

Stakeholder Feedback and IESO Response

Medium-Term 2 RFP (MT2 RFP) – November 05, 2024

Following the September 12, 2024, MT2 RFP stakeholder engagement webinar, the Independent Electricity System Operator (IESO) invited stakeholders to provide feedback on the Draft MT2 RFPs and Contracts, the MT2 RFP Timelines, and the MT2 RFP Registration/Qualification/Proposal Submission. The IESO is currently in the design stage of the MT2 RFP. Feedback is posted on the Medium-Term RFP [engagement webpage](#). Please reference the feedback forms for specific feedback as the information below is provided in summary. Capitalized terms used in this document not otherwise defined herein have the meaning given to such terms in the latest posted draft of the MT2(e) RFP, MT2(e) Contract, MT2(c) RFP or MT2(c) Contract, each as applicable.

Note on Feedback Summary and IESO Response

The IESO appreciates the feedback received from stakeholders and communities. The tables set out below respond to the feedback received and are organized by topic.

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A) Draft MT2 RFPs and Contracts

Specific feedback is summarized below.

| Feedback / Common Themes | IESO Response |
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| <p>The IESO should increase the 80% RFP clearing threshold target: The IESO should be looking to procure all capacity from existing resources, if the IESO continues to use the target + marginal price approach as presented, it is recommended that a target higher than 80% be considered in Section 4.4 of the RFP.</p> | <p>The IESO endeavours to recontract all existing resources coming off contract between 2026-2029. However, to protect the ratepayer the IESO cannot accept all projects regardless of price. The IESO's methodology is to re-contract at least 80% of existing resources that submit Proposals to support continued system reliability, and depending on the reasonableness of prices of Proposals above the 80% threshold, awarding as many additional contracts as possible that would be of value to the ratepayer.</p> |
| <p>The IESO should add a clarification on how a project that ends their existing contract in favour of the MT2 contract will be evaluated: A project that does not meet the current eligibility requirements per Section 2.1 (a) (ii) (A) (ex. the current contract term ends AFTER the cutoff date of April 30, 2029), but wishes to terminate their existing contract early, in favor of the MT2 contract (aka. how will this proponent be evaluated under these circumstances (Section 4.2 (a)?)</p> | <p>An "Eligible Prior Contract" means a contract with the IESO, the Ontario Power Authority or the Ontario Electricity Financial Corporation for the delivery of Electricity or capacity services which has expired or been terminated (<i>or will expire or be terminated</i>) on or before April 30, 2029. The IESO is considering language in Section 3.8(a)(vi) of the MT2(e) RFP and MT2(c) RFP outlining that in circumstances where the Eligible Prior Contract of a Selected Proponent would otherwise expire or terminate in accordance with its terms no more than one (1) year after the commencement of the Commitment Period, the closing documentation in respect of entering into the MT2(e) Contract or MT2(c) Contract will include an early termination agreement whereby the Eligible Prior Contract will terminate immediately prior to the commencement of the applicable Commitment Period. The early termination of any Eligible Prior Contract that would otherwise expire or terminate in accordance with its terms more than one (1) year after the Commitment Period will be subject to the Discretion of the IESO with respect to any early termination to accommodate execution of an MT2(e) Contract or MT2(c) Contract.</p> |

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| <p>The IESO should consider using a standard PPA: Suppliers are unfamiliar with the IESO's proposed EPPA construct, and the IESO has not applied this new model and tested its mechanisms</p> | <p>The IESO will be proceeding with the E-PPA revenue model for the MT2(e) Contract.</p> |
| <p>The IESO should consider a reprieve for the minimum performance standard in the first two years of the contract: Or at least should consider the reprieve for assets coming of contract in 2026 and 2027 as these assets will have no opportunity to absorb life extension work in their planned maintenance prior to the start of the MT2 contract.</p> | <p>Performance obligations for the MT2(e) Contract or the MT2(c) Contract, as applicable will be uniform for all Proponents in the respective procurement, regardless of their contract expiry date. Facilities that require significant investment/refurbishment to meet the performance obligations established for the MT2(e) Contract or MT2(c) Contract should consider participating in the LT3 RFP as repowered facilities.</p> |
| <p>Excess deemed revenues should be shared between the IESO and the supplier. The sharing of this excess deemed revenue should not be optional for proponents. This sharing framework should be included within the base contract. The additional optionality in an already complex RFP adds little benefit to the IESO or proponents.</p> | <p>The IESO will be maintaining the proposed approach of retaining all excess deemed revenues while providing the supplier with protection from 85% of the day-ahead to real-time price risk through the DARTA mechanism in the draft MT2(e) Contract.</p> |
| <p>The IESO should expand the excluded hours definition and the APFy calculation to include adjustments for other events outside the supplier controls: This would include ramp down or curtailment requests from the grid operator, directives, and outages or derates on the transmission/distribution system that the facility may be connected to.</p> | <p>The IESO is considering this feedback.</p> |

