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Competitive Transmission Procurement: Toronto Third Line Update

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Territory Acknowledgement

The IESO acknowledges that Toronto is the traditional territory of many nations, including the Mississaugas of the Credit, the Anishinabeg, the Haudenosaunee and the Wendat peoples, and is now home to many diverse First Nations, Inuit and Métis peoples.

We also acknowledge that Toronto is covered by Treaty 13 signed with the Mississaugas of the Credit First Nation, and the Williams Treaties signed with multiple Mississaugas and Chippewa bands.

Engagement Principles

This engagement is conducted in accordance with the IESO's [External Engagement Framework](#), which includes the following principles:

- **Purposeful** – Initiate meaningful conversations that move the sector forward
- **Inclusive** – Invite many voices and diverse perspectives to the table
- **Timely** – Seek input and insight when it can have the most impact
- **Accessible** – Ensure we meet people where they are on their energy journey
- **Traceable** – Allow everyone to follow the path that is being taken
- **Transparent** – Show how engagement helped shape the final outcome

Shared Commitment to Respectful Participation

To support a focused and constructive discussion:

- We will take questions one at a time; please use the raise-hand feature to enter the speaking queue
- We encourage concise and focused comments to allow time for multiple perspectives
- Participants are encouraged to raise relevant points during the discussion and provide more detailed feedback through the written submission process
- We ask that all participants maintain a respectful and professional tone throughout the session
- Facilitators will guide the discussion and manage participation to stay aligned with today's focus and agenda
- Where necessary, we may disable a participant's microphone to manage participation

Agenda

- Recap and Status Update
- Summary of Sector Feedback
- Refined Cost Containment Proposal
- RFP Qualifications
- Corridor Study
- Enabling Indigenous Participation & Engagement
- Discussion & Next Steps

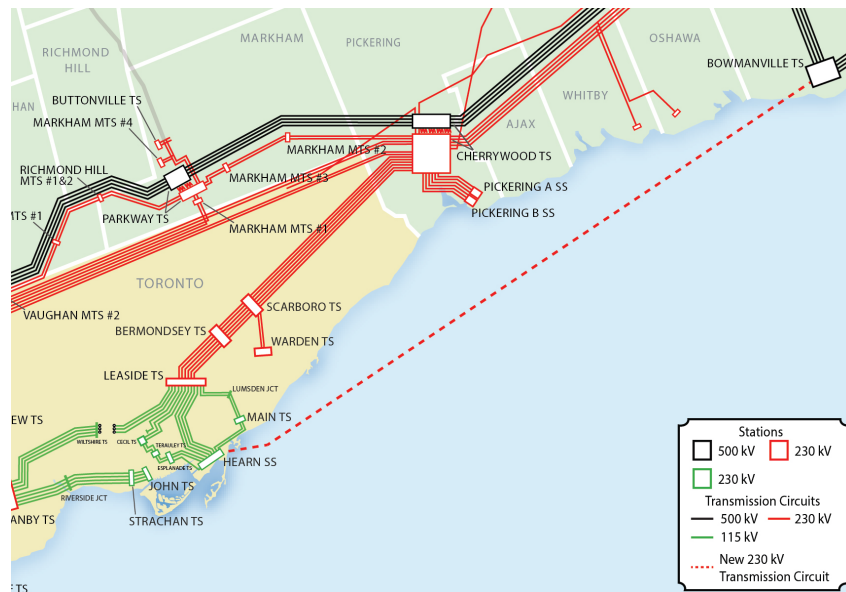
Recap - Toronto Third Line (TTL)

The TTL will bring more power into the City of Toronto and other parts of the GTA, strengthen system reliability, support economic growth and electrification, and enable the connection of new generation resources that will be needed to supply Ontario's future electricity needs.

The government announced the TTL on January 7, 2026 and posted a notice of proposal on the Environmental Registry of Ontario (ERO) (which closed February 21, 2026). On June 18, 2026 the government issued a Directive to the IESO to undertake a procurement to select a transmitter for the TTL.

The TTL will be approximately 65km, connecting Bowmanville SS (Clarington) to Hearn SS (Downtown Toronto).

The procurement process will select a transmitter. The successful transmitter will be responsible for route development, including but not limited to permitting and regulatory approvals, and Indigenous consultation.



