

Memorandum

To: Strategic Advisory Committee

From: Barbara Ellard, Director, Resource and System Adequacy

Date: July 16, 2025

Re: IESO Business Update – Resource Adequacy

The following provides an update to members of the Strategic Advisory Committee (SAC) on the IESO's resource acquisition activities that are part of the IESO's Resource Adequacy Framework.

Summary:

The IESO continues to leverage the Resource Adequacy Framework (RAF) to meet emerging system needs. The IESO's Long-Term (LT) and Medium-Term (MT) procurements will continue to be executed in a cadenced manner and will work alongside the RAF's other mechanisms, such as hydroelectric re-contracting programs and the Capacity Auction.

The IESO successfully concluded the Medium-Term 2 Request for Proposals (MT2 RFP) on June 6, 2025, and launched the Long-Term 2 Request for Proposals (LT2 RFP) on June 27, 2025. In addition, the IESO is engaging with stakeholders on the Long Lead Time Request for Proposals (LLT RFP) and the Local Generation Program (LGP). Report Backs to the Minister on these two initiatives will be finalized in July.

LT2 RFP:

The second Long-Term Request for Proposals (LT2 RFP) is a critical, multi-year resource adequacy procurement designed to help meet provincial system needs into the 2030s. The LT2 RFP is divided into two streams:

- The Energy Stream: targeting contract capacity sufficient to enable production of up to 14 terawatt-hours (TWh) of annual electricity generation.
- The Capacity Stream: targeting contract capacity of up to 1,600 MW designed to address peak demand and ensure grid reliability during high-demand events.

The LT2 RFP will be executed through annual submission windows. The IESO launched Window 1 of the LT2 RFP on June 27, 2025. Window 1 will acquire 3 TWh of energy and 600 MW of capacity with a target in-service date of 2030. Proposals will be due for the Energy Stream on October 16, 2025 and for the Capacity Stream on December 18, 2025.

The IESO has been frequently engaging with stakeholders on the development and finalization of the procurement documents for Window 1. In response to stakeholder feedback and government direction, the IESO introduced new design elements to: address risks related to inflation, tariffs, and gas turbine delivery delays, as well as introduce additional flexibility for connection points, recognize Canadian status proponents, and support local system needs identified in Regional Plans.

MT2 RFP

The IESO concluded the second Medium-Term Request for Proposals (MT2 RFP) on June 6, 2025 and has executed contracts with 27 Selected Proponents, totaling 3,001.11 MW of Maximum Contract Capacity. The MT2(e) RFP (Energy Stream) yielded 19 Selected Proponents, totaling 994.97 MW and the MT2(c) RFP (Capacity Stream) yielded eight Selected Proponents, totaling 2,006.14 MW of Maximum Contract Capacity. Selected Proponents were awarded with 5-year contracts for their existing facilities, helping to ensure their continued contribution to resource adequacy in Ontario. The IESO has also published a final results table on the MT2 website which includes executed contracts and associated prices. The IESO will continue to run Medium-Term procurements on a cadenced basis and expects to run the third iteration in 2027.

Capacity Auction

The IESO has been working with stakeholders on enhancements to allow participants to better manage their commitments (i.e. buy-out and transfer provisions) and aligning test requirements

across resource types by adding system-backed imports (currently Hydro Quebec) to the self-scheduled testing framework.

In addition to the enhancements noted above, based on broad stakeholder support, the IESO is updating the methodology used to break ties in the auction clearing. Stakeholders indicated this enhancement is a priority, as it will break ties more equitably than the current solution. This enhancement, as well as the other 2025 enhancements, will continue to move through the Technical Panel process to be finalized in advance of the auction in November.

The target capacities for the 2025 auction were released in April and are set at 1800 MW for summer 2026 and 1200 MW for winter 2026/27. These targets have grown from last year's auction, helping to mitigate demand or supply risks that could materialize and prepare to meet emerging capacity needs.

Small Hydro Program

The IESO is working with a number of eligible hydroelectric facilities (installed capacity of less than 10 MW) on their applications and contracts. Since the program launched in 2024, there have been roughly 10 contracts executed, totaling approximately 40 MW. These contracts are designed to provide the revenue certainty necessary to allow for each facility to invest in continued operations through 2043.

Northern Hydro Program

Similar to the small hydro program, the Northern Hydro Program provides re-contracting opportunities to non-rate regulated hydroelectric facilities over 10 MW. Approximately 1,000 MW of existing hydroelectric capacity in Northern Ontario is eligible for the program.

On June 12, the IESO was provided formal direction to launch the program by the end of Q1/2026. A working group of IESO staff, the Ontario Waterpower Association and facility owners have begun the necessary discussions (final design decisions, and formal program documents/contracts) to finalize the program.

Local Generation Program

The Local Generation Program is aimed at re-contracting existing, and encouraging new, distribution-connected facilities ranging from 100 kW to 10 MW. The IESO has been directed to

engage with stakeholders on this initiative and submit a report back to the Minister on the program's design. As a result of delays to stakeholdering due to the provincial election writ period, the report-back to government deadline has been extended from April 30, 2025 to July 2025.

A stakeholdering session to introduce the program and proposed approaches to re-contracting, attracting new builds and facilitating expansions took place on April 22, 2025. Another engagement session to discuss feedback received to-date and provide additional program design elements of the re-contracting stream was held in early June.

IESO staff have also had several conversations with LDCs representatives and their associations. LDCs and the IESO have begun the process of creating an advisory group to ensure the IESO and LDCs stay coordinated on the design and eventual program delivery/execution of the program.

The IESO expects to continue to engage with stakeholders on the design of the Local Generation Program for the duration of 2025.

Long Lead Time Request for Proposals (LLT RFP)

The Long-Lead Time Request for Proposals (LLT RFP) is a resource adequacy procurement designed for resources that require longer periods of time to develop, and are thus unable to participate in the LT2 RFP. The IESO continues to develop the LLT RFP and recently held two engagement sessions with stakeholders on April 23, 2025 and June 5, 2025. These sessions were used to provide updates on procurement development and to seek feedback on design elements, including: eligible technologies, forward period for project development, contract term length, security requirements, and performance obligations. The IESO also held a community engagement webinar on May 27, 2025 for municipalities and Indigenous communities to share preliminary procurement design considerations, answer questions, and seek feedback.

The IESO will provide a report-back to the Minister of Energy and Mines on procurement design recommendations by July 31, 2025. The IESO expects to continue to engage with stakeholders for the duration of 2025.