

MT2 RFP Question and Comment Period – Batch 2 (January 09, 2025)

Questions and Comments

The following document summarizes IESO responses to the second batch of questions and comments submitted to the IESO in respect of the final MT2 RFP documents posted on November 15, 2024, pursuant to section 3.2(a) of the Medium Term 2 Request for Proposals (MT2 RFP).

Disclaimer

This document and the information contained herein are provided for information purposes only. The IESO has prepared this document based on information currently available to the IESO and reasonable assumptions associated therewith. The IESO provides no guarantee, representation, or warranty, express or implied, with respect to any statement or information contained herein and disclaims any liability in connection therewith. The IESO undertakes no obligation to revise or update any information contained in this document as a result of new information, future events or otherwise. In the event there is any conflict or inconsistency between this document and the IESO market rules, any IESO contract, any legislation or regulation, or any request for proposals or other procurement document, the terms in the market rules, or the subject contract, legislation, regulation, or procurement document, as applicable, govern.

Defined Terms

Capitalized terms used in the IESO Responses in this document, unless otherwise defined herein have the meaning given to such terms in the MT2 RFP.

Question/Comment	IESO Response
<p>1) One additional question [Referencing questions asked in Batch 1]. We understand the timeline for questions has passed, and this is not sensitive to the bid, but we would like to understand how this would work if possible. How do you expect the various components of total monthly revenue to be invoiced for the proponent? Will the imputed market revenue, market revenue and any other revenues (non-performance charges, grid reliability payments, adjustments, etc.) all be netted on one invoice and received in one monthly payment? Or will there be multiple monthly invoices and payments to settle?</p>	<p>All contract related revenue (i.e. the Monthly Payment as calculated in Exhibit J of both MT2 Contracts which, for clarity, includes Non-Performance charges where applicable) will be captured in a single monthly settlement statement issued pursuant to the applicable contract, all actual market revenue from physical operation and participation in the IESO-Administered Markets will be captured by a separate monthly statement issued pursuant to the IESO Market Rules.</p>
<p>2) I wanted to confirm this is the correct address for the LOC</p> <p>[image of Appendix D: Suite 1600 vs Suite 1800]</p>	<p>The correct address is Suite 1800, the IESO has issued a clarification through an email to subscribers to the IESO's Medium-Term RFP mailing list.</p>
<p>3) Please see below for questions we'd like clarifications on, specifically related to the energy stream:</p> <p>1. Please confirm how many MWs are currently registered for the MT2(e) RFP?</p> <p>2. Throughout the Imputed Revenue and DARTA portions of the Monthly Payment calculation, how is the IESO planning to account for basis risk in general?</p> <p>a. For the Imputed Revenue portion of the Monthly Payment:</p> <p>i. Are proponents fully protected from basis risk? How will the potential basis risk in both the IPPm and FMC RFm be accounted for?</p>	<p>1. The Target Capacity defined in Section 1.2(b) of the MT2(e) RFP represents the aggregate Nameplate capacity of all registered facilities. As a reminder, registration for the MT2 RFPs is not an obligation to submit a Proposal, and Proposals will be selected according to the process outlined in Section 4.4 of the MT2(e) RFP.</p> <p>2. The IESO does not believe basis risk is relevant in a renewed market where deemed and actual revenues will be settled based on nodal prices. All contracts will be settled according to the parameters outlined in Exhibit J of the MT2(e) Contract.</p> <p>3. Market revenue is calculated using the formula:</p>

