

Feedback Form

Long-Term 2 (LT2) RFP – April 4, 2024

Feedback Provided by:

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Date: April 23, 2024

To promote transparency, feedback submitted will be posted on the Long-Term RFP engagement page unless otherwise requested by the sender. If you wish to provide confidential feedback, please mark "Confidential".

Following the LT2 RFP April 4, 2024, engagement webinar, the Independent Electricity System Operator (IESO) is seeking feedback from stakeholders on the items discussed during the webinar. The webinar presentation and recording can be accessed from the [engagement web page](#).

Please submit feedback to engagement@ieso.ca by April 23, 2024.

Enhanced Power Purchase Agreement (E-PPA) Revenue Model: Proposed Modifications

Topic	Feedback
Do you have any comments regarding use of monthly production factors for the calculation of deemed energy revenues?	The OWA supports the use of monthly production factors for the calculation of deemed energy revenues.
Do you have any comments regarding use of the Forecasted Weighted Average Price (FWAP)?	The OWA supports the proposal that, for hydro a simple average price be used, with negative prices set to zero.
Do you have any comments or suggestions on further mitigating perceived risks associated with VG participation in the DAM?	No comment.

LT2 RFP & Contract: Key Provisions

Topic	Feedback
Do you have any comments regarding the use of minimum production factors during proposal evaluation?	<p>The IESO has proposed that proposals with production factors below the IESO identified minimums will not be accepted and that each resource type will be assigned a different minimum production factor, which will be broadly related to the expected output of different resource types (the example given for waterpower is 0.25, which seems reasonable). However, minimum production factors for run of river (energy) will differ from peaking systems (capacity). Therefore the IESO could consider different minimum production factors for different types of hydroelectric projects.</p> <p>The OWA also notes that many waterpower projects will be able to provide both capacity and energy. Given that LT2 is now proposed to procure both energy and capacity resources, proposal evaluation and a specific contract structure that values both capacity and energy should be designed for waterpower.</p>

<p>Do you have any comments regarding the application of the non-performance charge?</p>	<p>While the OWA agrees with the requirement for the application of a non-performance charge and the proposed sliding scale approach, we note that the baseline period for waterpower (i.e. average hydrology) is generally a minimum of ten (10) years, particularly given the increase in frequency of severe events due to climate change. Given this and the proposed forty (40) year contract term for waterpower facilities, the OWA recommends that the period for assessment of the average for determination of non-performance for waterpower be ten (10) years.</p>
<p>Do you have any comments regarding the treatment of outages under the LT2 Contract?</p>	<p>While the IESO Enhanced PPA appears to have reduced the supplier financial risk for outages, it remains unclear how proponents can account for both planned outages and (particularly) expected forced outage rates when determining production factors for the purposes of proposal evaluation.</p> <p>The IESO has also indicated that it is still evaluating its approach to declaration of force majeure and will provide further details in a future engagement. As noted in our General Feedback, given the relatively short time-period for the preparation of bids for the RFP, it is imperative that proponents have absolute certainty with respect to all key policy elements of the RFP as soon as possible.</p>
<p>Do you have any comments regarding the payback of Deemed Market Revenues greater than the Monthly Revenue Requirement?</p>	<p>The OWA does not agree that suppliers should be required to pay back Deemed Market Revenues that exceed the Monthly Revenue Requirement. Such revenues would presumably be reflective of the additional value these contracted resources provide to the system at the time.</p>

MT2 RFP

Topic	Feedback
Do you have any comments regarding the IESO’s considerations on the MT2 RFP, including timing, eligibility, and the interplay between repowering and the MT2 and LT2 RFPs?	The OWA would appreciate additional clarity on the mechanics of the participation of incremental waterpower generation (i.e. increased energy and/or capacity) in LT2. As communicated by the Ministry of Energy, it is our expectation that the capacity and energy from existing non rate regulated facilities will be contracted through a “Program” approach, either the Small Hydro Program or the Northern Hydro Program.

Long Lead Time Resources

Topic	Feedback
Do you have any comments regarding the IESO’s considerations on Long Lead Time Resources, including timing, eligibility, targets, and term?	<p>The OWA agrees with:</p> <ul style="list-style-type: none"> - a separate procurement stream for long lead time resources, to be run in parallel to the LT2 RFP to enable resources with longer development timelines to come into operation at a later date e.g., COD up to 2034; - limiting participation to long lead-long duration storage and new build (or rebuilt) hydroelectric generation; - offering these resources a 40-year contract term; - a target for the stream of up to 1000 MWs, while accounting for ability to potentially accept the marginal proposals; and - an evaluation model which includes certain system benefit criteria (duration, ramp rate etc.). <p>However, the OWA proposes that LDES projects be evaluated against other LDES projects and waterpower be evaluated against waterpower. LDES and waterpower are entirely different technologies with different attributes. Both just happen to be long lead time, long lifespan assets.</p> <p>In addition, the OWA does not support the proposal that proponents be required to chose between a capacity and energy contract. Waterpower can provide both capacity and energy and the IESO contract should be structured to value both.</p>

General Comments/Feedback

The OWA notes that in previous engagements the IESO acknowledged the requirement for addressing the risk of increases in CAPEX costs to suppliers between the time of contract execution and Commercial Operation, particularly for Long Lead-Time projects (up to nine (9) years), as well as indexation over the term of the contract, yet the IESO has not provided any proposal for stakeholder input in this regard. The OWA requests that the IESO confirm its intention to provide such protection against inflation both pre- and post-development and a proposal for stakeholder feedback well in advance of the issuance of a draft RFP.

As we understand it, the IESO's current timelines for LT2 are as follows:

- issuance of a draft RFP in Q2, 2024 for stakeholder feedback;
- issuance of the final RFP in Q4 2024 or Q1 2025;
- proposal submission in Q2 2025;
- proposal evaluation in Q3 2025; and
- contract execution in Q4 2025.

The OWA emphasizes the critical need for absolute clarity on the LT2 framework as soon as possible and in advance of the issuance of the draft RFP. Proponents are already investing time and resources in pre-development activities (e.g. Crown land access) and will require at least a year to assess whether the LT2 procurement will support project development. As such, it is strongly recommended that, in advance of the issuance of the draft RFP, all key elements of the proposed procurement be clearly communicated to stakeholders and that the draft RFP engagement process be used to refine rather than determine core participation and contractual provisions.

Finally, as the OWA has noted throughout this engagement, it is our expectation that the capacity and energy from existing non rate regulated facilities with an installed capacity of >10MW facilities will be contracted through a "Program" approach (Northern Hydro Program as announced by the Minister of Energy at the OWA's QP Day on March 27th, 2024), adopting the relevant principles of the recently launched Small Hydro Program, with adjustments to value the flexibility of these assets (i.e. capacity/energy contract structure). To reduce administrative burden for the IESO, the incremental energy and capacity resulting from facility upgrades and expansions successfully bid into LT2 would be compensated through an adjustment to the NHP contract through a separate schedule (as was the case with the HCI contracts).