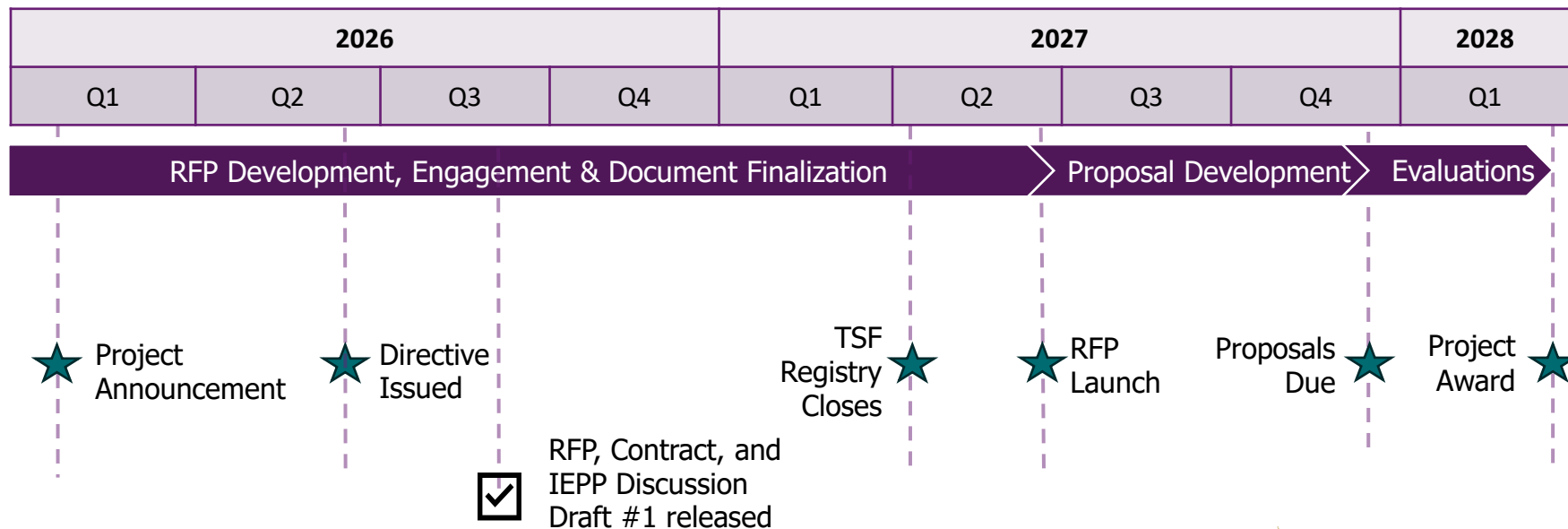
Map for illustrative purposes only; route/siting are subject to transmitter-led development work and regulatory approvals

Status Update

- The IESO continues to progress the design of the TTL procurement, and is considering and responding to the feedback provided in response to the RFP draft #1 (posted in June) and the Contract draft #1 (posted in August)
- In addition, the IESO has posted a [discussion paper](#) outlining potential Indigenous participation features for the TTL procurement, and is participating in a number of 1on1 discussions with First Nations to discuss the TTL
- Through the remainder of the year, the IESO will continue engagement across the sector in the interests of refining design concepts, responding to feedback, and posting updated draft RFP and Contract documents
- The IESO is launching a preliminary Corridor Study to identify land requirements, opportunities, and constraints relevant to the TTL

Recap - Procurement Timeline for Toronto Third Line

The tentative procurement plan for the competitive procurement of the Toronto Third Line is illustrated below:





Summary of Feedback

General Feedback Received (1)

Theme	What We Heard
Indigenous Engagement and Participation	• Support for accountability and reporting on IEPP commitments, while recognizing that participation arrangements may evolve and some outcomes depend on Indigenous communities and other parties. • Importance of protecting confidential and community-controlled information and considering the capacity required for rights-holding communities to engage with multiple proponents.
Contract and Regulatory Framework	• Requests for greater clarity on the transition from the IESO Contract to OEB rate regulation, including treatment of Total Capital Cost, rate filing requirements, future OEB review and the Leave to Construct process. • Feedback also sought clarity on how contractual and regulatory requirements would address future changes and circumstances outside the transmitter's control.
Milestones, Deliverables and Reporting	• General support for project milestones, with requests for flexibility where requirements depend on permitting, land acquisition or other third parties. • Suggestions to align interim milestones with project delivery strategies and maintain proportionate reporting requirements.

General Feedback Received (2)

Theme	What We Heard
Preliminary System-Level Requirements	• Requests for additional clarity on availability, grid-forming capability, equal-capacity delivery paths, short-circuit requirements, reactive power capability and system/interface requirements. • Requests for additional system data, models, study requirements and common technical assumptions to support comparable proposals.
Procurement and Proponent Experience	• Feedback supported considering relevant experience and project-delivery capability in evaluating proponents, including HVDC, underwater transmission, Indigenous engagement and participation, marine construction and other delivery capabilities. • Participants also requested clarity regarding OEM experience requirements and flexibility in OEM selection.
Transparency and Confidentiality	• Support for project transparency while protecting commercially sensitive information, Indigenous Knowledge and confidential or community-controlled information. • Suggestions that website and public reporting requirements remain proportionate and avoid unnecessary duplication.
Land, Routing and Connection Feasibility	• Questions were raised regarding land availability and connection feasibility at the proposed terminal locations, including consideration of publicly owned lands and potential constraints associated with private property. • Feedback highlighted the importance of land access, permitting and site-specific information to support project development and informed proposals.