Question/Comment	IESO Response
<p>ii. If this basis risk is accounted for, can the IESO please clarify the relevant calculation methodology?</p> <p>3. How is the IESO calculating a facility's monthly market revenue? Please provide calculation examples with post MRP market structures.</p> <p>4. Can the IESO please clarify if they are planning an MT3(e) RFP for projects that are not selected throughout full MT2 process. If so, is there a general timeline expected for an MT3(e) RFP?</p>	<p>$(ADALMP_h \times ADAQ_h) + (ARTLMP_h \times RTQ_h - ADAQ_h)$</p> <p>Specific examples can be found in the Stakeholder engagement presentations from; February 1, 2024 and May 23, 2024.</p> <p>4. Yes, projects that meet the eligibility requirements of the MT2 RFP but do not get selected will have the opportunity to participate in the MT3 RFP. The IESO plans to run a series of cadenced Medium-Term RFPs every two to three years, with flexible five-year commitment periods, to secure resources with expiring (or previously expired) contracts.</p>
<p>4) Can you please confirm if item 30 "Commitment Period Start Date" can be revised after proposal submission?</p> <p>Also is it an option to move to MT2 early in 2026 with a current contract that ends in 2027?</p> <p>Our current contract ends Jan 30 2027 and we are analyzing the option of moving to MT2 earlier Option 1 May 1, 2027 Option 2 May 1, 2026</p>	<p>No, the "Commitment Period Start Date" may not be revised after the Proposal has been submitted.</p>
<p>5) Thank you for following up. I've been speaking with our finance team about this and they are saying that every bank will want to make some changes to the Form LC, even minor adjustments to the language.</p> <p>I understand that it is our responsibility to ensure the proposal materials satisfy the requirements, but when you state "It is the responsibility of participating Proponents to ensure that their Proposal Security is substantially in the required</p>	<p>In general, without speaking to any specifics (as the IESO did not review your earlier provided example), provided the IESO's entitlements under the submitted form are substantially the same as what they would be under the required form of LC attached to the MT2 RFP, it should meet the requirement. Most large financial institutions in Ontario have successfully issued letters of credit substantially in the form required for the IESO's recent procurements over the past few years (which have remained consistent across these recent procurements). Items such as the quantum, evergreen provisions, draw statements or other express</p>

Question/Comment	IESO Response
<p>form”, how can we know what qualifies as “substantially” in the required form?</p> <p>I’m assuming that means minor adjustments are acceptable, but is there any guidance you can provide to know what point the LC would not be substantially in the required form?</p> <p>As this is a critical requirement for an acceptable proposal submission, we want to ensure that we don’t submit an LC that is not in compliance to the requirements.</p> <p>Please let me know your thoughts as soon as possible so we can get this sorted.</p>	<p>draw conditions in the form may not be altered in any material respect. You may wish to speak to your legal counsel for greater clarity.</p>
<p>6) MT2(e) Contract:</p> <ul style="list-style-type: none"> - Insurance Section 2.4 (a) - In consultation with our insurance broker, we understand an Environmental Liability Policy will respond to first party damages. Given our wind facility is located on third party land (through a land lease), the policy coverage would not apply. A more appropriate coverage would be Sudden and Accidental (S&A) pollution coverage under the commercial general liability policy. S&A coverage will apply to any environmental liability associated with our operations on third party property. We understand this to be standard in the wind and solar industry. Can you please update this to S&A pollution coverage to appropriately reflect insurance on leased land? Again, an environmental liability policy cannot be put in place on leased land. - Section 2.3 (b) Pre-term capacity verification – can you clarify if there is a timeline to cure any deficiencies noted in the documentation? What does it mean if the IESO does not accept the 	<ul style="list-style-type: none"> - Environmental liability insurance that is required under the MT2(e) Contract and which has been consistent across IESO contracts for many years (including the recently completed MT1, E-LT1 and LT1 RFPs, all of which included facilities on leased lands) provides coverage for first party property damage and site clean-up and any third party claims for bodily injury, property damage and clean-up for any environmental incidents arising out of the construction, operation or maintenance of the Facility. This will cover more than just sudden and accidental spills under a commercial general liability policy (e.g. a slow leak of lubricants from transformers or switchgear). The IESO will not be making any changes to this requirement. - With respect to Section 2.3(b), while no specific timeline is given to remedy any deficiencies, as stated in Section 2.3(c) the Supplier agrees that Monthly Payments shall not begin to accrue and be payable by the Buyer until such time as the Pre-Term Capacity Verification is completed and that even if the Pre-Term Capacity Verification has not been completed by the Term Commencement Date,

