
NOVEMBER 25, 2021

Draft Medium-Term Capacity Contract Overview

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Agenda

- Draft Medium-Term RFP Updates
- Medium-Term Capacity Contract Overview
- Next Steps

Purpose

The purpose of this meeting is to provide an overview of the updated draft Medium-Term (MT) RFP and recently posted MT Capacity Contract. Stakeholder feedback will be used to inform the final MT RFP and MT Capacity Contract.

Medium-Term RFP Documents

The following documents are now posted to the Medium-Term RFP [webpage](#) for review:

- Updated draft Medium-Term RFP (reflecting the latest from the Medium-Term Capacity Contract)
- Draft Medium-Term Capacity Contract
- Qualified Capacity Guidance Document



Draft Medium-Term RFP Updates

MT RFP Updates

- Updates have been made to the Milestones in the MT RFP Schedule
 - An additional step has been included that allows prospective proponents to raise potential errors in calculated UCAP values
- Details on Registration/ Proposal Submission Fees and Proposal Security have been included
- Pre-Term Capacity Verification requirements have been updated to align with the MTC Contract
- The updated MT RFP also includes the Reserve Price

Milestones - Updated

Milestone	Date
Deadline for Questions and Feedback to be Submitted to the IESO	December 10, 2021
Release of Final Medium-Term RFP and Capacity Contract	January 31, 2022
Question and Comment Period – Final Documents	February 1-14, 2022
Deadline for Submission of Proponent Registration (including Capacity Qualification)	February 21, 2022
Deadline for the IESO to inform Proponents of their UCAP for Summer and Winter	March 11, 2022*
Deadline for Proponents to raise any errors in their UCAP value	March 14, 2022*
Deadline for IESO to respond to Capacity Qualification	March 21, 2022*
Deadline to Confirm Target Capacity (Issuing Addenda #1)	April 21, 2022
Proposal Submission Deadline	April 28, 2022
Notification to all Proponents and announcement of Selected Proposals	To be confirmed
IESO conducting debriefing sessions with unsuccessful Proponents	To be confirmed

Procurement Fees - Updated

As discussed during the November 23rd [engagement days](#), the fees for the MT RFP, as described in section 3.4 (a) of the RFP are as follows:

- **Registration Fee** - \$500 to be paid by proponents during the registration phase
- **Proposal Submission Fee** - a variable fee (\$/MW) paid at proposal submission of \$100/MW for existing MWs, or \$300/MW for new MWs (applies to updated portion of existing facilities)
 - The Proposal Submission Fee shall be a minimum of \$3,000 and a maximum of \$10,000

Proposal Security - Updated

- As described in section 3.7 (c)(i) of the RFP, the IESO is proposing a Proposal Security in the amount of \$10,000/MW of the Monthly Contract Capacity during the Summer, subject to a maximum \$2,000,000.
 - An electronic copy and original hard copy of the Proposal Security are required
- The Proposal Security shall be in the form of an Irrevocable Standby Letter of Credit
- The form of the Letter of Credit is included as an Exhibit to the draft contract

Qualified Capacity Error Notification Process

- During the Registration / Capacity Qualification Process, there will be an opportunity for Proponents to identify any errors in the UCAP value they are provided based on the UCAP formulas that have been established.
- The IESO will inform Proponents of their respective UCAP for Summer and Winter on **March 11, 2022**.
- Proponents will have until **March 14, 2022**, to respond to the IESO identifying any perceived errors in their UCAP value
- IESO will respond by **March 21, 2022** with final UCAP values

Pre-Term Capacity Verification - Update

- The provisions for the Pre-Term Capacity Verification in section 2.2 (f) of the RFP have been updated to align with the MTC Contract
- Qualified Facilities will be required to demonstrate their ability to operate for at least twelve (12) consecutive five (5) minute intervals during Qualifying Hours at a level of at **least one hundred percent (100%)** vs. 95% as was previously identified in the RFP
- The change has been made to align with the Capacity Check Test requirements in the MTC Contract and acknowledges the ability of Proponents to submit reference seasonal ICAP values for their facilities, to which they will be tested

Reserve Price - Updated

- In order to promote competitive bidding, while providing protection to ratepayers, the IESO has included a Reserve Price in the MT RFP
- As described in section 4.4 (a) of the RFP the **Reserve Price** for the MT RFP is **\$420/MW-Business Day**
- Any proposals that have passed Stage 3 of evaluation will have their Proposal Price submissions opened and any Proposal Price that is above the Reserve Price will be automatically disqualified and rejected.



Draft Medium-Term Capacity Contract Key Provisions

Medium-Term Capacity Contract Overview

- The Medium-Term Capacity (MTC) Contract is a capacity-style contract, paying Proponents a fixed monthly payment based on the daily Fixed Capacity Payment (FCP), in units of \$/MW-Business Day, multiplied by the number of business days in the month and multiplied by their Monthly Qualified Capacity
 - All other revenue opportunities will be left with the supplier
- The commitment period of the Medium-Term Capacity Contract will be 3 years commencing on May 1, 2026 and ending on April 30, 2029 (or April 30, 2031 if 2 year option is activated)

Medium-Term Capacity Contract Overview

- As a reminder the structure of the MT Capacity Contract is based on existing IESO capacity style contracts and contains provisions for two different types of facilities:
 - **Must-Offer Facility** - a Facility that is required to meet the Must-Offer Obligation and is either (i) a “registered facility” under the IESO Market Rules that is not “variable generation,” or a “self-scheduling generation facility” (each as may be defined in the IESO Market Rules), or (ii) a Facility associated with a “resource” that is not a “variable generation,” or a “self-scheduling generation resource” (each as may be defined in the IESO Market Rules).
 - **FCF Facility** - a facility which is not a Must-Offer Facility and is subject to the Facility Capacity Factor Obligations