Refined Cost Containment Proposal

Cost Containment Feedback (1)

Theme	What We Heard
Target Cost	• Stakeholders expressed that capturing activities under a broader/global Target Cost enables transmitter flexibility to optimize project-level decisions across interdependent cost activities • General support for risk sharing under a Target Cost framework
Fixed Pricing	• Fixed pricing is generally supported where scope is sufficiently defined, and the transmitter can manage the underlying risk.
Project Risks	• Stakeholders generally support aligning cost containment with scope certainty and the party best positioned to manage risk. • Strong support for targeted relief for external/uncontrollable events, with clear triggers, evidence requirements and safeguards • The areas of material risk suggested for cost relief or risk sharing was extensive: risks driven by permitting, environmental approvals, Indigenous consultation and outcomes, external interfaces, site/geotechnical/marine conditions, route changes or third parties.

Cost Containment Feedback (2)

Theme	What We Heard
Project Breakdown and Definitions	• Recommendations were made to further define and disaggregate activities in the project cost breakdown
Indexation	• Broad support for the contract to include indexation, for equipment and other project aspects, as an approach to reduce bid premiums • Differing views remain on index selection, coverage and timing. • Recommendations were provided to reduce cost escalation, including shortening the time between RFP submission and award, and use of milestone-based indexed price adjustments for long-lead-time, high-variance items.
Bid Comparability	• Proponents may develop materially different assumptions around route optimization, ground and lakebed conditions, permitting requirements, environmental assessments and Indigenous consultation outcomes, impacting their bid price

Commercial Framework Considerations

- The IESO continues to refine the commercial model to ensure it can deliver certainty, predictability and clarity of how costs will be managed through the development period
- There was a broad range of material risks suggested to be managed through the contract, creating a challenge for contract drafting and contract administration
- The IESO believes that a Target Cost approach is a risk sharing approach that would allow transmitters to manage through the project cost variations in a more flexible and predictable manner
- Cost containment is an important consideration in this procurement and the IESO will achieve this by ensuring certain costs are still fixed (and therefore excluded from the Target Costs) and by including a cap to the Target Costs
- The IESO is considering including an indexing approach within the contract to support cost risk associated inflation and/or long-lead equipment costs

Target Cost Benefits

The benefits of a risk-sharing approach through the implementation of a Target Cost include:

- Aligning transmitter incentives and ratepayer benefits
 - Under a target cost model – the transmitter will participate in both:
 - Cost savings below target; and
 - Cost overruns above target
 - As a result, the transmitter has continuous incentive to control costs, manage risk proactively and seek efficient and innovative delivery solutions
- Encouraging efficient minimization of project costs by the transmitter by enabling flexibility for the transmitter to optimize decisions across all workstreams
 - Target pricing recognizes the reality of project uncertainty without abandoning cost discipline
- Eliminating subjective determinations and potential disagreements over whether specific costs or circumstances should be addressed through an adjustment event

Cost Certainty: Rationale for Establishing Fixed Cost Components

Fixing selected cost components within the contract can enhance cost certainty for both ratepayers and project proponents.

To be suitable for treatment as Fixed Costs, cost elements should:

- Have clearly defined scope and boundaries to support effective contract drafting, pricing and administration
- Be largely independent of other project cost categories
- Fall reasonably within the transmitter's area of expertise and control
- Be reasonably predictable and quantifiable at the time of bid submission

Cost Certainty: Proposed Fixed Costs

Costs proposed to be fixed include, but are not limited to:

- Onshore land acquisition
- Project Management & Overhead
- Municipal Engagement
- Costs related to obtaining project financing
- Legal fees

The IESO is seeking feedback around which cost categories should be fixed versus included in the Target Cost.

Cost Containment: Maintaining Accountability Through a Capital Cost Ceiling

- The IESO remains committed to cost containment and as such the IESO is considering a cap on the cost sharing mechanism once project costs exceed a defined threshold above the submitted Target Cost
- The IESO is proposing that cost sharing be capped at 50% above the submitted Target Cost
 - For example, if a proponent submits a Target Cost of \$1 billion, cost sharing would apply up to \$1.5 billion. Any costs incurred beyond that amount would be borne by the transmitter

Economic Bid Submission

- Proponents will submit standardized economic bid forms, which will detail the Capital Cost Components associated with the project. The Capital Cost Components will be segregated into two cost containment categories:
 - Target Costs
 - Fixed Costs
- The sum of all costs included in the Capital Cost Components will equal the Proposed Capital Cost (initial contract value)
- The Proposed Capital Cost will be subject to some level of indexation (yet to be defined)
- The Target Costs will be subject to a cap, beyond which the costs will not be included in the ratebase and the Transmitter will be responsible for all excess costs