Question/Comment	IESO Response
<p>documentation provided and/or revisions to any noted deficiencies?</p> <ul style="list-style-type: none"> - Term Section 9.1 (c) – consider revising the execution of a separate contract to a “multi-year contract” instead of an operating term of more than 5 years - Curtailments – how are curtailments compensated for in the market? <ul style="list-style-type: none"> o If there is a physical curtailment in real-time, & the IESO instructs us to curtail, does the DARTA protect us to our DA schedule? o If we have a DA schedule, then an outage in RT, confirming we are exposed to buying back the DA schedule in RT? o Site is in an outage, but does not claim FM. Please confirm the facility has an obligation to buy back the DA schedule in RT regardless of whether it claims FM or not. o Please confirm there is no DARTA top-up, regardless if a facility claims FM or not. - Section 3.1 - minor contract errors: <ul style="list-style-type: none"> o Second line – Facility includes a 's. o The last sentence has a term that is not defined. Should be “Non-Performance Charge” not “Availability Non-Performance Charge” <p>MT2(e) RFP:</p> <ul style="list-style-type: none"> - Appendix D Letter of Credit – the first sentence is incorrect as it states that this proposal is to “solicit capacity services from new-build facilities in Ontario” – this contract is for energy services and from already-existing resources, not new-build facilities. Please update this statement. 	<p>the Term shall nevertheless expire on the date set out in Section 9.1(b) and such shortened payment period shall constitute liquidated damages and not a penalty. Additionally, if the Pre-Term Capacity Verification set out in Section 2.3(a) is not completed by the date that is three (3) calendar months after the Term Commencement Date (the “Longstop Date”), such failure shall constitute a Supplier Event of Default as set out in Section 10.1(j).</p> <p>-Regarding the requested revision to Section 9.1(c) of the MT2(e) Contract, the IESO will not be making this revision.</p> <p>-Regarding curtailments:</p> <ul style="list-style-type: none"> - If there is physical curtailment in real time, the DARTA protection is not required as the Supplier is fully protected through a market make whole payment under the IESO Market Rules. This make whole payment is an aspect of the Market Renewal Program. - Yes, the Supplier would be required to buy back their position in the real-time market. - Yes, if the Supplier is scheduled Day ahead and then is on outage in real time, regardless of Force Majeure they would be required to buy back their position in real-time. - If a Supplier has claimed Force Majeure for their Facility that Facility would receive a reduced Monthly Payment due to the Force Majeure Capacity Reduction Factor. During a declared Force Majeure the Facility also receives protections from its performance obligations. In contrast if the Supplier does not claim Force Majeure the facility does not have the Monthly Payment reduced and

Question/Comment	IESO Response
	<p>receives no relief from the performance obligations.</p> <p>DARTA could apply in both situations, however a Facility on Outage/Force Majeure will likely not see relief from DARTA as the calculation uses FRTQh which for a Facility on Outage reflects the forecasted generating capability of the Facility if the Facility had not been on Outage.</p> <p>-Section 3.1 contract Errors:</p> <ul style="list-style-type: none"> - Corrected in Addendum #1 - Correct the term should be Non-Performance Charge. <p>In Appendix D of the MT2(e) RFP (Form of Irrevocable Standby Letter of Credit), the reference to and definition of the MT2(e) RFP in the first paragraph should be revised as follows: "The Credit is issued in connection with the Beneficiary's Request for Proposals dated November 17, 2024, as amended, to solicit capacity services from new-build facilities in Ontario (the "MT2(e) RFP")...." The IESO has issued a clarification through an email to subscribers to the IESO's Medium-Term RFP mailing list.</p> <p>If Proposal Security has already been issued by a financial institution with the struck wording above included, please note the IESO will not reject a Proposal Security solely on the basis of this wording.</p>
<p>7) [Name Redacted] is participating in the MT2(e) procurement with four distribution-connected facilities: [Facility Names Redacted]. [Name Redacted] is currently registered as a Program Participant and we are reviewing the market rules to determine the steps to become a full Market Participant so we</p>	<p>Yes, the legal entity would be considered the Market Participant, however the four associated facilities would need to be separately metered and settled individually under the IESO Market Rules.</p>

