

Feedback Form

Medium-Term RFP – September 12, 2024

Feedback Provided by:

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Following the September 12 engagement webinar, the Independent Electricity System Operator (IESO) is seeking feedback from stakeholders on the items discussed during the webinar. The webinar presentation and recording can be accessed from the [engagement web page](#).

Please submit feedback to engagement@ieso.ca by September 27. If you wish to provide confidential feedback, please submit as a separate document, marked "Confidential". Otherwise, to promote transparency, feedback that is not marked "Confidential" will be posted on the engagement webpage.

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Are there any areas of the draft MT2 RFPs that require further clarity?

Brookfield Renewable appreciates the opportunity to provide comments.

We strongly recommend the IESO to increase the 80% RFP clearing threshold

The IESO and the Ministry of Energy have repeatedly signaled, as recently as at the Ontario Energy Conference taking place on September 23, 2024, that Ontario is facing a significant energy and capacity shortfall. In fact, multiple IESO staff publicly confirmed at the conference that a revised demand forecast would be released shortly. To be more specific, it appears that procurement targets for new assets will be adjusted upward from the current 5000MW target for ~2030.

In this scenario, a higher than 80% clearing threshold will accomplish two things.

First, it would safely allow the IESO to re-contract as much of its existing MWs as possible. The fact that Ontario needs the power that has been reliably provided by existing contracts is already well established in the 2024 Annual Planning Outlook. As such, a higher than 80% clearing threshold would safeguard these MWs and reduce the risk of suppliers exiting the market when Ontario is facing resource deficits.

Next, a higher clearing threshold would allow both the IESO and industry to focus their attention on developing the much-needed new assets. A lower threshold increases the risk of an existing contract not clearing, thereby requiring the supplier to devote time and resources to re-submit in the next Mid-Term RFP. Many if not most of the existing contract holders intending to participate in the MT2-RFP have active development interests, experience, and local community relationships in Ontario. These market participants are mature and sophisticated developers who are best poised to offer new MWs into the IESO's LT-RFPs. In other words, the IESO and industry should prioritize our time and resources on developing new wind, solar, storage, and hydro assets, including through expansions and repowering, to meet Ontario's pressing 2030+ resource adequacy needs, and not worry about securing existing contracts.

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	<p>In short, we believe that MT2-RFP is a critical enabler of new asset development, and the IESO should increase its clearing threshold as high as possible to ensure that existing MWs can continue to meet Ontario's needs. A successful MT2-RFP would allow the winners to move forward on repowering their facilities for the LT3-RFP and beyond, and develop new assets to participate in other procurement streams.</p> <p><u>Uncertainty due to Market Renewal and the Enhanced PPA (EPPA): a Standard PPA is preferred</u></p> <p>Suppliers are unfamiliar with the IESO's proposed EPPA construct, and the IESO has not applied this new model and tested its mechanisms. Coupled with the implementation of the Market Renewable Program (MRP) that will expose suppliers to nodal LMP pricing without historical reference, the E-PPA construct presents significant uncertainty to suppliers. Specifically, while the IESO does include some DA-RT protection for wind assets to mitigate some risk deriving from the implementation of MRP, we note that the EPPA's monthly average DA LMP (or Forecast Weighted Average Price if lower) settlement mechanism may compensate resources less than their Contract Price per MWh due to production variations that intermittent suppliers cannot control. Given these uncertainties, a risk premium may accompany offers, resulting in higher pricing than under a Standard PPA. In contrast, a Standard PPA model is well tested and familiar to industry and the IESO alike, and would streamline the offer process and significantly lower the risk for participants. As such, a Standard PPA model would mitigate unnecessary impacts to offer prices and, by extension, ratepayers. We ask that the IESO re-consider the introduction of the unfamiliar EPPA model in the face of so many confounding uncertainties.</p>

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Are there any areas of the draft MT2 Contracts that require further clarity?

Capacity Verification: MT2(e) Contract – Article 2.3(d)

The IESO indicated that:

“The Capacity Verification test will require each contracted facility to continuously deliver 100% of the Maximum Contract Capacity for at least one hour during Qualifying Hours”

Given the intermittent nature of the MT2(e)’s target assets (e.g., wind), we ask that the Capacity Verification Test be repeatable and not a one-off pass/fail occurrence.

Non-Performance Charge: MT2(e) Contract – Article 3.1 and Exhibit F

The Non-Performance Charge when a facility experiences injection shortfalls should be applied proportionally to the % of shortfall hours, and not be based on the entirety of the Average Imputed Production Factor threshold (currently set at 80%). For example, the Non-Performance Charge for a facility that only injected 78% of its Annual Average Imputed Production Factor should be assessed at 2% ($=80\%-78\%$), and not 22%.

In addition, the IESO should clearly define what “Excluded Hours” are in the calculation of the Non-Performance Charge. This term is currently undefined in the draft Contract, and should include events out of the supplier’s control such as Hydro One transmission outages and planned outages. In sum, Force Majeure should not be the only condition that applies.

Finally, we recommend using a multi-year rolling average to determine the application of Non-Performance Charges. Applying Non-Performance Charges for any Contract Year when the Performance Factor Shortfall is greater than 20% based solely on a single year of production – as IESO currently proposes – increases the possibility a supplier may be exposed to Non-Performance Charges. This may produce higher offer prices through two factors. First, suppliers may price their risk of exposure to Non-Performance Charges into offers. Second, suppliers may offer at the minimum range of the Average Measured Performance Factor from the prior 5-years to limit exposure to Non-Performance Charges while maintaining consistent revenue expectations. This scenario would result

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	in a higher \$/MWh offer than if the supplier were encouraged to offer at the higher end of the Average Measured Performance Factor range.

2MT2 RFP Timelines

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Do you have any feedback regarding the timelines and/or milestones proposed for the MT2 RFPs?	

MT2 Registration/Qualification/Proposal Submission

Topic	Feedback
Do you have any feedback to share regarding the applicability of the fees proposed for the MT2 RFP?	Click or tap here to enter text.

Topic	Feedback
Do you have any feedback regarding the MT2 Registration and Qualified Capacity/Energy confirmation process?	Click or tap here to enter text.

Topic	Feedback
Do you have any feedback regarding the Proposal submission process and requirements?	Click or tap here to enter text.

General Comments/Feedback

We understand that the 6-month contract extension option to bridge existing contracts to the MT2-RFP's May start date is mandated and authorized by a Ministry of Energy directive. As a result, the IESO does not necessarily have the authority to offer longer-term extensions to seamlessly bridge all RFP participants to the May start date. However, we ask that the IESO request this authority from the Ministry to offer longer-term contract extensions for future MT-RFPs. A seamless transition from one contract to the other bolsters investor confidence, and encourages a streamlined maintenance and redevelopment process. In contrast, even a few months of contract gap would deprive the suppliers of revenue and certainty necessary for their long-term planning process to optimize asset life and participation in future procurement opportunities (e.g., repowering in LT3-RFP).