Proposed Target Cost Approach

Target Cost Overview (1 of 2)

- If actual costs are more than the Target Cost, then a portion of the overspend will be added to the Total Capital Cost
- If actual costs are less than the Target Cost, then a portion of the savings are deducted from the Total Capital Cost, with a portion of the savings payable to the transmitter as part of the rate base
- No post award adjustments to the Target Cost except for indexation

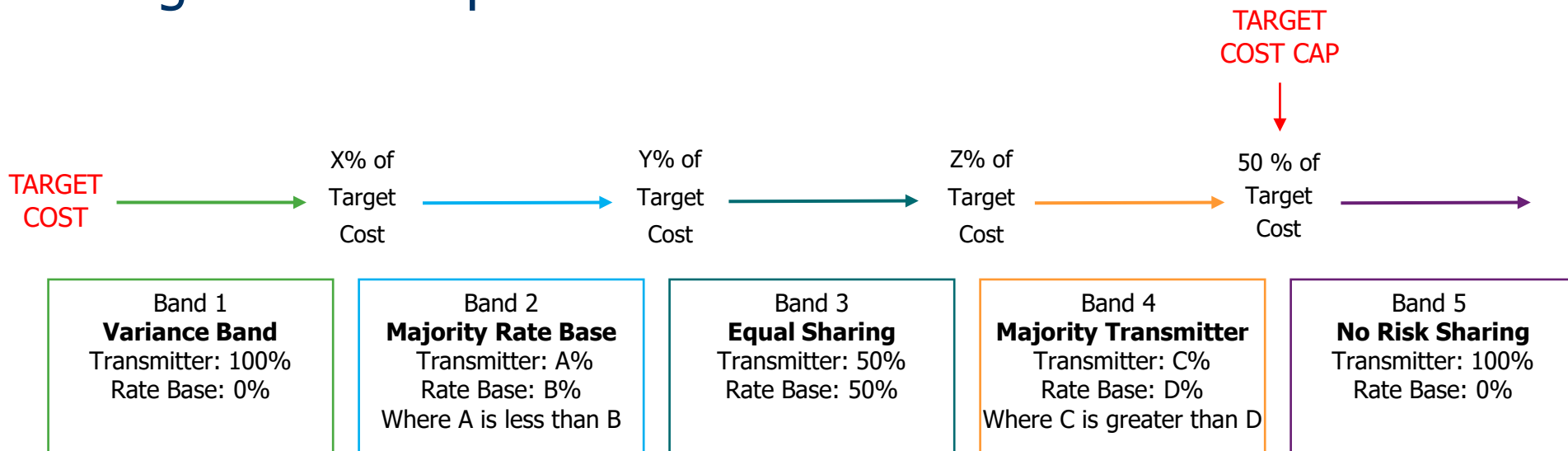
Target Cost Overview (2 of 2)

The proposed design has several “bands” of sharing:

- There will be an initial “variance band” where there is no cost sharing within a specified margin around the Target Cost
- In the next band, the majority of cost over runs are added to the rate base
- Across the subsequent bands, the portion of cost over runs added to the rate base progressively decreases until the Target Cost Cap, beyond which the transmitter is responsible for all additional cost

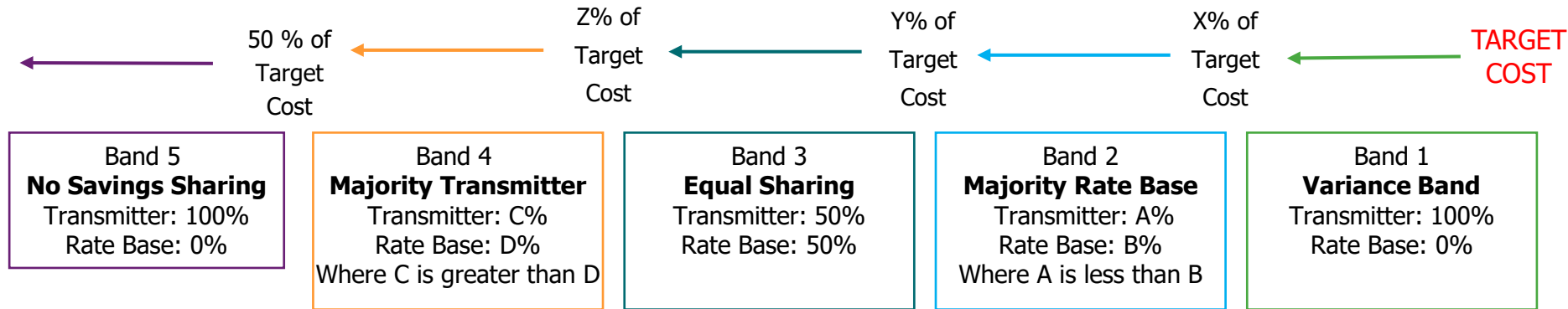
The sharing for any savings is proposed to be symmetrical to sharing for cost over runs.