Question/Comment	IESO Response
<p>can comply with our obligation to become one under the MT2(e) contract.</p> <p>We did have a couple important questions that we're hoping you could help with, though:</p> <ul style="list-style-type: none"> • Would [Name Redacted] be considered the Market Participant and our activity in the IESO market be aggregated for the four facilities behind the legal entity? • Or would each facility need to become a Market Participant and have separate metering and activity in the market? • Also, would the resulting Market Participant be expected to become transmission-connected? <p>Thank you for your help on this – I'm sure you're getting a lot of inquiries from RESOP participants and we appreciate your support!</p>	
<p>8) In the IESO's LT2 webinar dated Dec 12, 2024, it was communicated on slides 46/47 that excess deemed energy would be retained by the IESO, while DARTA would provide a certain level of downside protection between DA and RT revenue to help manage forecast risk.</p> <ul style="list-style-type: none"> o Please confirm that this approach (i.e., upside DA-RT deemed energy retained by the IESO and downside DA-RT forecast risk partially protected by DARTA) would also be applied to the MT2-RFP's ePPA model. o If yes, <ul style="list-style-type: none"> • please explain the upside/excess deemed energy retention mechanism using Exhibit J of the MT2(e) contract's settlement equations, and using examples based on real market 	<p>Yes, the IESO will be retaining excess deemed revenues and providing DARTA protection for the MT2 RFP in the same way as the LT2 RFP. However, and for clarity, the excess deemed revenues the IESO will be retaining is not related to any DA to RT differences, but rather is the excess of imputed market revenues over the Proponent-specified monthly revenue requirement for the Facility.</p>

Question/Comment	IESO Response
<p>scenarios (e.g., DA forecast deviated from RT actual gen).</p> <ul style="list-style-type: none"> • Please explain the downside deemed energy protection mechanism using Exhibit J of the MT2(e) contract's settlement equations, and using examples based on real market scenarios (e.g., DA forecast deviated from RT actual gen). <p>o If no, please use Exhibit J to clarify how MT2(e) contract holders for a wind facility should evaluate this DA-RT risk, in both directions, using settlement equations.</p>	
<p>9) We are a newly established Indigenous Energy Group and are interested in participating in MT2 through an existing power storage facility that we have recently acquired. Unfortunately, we missed the registration window, which closed in October. However, we understand that the tender submission deadline has been extended to January 16, 2025.</p> <p>Could you kindly confirm if there is still an opportunity to register and participate in MT2 at this time?</p> <p>We would appreciate your prompt response.</p>	<p>No, the registration deadline has passed, and registration is a requirement for participation in the MT2 RFP.</p>
<p>10) Wanted to clarify expectations for box 57 in the Workbook. The requirement is very broad but there is limited space in the workbook. Specifically, there is not enough space to list each building permit as there is one per turbine. Could you provide some examples of what you are looking for there?</p>	<p>Section 57 of the Workbook is not intended to list all building permits for the applicable Facility, but rather key environmental and land-use authorizations applicable to the ongoing operation of the Facility, such as, for example, a Renewable Energy Approval or Environmental Compliance Approval that may be in place in respect of the Facility, or a Site Plan Agreement or approval with an applicable municipality.</p>

Question/Comment	IESO Response
<p>Alternatively, I've drafted two options 1 or 2, is there a preference:</p> <ol style="list-style-type: none"> 1. Jurisdiction: Municipal - Type: Building Permit - Number XXXXXX – Turbine # - Date XX,XX,XXXX - Status: Closed <ol style="list-style-type: none"> a. This would be very lengthy as each building permit would have to be listed in detail. b. In some cases that could be 60+ just for building permits. 2. All Building Permits – Status: Closed <p>Could you provide some direction on what is expected here.</p>	
<p>11) We are reaching out to confirm that the milestone date of January 16th, 2025, will include not only the RFP but the contract as well ?</p> <p>Please provide some clarity when you have a moment,</p>	<p>The Proposal Submission Deadline is specific to the submission of a Proposal under the MT2(e) RFP or MT2(c) RFP, as applicable, and is not a development or covenant milestone in the corresponding form of contract for either.</p>
<p>12) Regarding the MT2(e), please clarify the correct address for Suite #'s – the Q&A document states that the correct suite is 1800, however the addenda was updated to suite 1600.</p> <p>Please confirm where all payments and security amounts are to be sent as this is critical for the proposals.</p>	<p>The correct address for physical delivery for purposes of the MT2(e) RFP and MT2(c) RFP is Suite 1800, the IESO has also issued a clarification through an e-blast.</p>
<p>13) The generating asset at [Facility Name Redacted] is currently owned and operated by [Name A Redacted] which is itself wholly-owned by [Name B Redacted]. What would happen to the contract between the IESO and [Name A Redacted] should the latter be dissolved and its assets transferred back to [Name B Redacted]. Would [Name B Redacted]</p>	<p>Assignment to an Affiliate is permitted under and in accordance with Section 16.5(b) of the MT2(e) Contract and will involve execution of an IESO-provided form of assumption and acknowledgement agreement with the Affiliate assignee.</p>

