

Stakeholder Feedback and IESO Response

Medium-Term 2 RFP (MT2 RFP) – December 10, 2024

Following the November 7, 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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Specific feedback is summarized below.

Feedback / Common Themes	IESO Response
<p>The IESO should increase the 80% RFP clearing threshold target: The 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. The IESO should have the flexibility to go beyond 80%, at its discretion, and that should be reflected in the documents</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 and meet all completeness and mandatory requirements to support continued system reliability and, depending on the reasonableness of prices of Proposals above the 80% threshold, award as many additional contracts as would be of value to the ratepayer.</p>
<p>The IESO should add MT2 and LT2 contract language that enables facilities to smoothly transition into LT2 while having sufficient time and provisions to allow for re-investment : If an LT2 contract becomes effective upon termination date of the MT2 contract (as is currently suggested by section 9.1(c) of the MT2(e) Contract), that creates an inherent risk on MT2 term being shortened and major retrofits or capital projects needing to take place (i.e., specific to individual turbines or to the entire site) in a shorter window prior to having clear line of sight on LT2 alongside a shorter period to finance/amortize those costs. Options could include early termination, extending the period at their discretion for repowering, or repowering the plant in phases when feasible.</p>	<p>The IESO has introduced a windowed approach for the LT2 RFP allowing proponents to align their projects with the timelines that best suit their needs. A project terminating a MT2 contract for a LT2 Contract would have the same window to prepare their facility for the LT2 contract as a project with no existing contract.</p>
<p>Clarify Section 4.4 of the draft MT2 RFP:</p> <ul style="list-style-type: none">• Is the Target Marginal Proposal the last Proposal included on the Offer List or is it the first Proposal excluded from the Offer List?• Is the Target Marginal Proposal the Proposal that crosses the 80% threshold or is it the Proposal immediately before such Proposal?	<p>The Target Marginal Proposal is the Proposal that crosses the 80% threshold and is the last Proposal included on the Offer List.</p>

Feedback / Common Themes	IESO Response
<p>The ‘uncapped or unlimited liability’ above the stated performance security (i.e. IESO’s unlimited access to a continually topped-up security in case of supplier default where IESO does not terminate the Contract) is a material risk in entering into the MT2 contract with potentially end of life / end of warranty infrastructure. The mechanisms for reinvesting and repowering in MT2 should be flexible to enable and incent suppliers to maximize re-investment into existing assets now rather than deferring those investments.</p>	<p>The IESO requires certainty that a Proponent can meet their obligations 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 release, prior to the MT2 RFP's opening, general information about the registered facilities' technology types, vintages, and their sizing distribution to help proponents model their offers. The MT2 RFP's eligibility rules will comingle facilities of different technology types, vintages, and sizes in the same selection pool. Moreover, the lack of rated criteria means that, for example, facilities whose contracts are ending in different years would compete on the same offer price basis. However, a contract ending in 2026 and another contract ending in 2029 are unlikely to use the same price curves to model their offers. In other words, the price forecast used to calculate the offer price for a 5-year contract starting in 2026 is unlikely to be the same forecast used to evaluate a 5-year contract starting in 2029. In this scenario, the MT2 RFP could again be at risk of outcomes where, for example, facilities with contracts ending in 2026 are inadvertently priced out by facilities with contracts ending in 2029. Releasing more transparent and reasonably granular information about registered facilities prior to MT2 RFP opening would help avoid this outcome.</p>	<p>The IESO will not be releasing general information about registered facilities. Proponents should be evaluating their own facilities and risk and determining the price required for their own facilities operation.</p>