Target Cost Proposal – Cost Overruns



Target Cost Proposal – Cost Savings

The sharing of any savings is proposed to be symmetrical with the sharing bands on the cost overrun side. Meaning, there would be an equivalent Variance Band where the transmitter would benefit from all the savings, followed by a band where the majority of savings reduce the rate base, etc.



Target Cost Example (Part 1: Scenario)

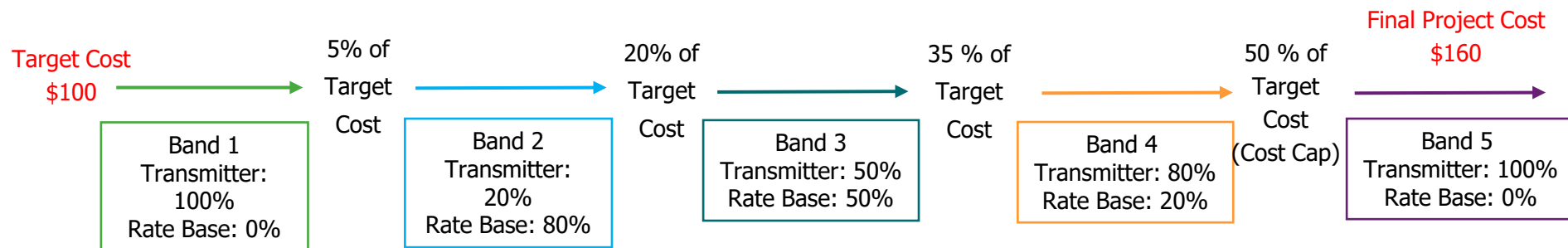
Example Scenario:

Risk Sharing Thresholds	
X	5%
Y	20%
Z	35%

Risk Sharing Allocation	
A, D	20%
B, C	80%

Submitted Target Cost
\$100

Final Project Cost
\$160



Target Cost Example (Part 2: The Calculation)

Submitted Target Cost
\$100*
Final Project Cost
\$160*

The total project cost to the Transmitter is \$160, representing \$60 in costs above the submitted Target Cost.

Of the \$60 cost overruns:

- \$37.50 is fully borne by the Transmitter
- \$22.50 is added to the contract to increase the rate base or contract value to \$122.50

	Risk Sharing Thresholds	Risk Sharing Allocation	Project Cost Range	Cost Added to Contract Value	Cost fully borne by Transmitter	Cumulative Cost of Project (Transmitter Costs)	Cumulative Contract Value (Rate Base)
Band 1	0 to 5%	100% Transmitter	\$100 to \$105	\$0	\$5	\$105	\$100
Band 2	>5% to 20%	20% Transmitter, 80% Rate Base	>\$105 to \$120	\$12	\$3	\$120	\$112
Band 3	>20% to 35%	50%/50%	>\$120 to \$135	\$7.50	\$7.50	\$135	\$119.50
Band 4	>35% to 50%	80% Transmitter, 20% Rate Base	>\$135 to \$150	\$3	\$12	\$150	\$122.50
Band 5	> 50%	100% Transmitter	> \$150	0	\$10	\$160	\$122.50
			Total	\$22.50	\$37.50		



Experience Requirements

Organizational and Team Member Experience Background

The TTL Directive outlines requirements for demonstrating experience, through one or more qualifying projects, across three dimensions:

- HVDC transmission
- Underwater transmission, and
- Indigenous engagement in respect of a qualifying infrastructure project in Canada

Based on the feedback we have received, the IESO is evolving the experience requirements to introduce flexibility for proponents while supporting robust competition

Feedback Received to Date

What We Heard	IESO Response
• Broad support for requiring experience in Indigenous engagement, HVDC project, and underwater transmission projects. • Mixed views on whether Indigenous engagement experience should be demonstrated at the organizational or team-member level. • Some participants supported organizational experience to demonstrate long-term capability and accountability, while others indicated team-member experience would encourage competition and acknowledge specialized expertise. • Related to HVDC and underwater transmission projects, participants emphasized the importance of demonstrated project delivery capability, recent experience and the qualifications of individuals for delivering the work.	• Inline with the Directive, experience across all three areas continues to be important for successful project delivery. • To address the feedback received, the IESO is proposing a flexible framework that values both organizational capability and individual expertise. • The proposed framework will continue to require organizational experience as a core component of the qualification requirements. The framework would also allow proponents to rely on team-member experience in certain circumstances while maintaining organization experience requirements. • The IESO is also considering rated criteria that would incentivize proponents to demonstrate more experience. • This approach will support successful project delivery and meaningful Indigenous participation throughout the project lifecycle.