Question/Comment	IESO Response
as owner of [Name A Redacted], be able to assume the contract?	
<p>14) I just want to confirm that Suite 1800 (and not Suite 1600) is the correct suite number for both the MT2(e) & MT2(c) with respect to Appendix C and Appendix D. This seems to be the clear intent from Addendum #1 but a client wanted to confirm.</p> <p>Also, I would note both MT2(e) and MT2(c) contracts still refer to Suite 1600 for Notices (MT2(e) 15.6, MT2(c) 15.7), Exhibit C, and Exhibit G. Will these be updated as well?</p>	<p>The correct address for physical delivery for purposes of the MT2(e) RFP and MT2(c) RFP is Suite 1800, the IESO has also issued a clarification through an e-blast. The address for notices specified in Section 15.6 of the MT2(e) RFP and Section 15.7 of the MT2(c) RFP is correct.</p>
<p>15) Regarding the MT2(e) RFP, Prescribed Form Proponent Information, Declarations and Workbook, Section #3, declaration item 2 below does not align with the RFP document sections as stated. Can you please update this Contract Capacity declaration with the appropriate RFP reference section?</p> <p>"The Contract Capacity is equal to or less than the Nameplate Capacity as set out in Section 2.1(a) and 3.7(a) of the MT2(e) RFP."</p>	<p>The RFP sections referenced in this line item of the workbook for the MT2(e) RFP should be Section 2.1(b) and 3.4(a) and the IESO has issued a clarification through an email to subscribers to the IESO's Medium-Term RFP mailing list.</p>
<p>16) I see under the contractual agreement that there are Exhibit H, I, J, L, M, N attached at the end. Are these also to be completed and submitted as well?</p>	<p>No. These exhibits to the MT2(e) Contract or MT2(c) Contract, as applicable, are forms that are used during the life of the contract as part of the administration of the applicable contract.</p>
<p>17) In the updated Proposal Workbook (energy) version Proposal Workbook (Energy) – MT2(e)PF-PW200. For item 57, we assume that this is only for environmental permits, please confirm.</p> <p>Reference: List of Environmental Approvals and Permits, and Status (including, but not limited to relevant municipal, provincial, federal, conservation authority and other approvals and permits), including a</p>	<p>Section 57 of the Workbook is intended for key environmental and land-use authorizations applicable to the ongoing operation of the Facility, such as, for example, a Renewable Energy Approval or Environmental Compliance Approval that may be in place in respect of the Facility, or a Site Plan Agreement or approval with an applicable municipality.</p>

Question/Comment	IESO Response
<p>description of the Facility's treatment under the Ontario Ministry of the Environment's "Guide to Environmental Assessment Requirements for Electricity Projects":</p>	
<p>18) For an asset that gets awarded an MT2(e) RFP contract, would its capacity product be eligible in the IESO's capacity auction? For example, the IESO has indicated that wind/solar technology types would be eligible in the capacity auction in 2025: under this scenario, could an asset with an active MT2 RFP contract participate in the capacity auction and receive payment (if successfully cleared) for its capacity product, in a way that is independent from the MT2 RFP contract's energy payment?</p>	<p>Please see section 2.7 of the MT2(e) Contract. The ability of a Supplier to monetize Future Capacity Related Products requires prior written consent of the IESO, which consent is subject to the IESO's sole and absolute discretion.</p>
<p>19) I have a question regarding payment of the Proposal Security. In your explanation, you request the Proposal Security mailed by cheque. Is this the only option or can we pay the Proposal Security also by EFT, the same as the Proposal Fee?</p>	<p>The definition of "Proposal Security" in each of the MT2(e) RFP and the MT2(c) RFP explicitly requires that the security may only be in the form of a letter of credit substantially in the form attached as Exhibit D to the applicable RFP and in the amount specified in Section 3.7(d)(ii) of the applicable RFP. Please see section 3.7 of the applicable RFP for Proposal Security details and delivery requirements.</p>