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| <p>The IESO should use 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, increases the possibility a supplier may be exposed to Non-Performance Charges.</p> | <p>Given the 5-year term of the contract and the fact that Qualified Facilities are those that have been operating for several years, having a multi-year rolling average would not be effective. The combination of the facilities historical production data, the 20% performance buffer before Non-Performance Charges apply, and the fact that Proponents can bid their Monthly Imputed Production Factors is sufficient to minimize the impacts of year-to-year production variability.</p> |
| <p>The IESO should add language to the contract to provide termination rights to the supplier if a significant capital investment is required to continue to operate the Facilities.</p> | <p>The IESO is not considering this change. The IESO requires certainty that a Proponent can meet their obligation if awarded a contract. If a Proponent feels there is a material risk of a large, unexpected cost, they should price that risk into their Economic Bid Statement. Alternatively, the facility may be better suited to pursue repowering under the LT3 RFP or other future long-term procurements.</p> |
| <p>The IESO should clarify how proposals with different contract start dates will be evaluated: Limiting Rated Criteria to be strictly based off price has created a disadvantage for assets whose contracts expire in 2026 and 2027. These assets do not have an opportunity to absorb life extension work in standard, scheduled maintenance outages or operations like assets whose contracts expire later. As such, they will be exposed to higher costs that must immediately be realized.</p> | <p>Performance obligations for the MT2(e) Contract or the MT2(c) Contract, as applicable, will be uniform for all Proponents in the respective procurement, regardless of their contract expiry date. Facilities that require significant investment/refurbishment to meet the performance obligations established for the MT2(e) Contract or MT2(c) Contract should consider participating in the LT3 RFP as repowered facilities.</p> |

Clarification required on the following fields in the Draft-Proposal-Workbook-Capacity[1]MT2cPF-PW100.xlsx:

Item 5: On which IESO-issued documentation (and where on the document) can the "contract ID" be found?

Item 25: Is "Project Name" the same as "Facility Name" or if there is some other information the IESO is seeking in this field

Item 26 & 27: Should Summer and Winter Contract Capacity be net of station service load

Item 31: What is meant by "Municipal Location" and how is this different than Item 32 "Municipality of the Qualified Facility"?

Item 33: What is meant by "Municipality if "Other": <if applicable>?

Item 43: Is there a particular form or standard set of definitions that should be used to populate the "Description of Generation Technology" field?

Item 45: Please clarify what specific information the IESO is looking for in this field ("Facility Overview" does not appear to be a defined term); is the required information the same as in Section 1.0 "Overview" of Exhibit A of the CHP1 contract?

Item 46: Please clarify what specific information the IESO is seeking here and if there is a defined term for "Facility Site Description" (does not appear to be such a term in the draft RFP/Contract) and/or if information to be provided should be the same as in Exhibit A Section 1.1 Site Description of CHP1 contract

Item 47: Please clarify what specific information the IESO is seeking here and if there is a defined term for "Facility Design and Major Equipment" (there does not appear to be such a term in the draft RFP/Contract) or if the information provided should be the same as in Exhibit A Section 1.2 "Project Design and Major Equipment" with the addition of the Nameplate MVA?

Item 5: Proponents should contact contract.management@ieso.ca for information about their existing IESO contract.

Item 25: This item will be changed to better reflect the request for Facility Name in an updated version of the Workbook.

Items 26 & 27: the Contract Capacity in the MT2(c) Contract is net of Station Service Load by virtue of how it operates in the agreement and establishes the Must Offer Obligation.

Item 31: This item should include the municipal address of the Qualified Facility (including street number, street name, city, and other applicable information related to the address), or description of Indigenous Lands. This item will be changed to better reflect the requirement for municipal address in an updated version of the Workbook.

Item 33: This item is only required if "other" is selected in the dropdown list for Item 32.

Item 43: An updated version of the Workbook will include separate fields for identifying the Fuel Type, Generation or Storage Technology type (e.g. Simple Cycle, Combined Cycle, Battery Energy Storage, etc.), and additional Generation technology details (including system configuration in the format GT X HRSG X ST).

Item 45: The Facility Overview is a brief summary of the information contained in the Facility Site description below used to populate the "Site Description" section of Exhibit A of the MT2(c) Contract. Barring any changes this would be same as in Exhibit A Section 1.1 Site Description of CHP1 contract.