Updated Proposed Experience Requirements

- The IESO is enhancing the Team Member experience requirement and will allow proponents to draw on a combination of Organizational and Enhanced Team Member experience to meet the three experience requirements
- Specifically, the Proponent must demonstrate Organizational experience across two of the three experience categories and can use Enhanced Team Member experience to demonstrate the third category
- This approach aims to recognize that companies evolve and that knowledge can reside in both the institution and subject matter experts who have managerial responsibility

Enhanced Team Member Experience

- The Enhanced Team Member Experience would require that at least 2 of the Proponent's officers or directors (Designated Team Members (DTM)) had managerial authority in respect of the identified experience on an applicable qualifying project (i.e. a Qualifying HVDC Project, Qualifying Underwater Project or Qualifying Infrastructure Project)
- For the HVDC and Underwater experience categories, 2 DTMs must be provided for each of the 3 functions (Developing, Financing, and Constructing)
- For the Indigenous engagement experience category, 2 DTMs must be provided to demonstrate experience working with Indigenous communities (located anywhere in Canada), including conducting project-related engagement and rights-based consultation, throughout the development of at least one Qualifying Infrastructure Project
- Proponent may have more than 2 DTMs to satisfy the aggregate experience
- The successful transmitter will be contractually required to maintain substantially equivalent DTM experience during the term of the contract

Qualification Example

To qualify, a proponent must demonstrate:

- Experience across three categories (HVDC, Underwater and Indigenous)
- With a minimum of two categories being demonstrated at the Organizational level.

A proponent may demonstrate experience in the third category through either Organizational or Enhanced Team Member experience.

Example of qualifying experience:

		Experience Pathway	
		Organizational	Team Member
Experience Categories	HVDC	X	
	Underwater		X
	Indigenous	X	

Consideration for Rated Criteria

- The IESO is considering the use of rated criteria to support qualifying experience above the mandatory requirements.
- Under consideration is the inclusion of:
 - A Proponent who can meet all three experience requirements at the Organizational level
 - Demonstration of multiple experience categories in a single project (for instance, a qualifying project that is both HVDC and underwater, or an HDVC project that involves Indigenous participation)
 - Recognition for qualifying projects that are based in southern Ontario



Corridor Study

Overview of the TTL Corridor Study

- The IESO has engaged a Consultant to undertake a Preliminary Corridor Study to identify feasible corridor opportunities and key constraints, and:
 - Help avoid future land use conflicts by supporting corridor protection through provincial planning processes such as the Provincial Planning Statement
 - Improve project certainty and support timely project delivery by highlighting environmental, land use, infrastructure, cultural and constructability considerations early in the process
 - Establish a common information baseline to support informed, consistent, and competitive bid development by prospective proponents.
- The Study is a desktop review of publicly available information; it will not determine a preferred route - route selection, environmental assessment, and permitting will be carried out by the transmitter.

Scope of the Study

- The Study will review available information, including:
 - **Existing and planned infrastructure** that may influence constructability, including electricity, natural gas, water, transportation, and telecommunication facilities
 - **Land use and property considerations** in the vicinity of the two terminal converter stations
 - **Environmental and cultural considerations**, such as aquatic and terrestrial features, culturally significant areas, archaeological potential, natural heritage features, and parkland
 - **Regulatory considerations**, including requirements associated with municipal, provincial, federal, port authority, and conservation authority lands.
- The Study establishes a common information baseline on corridor opportunities and constraints to support informed bid development and future project planning and design.

Study Area (Initial)

The Study Area establishes the geographic extent for identifying corridor opportunities and constraints.

It does not represent a route, alignment, or station footprint – the study will not evaluate, compare or select preferred transmission route(s).

The area has been defined broadly to preserve future development options and support corridor protection.

Any future routing and siting decisions, environmental assessment, permitting, and engagement activities will be undertaken by the successful transmitter during project development.



Study Area Maps shown for illustrative purposes

Initial Study Area – Port Lands Terminus



- Toronto connection point for the TTL
- Proximity to existing downtown transmission infrastructure
- Enables assessment of technical, constructability, environmental, cultural, municipal, and land use considerations

Study Area Maps shown for illustrative purposes

Initial Study Area – Bowmanville Terminus



- Eastern connection point to the provincial transmission network
- Proximity to existing 500 kilovolts transmission
- Enables assessment of technical, constructability, environmental, cultural, municipal, and land use considerations

