should Indigenous participation design features be developed for each procurement under the TSF, or should an overarching approach be recommended up-front (subject to evolution)

TSF Indigenous Advisory Committee

- In addition to establishing guiding principles for Indigenous participation under the TSF, the IESO is considering establishing an Indigenous Advisory Committee (following the Summer report-back)
- The Advisory Committee is envisioned to include First Nation leaders and other Indigenous community representatives
- The purpose of the Indigenous Advisory Committee would be to guide the implementation of the TSF and the development of the first procurement(s) and to aid in governance of the framework

The IESO is seeking feedback from communities on whether there is an interest in supporting or participating within a future Advisory Committee, or whether alternate approaches should be considered

Questions for Feedback

- What is the preferred level of prescriptiveness of Indigenous participation design features under the TSF (eg. develop for each procurement under the TSF, or develop overarching policy for all procurements under the TSF)?
- How should the IESO think about timing associated with Indigenous partnerships within a competitive transmission procurement (e.g. Partnerships formed before a bid is submitted, post-bid, or post-energization)?
- What are the barriers to Indigenous communities assessing and understanding participation options for future transmission projects (and how might the IESO help address those barriers)?
- Are communities supportive of an Indigenous Advisory Committee?

Next Steps

- Focused Engagement Session #4 on additional technical, planning and commercial considerations – planned for early June
- Focused Engagement Session #5 on Indigenous Participation Design – planned for Mid-June
- A Feedback Form will be made available on the [TSF Engagement Page](#). IESO is requesting feedback by **May 10, 2024**
- All written feedback should be submitted to engagement@ieso.ca.

We will remain flexible on receiving input throughout TSF engagement process – contact us if you are interested in setting up a 1:1 meetings directly with the IESO to discuss any of the topics explored today, or other topics relevant to the TSF

Thank You

ieso.ca

1.888.448.7777

Indigenousrelations@ieso.ca

engagement@ieso.ca



@IESO_Tweets



linkedin.com/company/IESO