Performance Requirements – Must-Offer Facility

- For a Must-Offer Facility, in each Settlement Month the Supplier must offer Electricity output from the Facility into the Day-Ahead Market for dispatch during Qualifying Hours (5x16) from the Facility's capacity that is not subject to an Outage, such that the Monthly Average Offered Quantity for the Settlement Month is equal to or greater than the Monthly Minimum Offer Quantity
- Minimum Offer Quantity = $0.95 \times$ Adjusted Monthly Contract Capacity for each Settlement Month

Performance Requirements – FCF Facility

- For a FCF Facility, in each Settlement Month the Supplier must cause the Facility to produce a minimum amount of Monthly Qualified Delivered Electricity during Qualifying Hours (5x16) such that the Monthly Facility Capacity Factor in such Settlement Month is equal to or greater than the Monthly Minimum Capacity Factor
- Minimum Capacity Factor = $0.95 \times \text{Adjusted Monthly Contract Capacity for the Settlement Month} / \text{The Reference Seasonal ICAP of the FCF Facility for the Settlement Month}$

Capacity Reduction Factors

- The Minimum Offer Quantity for Must-Offer Facilities, and the Minimum Capacity Factor for FCF Facilities for a Settlement Month will be modified through an adjustment to the Monthly Contract Capacity (Adjusted Monthly Contract Capacity) in instances of Force Majeure and Planned Outage
- The **Force Majeure Capacity Reduction Factor** shall be equal to 1.0 if there are no Outages affecting any Qualifying Hours in the Settlement Month resulting from an event of Force Majeure, otherwise it shall be calculated as:

$$1 - \frac{\text{Force Majeure Outage Hour in Settlement Month}}{\text{Total number of Qualifying Hours in Settlement Month}}$$

Capacity Reduction Factors (2)

- The **Planned Outage Capacity Reduction Factor** shall be equal to 1 if there are no Planned Outages affecting any Qualifying Hours in the Settlement Month, otherwise it shall be the greater of:

i. $1 - \frac{\text{Total number of Planned Outage Hours in Settlement Month}}{\text{Total number of Qualifying Hours in Settlement Month}}$; and

- ii. 0.95 in all months other than the Supplier's Annual Planned Maintenance Month and 0.50 during the Supplier's Annual Planned Maintenance Month

Annual Planned Maintenance Month

- Accounting for months where annual planned maintenance is most likely and least impactful to the IESO (i.e., shoulder months), the IESO has defined the Annual Planned Maintenance Month in the Contract.
- Single month in a Contract Year that may only be one of the months of April, May, October or November (unless otherwise directed or requested by the System Operator in accordance with the IESO Market Rules) for which the Supplier has provided notice to the IESO that it will conduct an annual planned maintenance outage with a duration of no longer than 10 consecutive Business Days

Non-Performance

- As a reminder, if a Qualified Facility fails to meet its performance requirements, an Availability Non-Performance Charge will be assessed and charged to the Supplier for the applicable Settlement Month
- This charge will be equal to the Monthly Capacity Payment (adjusted for Force Majeure or any capacity check test failures) multiplied by the applicable percentage shortfall below the Minimum Offer Quantity or Minimum FCF, multiplied by the Non-Performance Factor

Non-Performance (2)

Monthly non-performance factors are set out in the table below:

Month	Factor	Month	Factor
January	2.0	July	2.0
February	2.0	August	2.0
March	1.5	September	2.0
April	1.0	October	1.0
May	1.0	November	1.0
June	1.5	December	1.5

Events of Default by the Supplier

- **Must-Offer Facilities:** If the average of the Monthly Average Offered Quantity, measured over any cumulative, rolling, three-month period is **less than 90%** of the average of the Monthly Minimum Offer Quantity for such three-month period
- **FCF Facilities:** If the average of the Monthly Facility Capacity factor, measured over any cumulative, rolling three-month period during any season is **less than 90%** of the average Monthly Minimum Capacity Factor for such three-month period

Pre-Term Capacity Verification

- In a defined time window prior to the commencement of the Commitment Period, all Qualified Facilities under the MT RFP will be required to complete a Pre-Term Capacity Verification
- Qualified Facilities must submit meter data to the IESO that verifies the ability of the Qualified Facility to operate for at least 12 consecutive 5-minute intervals during Qualifying Hours at a level of at least **100%** of its applicable Reference Seasonal ICAP for the calendar month in which the operational meter data was created

Capacity Check Tests – Must-Offer Facility

- The IESO shall have the option, on no more than 1 occasion per Season per Contract Year, to require a Supplier of a Must-Offer Facility to conduct a Capacity Check Test to confirm the ability of the Facility to produce **100%** of the Reference Seasonal ICAP.
- The IESO will provide written notice to the Supplier at least 5 Business Days prior to the Capacity Check Test informing them of the test window of 5 consecutive Business Days of any month.

Capacity Check Tests – Must-Offer Facility (2)

Each Capacity Check Test will consist of the Facility generating Electricity for:

- A. At least 48 continuous 5-minute intervals during Qualifying Hours if the Duration Capability of the Must-Offer Facility is greater than 4 hours
- B. At least 12 continuous 5-minute intervals during Qualifying Hours if the Duration Capability of the Must-Offer Facility is less than 4 hours

Next Steps

- Stakeholders are invited to submit questions and feedback regarding the MT RFP documents to MT.RFP@ieso.ca
- The IESO will be receiving any questions or feedback on the draft RFP and draft contract until **December 10, 2021**
- The Final Medium-Term RFP and Capacity Contract will be posted for questions and comments on **January 31, 2022**

Thank You

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