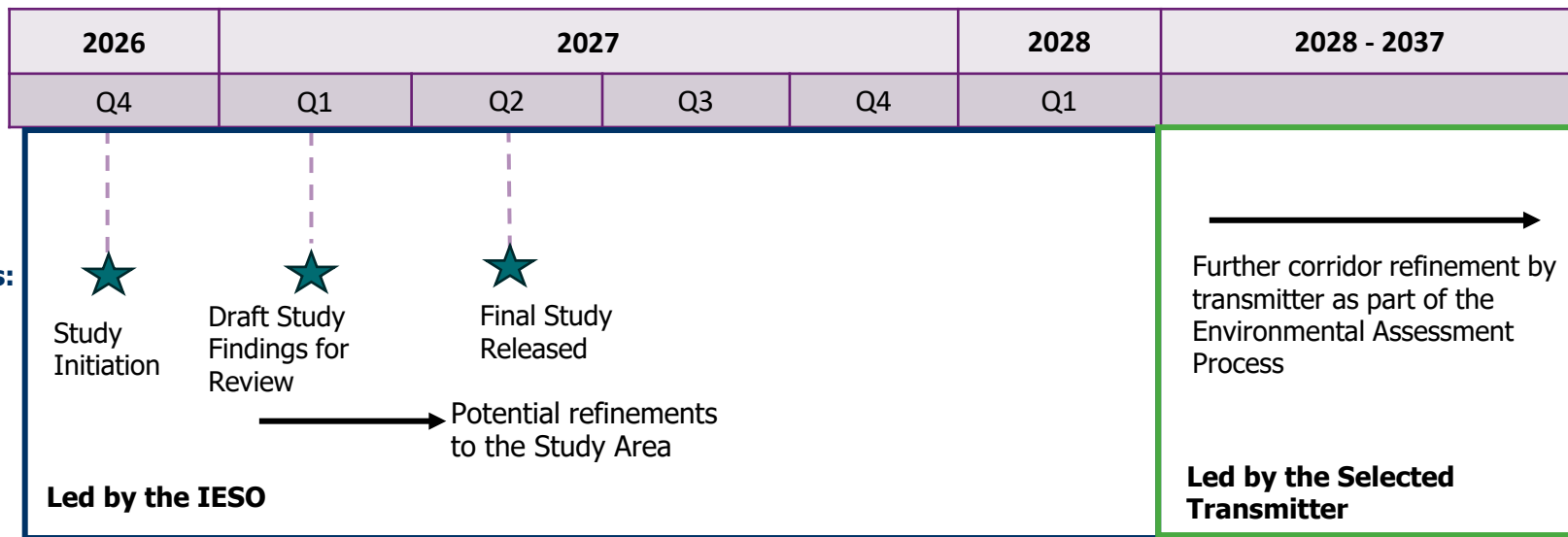
Study Area Maps shown for illustrative purposes

Proposed High-Level Milestones

Engagement will continue throughout development stages, and input is being sought from Indigenous communities, property owners, municipalities, regulatory agencies, and other interested parties to ensure the IESO has captured the relevant information within the study area.

Procurement Milestones:

★ **Launch RFP & Procurement Process** ★ **Proposals Due** ★ **Transmitter Selected** ★ **In-Service**



Study Milestones:

Next Steps for the Corridor Study

1. Formally launch the study (today's webinar)

- Confirm Study Area, scope and timelines of the Study

2. Engage Indigenous Communities and key stakeholders

- Conduct targeted engagement to gather local knowledge, planning information, and identify potential opportunities and constraints

3. Share draft findings and seek feedback

- Share draft study findings and present highlights through public webinar for review with opportunity to submit comments/feedback



Discussion and Next Steps

Seeking Feedback

The IESO is particularly interested in Indigenous community and stakeholder views on:

- Proposed Target Cost and cost-sharing framework
- Fixed Cost categories and definitions
- Capital Cost ceiling approach
- Indexation considerations
- Experience qualification framework
- Potential rated criteria for experience and project delivery
- Corridor Study scope, timing and information needs

Discussion Questions

1. Does the proposed Target Cost model appropriately balance cost certainty, risk sharing and incentives for efficient project delivery while achieving cost containment?
2. What other cost categories can be designated as Fixed Costs?
3. What indexing approaches or indices should the IESO consider to address inflation and/or long-lead equipment cost escalation?
4. Is the proposed Capital Cost ceiling an effective safeguard for ratepayers?
5. Does the proposed experience qualification framework provide flexibility without compromising competition and delivery certainty?
6. What additional information would proponents and participants require from the Corridor Study to support engagement activities and proposal development

Engaging with Indigenous Communities

- The IESO remains committed to continuing to **directly engage** with Indigenous communities identified by the Ministry of Energy and Mines.
- IESO will continue targeted engagements to **gather knowledge** and planning information to support the development of the corridor study, and to continue to inform the design of the procurement.
- Feedback will **help inform** the corridor study report, final IEPP design and procurement framework. Specific IEPP design elements may evolve based on community input while remaining aligned with the TTL Directive.
- As a reminder, to support awareness and gather feedback to inform the procurement design, a draft [IEPP discussion document](#) had been released in the summer.