Item 46: Facility Site Description will be used to populate the "Site Description" section of Exhibit A of the MT2(c) Contract. This item should include details such as size of the project site, zoning of land, relevant usage and physical

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| <p>Item 48: List of Environmental Approvals and Permits and Status: is the requirement here</p> <p>a) to list the/outline the permits the facility already has; OR</p> <p>b) to list the approvals and permits it would need to meet the obligations of any MT2 contract it receives from the IESO?</p> <p>Item 49: please clarify what if any information the IESO is looking for here if any besides the fuel type and the name of the organization that the fuel is purchased from? Should the information to be provided here be consistent with that found in Exhibit A Section 1.4 "Fuel Supply" of the existing CHP1 contract?</p> <p>Item 50: "Electrical Interconnection (including description of work required to connect Facility"): please confirm that a single line diagram is not required for this section. Please confirm if there is any specific form the description should take.</p> | <p>properties of the site and name of the municipality/county.</p> <p>Item 47: Facility Design and Major Equipment Section will be used to populate the "Facility Design and Major Equipment and Nameplate MVA Rating" section of Exhibit A of the MT2(c) Contract. This item should include details of the major equipment that is material to the Facility (e.g., generators, transformers, battery units, turbines, etc.).</p> <p>Item 48 "List of Environmental Approvals": This information will be used to populate the "List of Environmental Approvals" section of Exhibit A of the MT2(c) Contract. Proponents should list all Environmental Approvals (including, but not limited to relevant municipal, provincial, federal, conservation authority and other approvals and permits) applicable to their Facility.</p> <p>Item 49 "Fuel Supply": This information will be used to populate the "Fuel Supply" section of Exhibit A of the MT2(c) Contract. Proponents should indicate fuel provider (if applicable) and description of the infrastructure.</p> <p>Item 50: A single line diagram is not required. Proponents should confirm the type of connection, relative location of the connection on the project site and any work required to connect the Facility.</p> <p>Note: The above Item numbers may change in the updated Workbook.</p> |

B) MT2 RFP Timelines

Feedback on the MT2 RFP timelines was limited. Specific feedback is summarized below.

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| <p>The IESO's deadline for issuing Addenda is too close to the proposal submission deadline: This period is also the holidays when most people are out of the office, if there is a big change that impacts the proposal; there would not be enough time to evaluate the changes.</p> | <p>The IESO received overwhelming support to expedite the MT2 RFP in advance of the upcoming IESO procurements. Unfortunately, these expedited timelines do not allow for additional time between the deadline for Addenda and the Proposal Submission Deadline.</p> |

C) MT2 RFP Registration/Qualification/Proposal Submission

Specific feedback is summarized below.

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| <p>The IESO should clarify what is meant by the minimum qualifying nameplate capacity: Considering Ontario's energy need the procurement be as inclusive as possible.</p> | <p>Per section 2.1 (a) of the MT2(c) RFP and MT2(e) RFP a Qualified Facility must be an existing and operating Electricity capacity resources with a Nameplate Capacity of more than one (1) MW.</p> |
| <p>The minimum proposal fee for small distribution connected facilities (<10MWs) should be reduced to \$1000.</p> | <p>The IESO will be maintaining the minimum proposal fee of \$3000 consistent with the MT1 RFP.</p> |
| <p>Proponents should be able to submit any Annual Average Imputed Factor: The minimum and maximum values should not be calculated by the IESO, historical performance may not be the best representation of how these assets will perform.</p> | <p>For determining the Qualified Capacity for the MT2(e) RFP, the IESO will be using the five (5) most recent years of historical data to determine the minimum and maximum annual average imputed factor as described in the MT2 RFP Capacity and Energy Qualification Guidance Document. If the Proponent does not believe the facility can achieve the minimum Annual Average Imputed Factor; the facility may be better suited to pursue repowering under the LT3 RFP or other future long-term procurements.</p> |

D) General Comments

Specific feedback is summarized below.

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| <p>The IESO should provide correspondence to inform any municipality that currently hosts a project under consideration for the MT2 RFP. This would allow the municipalities to include the correspondence in an upcoming council meeting agenda, allowing the Councillors and the residents to provide feedback on any concerns they may have.</p> | <p>The IESO would require a policy decision on this requirement from the Ministry of Energy and Electrification.</p> |
| <p>Will facilities connected to the distribution system be required to participate in curtailments during times of local constraints or surplus baseload generation?: This will significantly disadvantage smaller facilities as they do not have access to economies of scale and it will become burdensome to cover fixed costs.</p> | <p>Yes, all facilities participating in the MT2 (e) and MT2 (c) RFP must be registered market participants and respond to instructions from the System Operator under the IESO Market Rules.</p> |
| <p>The IESO should request the authority from the Ministry to offer longer-term contract extensions (greater than 6 months) for future Medium-Term RFPs.</p> | <p>Proponents may contact the Ministry of Energy and Electrification with feedback on new policy.</p> |