Reminder: 1-on-1 Engagement Best Practice

- As the Toronto Third Line procurement remains in the design phase, the IESO welcomes market experience, lessons learned and feedback that may help inform the procurement approach.
- The IESO continues to welcome the opportunity to meet 1-on-1 with Indigenous communities and interested stakeholders.
 - For Indigenous Communities, please reach out to Nadia.Mirabelli@ieso.ca.
 - Stakeholders, please reach out to engagement@ieso.ca.
- To facilitate productive discussions and ensure appropriate IESO attendance, meeting requesters **should submit a proposed agenda and any discussion questions in advance of the meeting.** This information will be used to determine the appropriate subject matter experts and staff required to participate.
- To support a fair, transparent, and competitive process, discussions will be limited to information that is already publicly available. The IESO will not disclose non-public information or provide procurement guidance, assurances, interpretations, or commitments that could create an actual or perceived advantage for any participant.

Next Steps

- The IESO invites written feedback by **October 15, 2026**.
- All written feedback should be submitted to engagement@ieso.ca using the IESO Feedback Form, which is posted on the engagement webpage.
- The IESO will look to hold the next TTL procurement engagement session in **November 2026**, where the IESO will plan to engage on additional RFP drafting considerations and draft facility level functional requirements.

Thank You

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Appendix

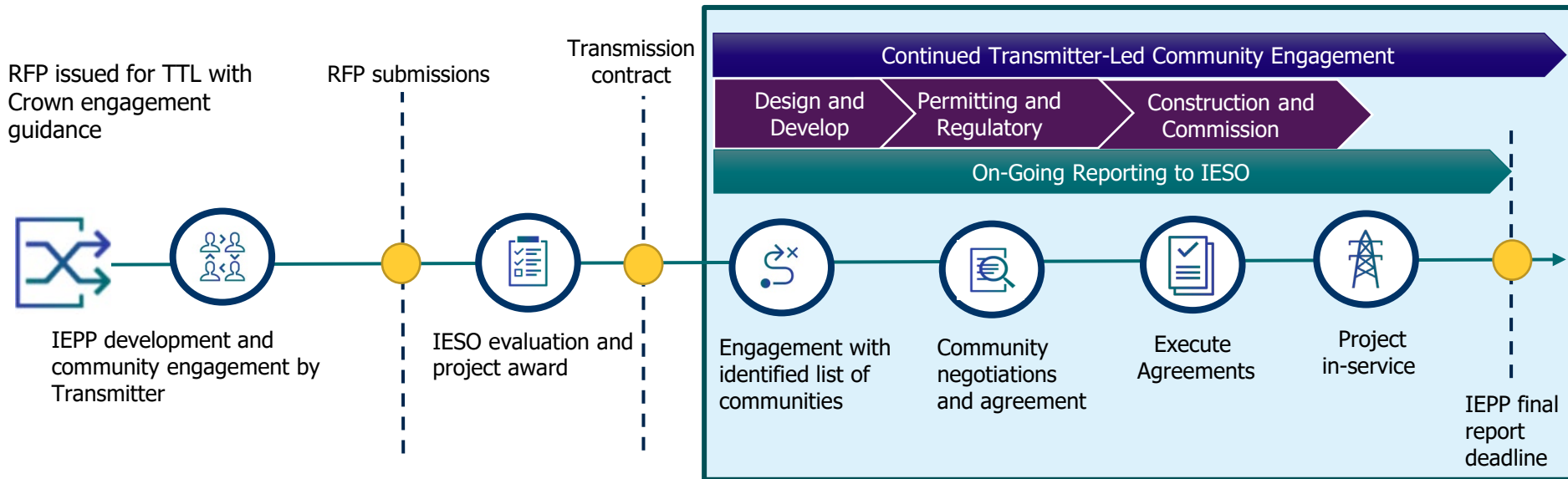
Recap Enabling Indigenous Engagement & Participation

The IESO is committed to supporting meaningful Indigenous participation in the TTL procurement. The TTL [Directive](#) identifies three key areas in the RFP to support Indigenous engagement and participation:

- **Mandatory Indigenous Experience Requirements:** Proponents must demonstrate experience working with Indigenous communities, including Indigenous engagement and rights-based consultation on infrastructure projects located on treaty and traditional territories in Canada.
- **Indigenous Engagement and Participation Plan (IEPP):** Proponents will be required to describe how they will support Indigenous engagement, economic participation, and community benefits.
- **Rated Criteria Points to Enable Higher Levels of Commitments:** Proponents may earn additional points for demonstrating, for example, higher levels of economic participation commitments and for a history of established delivery of economic benefits to Indigenous communities.

To support discussion and gather feedback, the IESO has released a [discussion paper](#) outlining potential Indigenous participation features for the TTL procurement.

Recap Indigenous Engagement and Participation Plan Map



IEPP Implementation Throughout Development & Construction

**For illustrative purposes only*