

Feedback Form

Long-Term 2 (LT2) RFP – April 4, 2024

Feedback Provided by:

Name: Paul Young

Title: Vice President Generation Development

Organization: Orillia Power Generation Corporation

Email: [REDACTED]

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?	We agree with and support the use of monthly production factors for deemed energy revenue calculations.
Do you have any comments regarding use of the Forecasted Weighted Average Price (FWAP)?	<p>We agree with simple average for hydro.</p> <p>For VG resources, clarity is needed regarding IESO's centralized forecast. Will this be done monthly? Or available each day for Suppliers to view?</p> <p>Solar, in general tends to naturally follow load as it generates during the day when the likelihood of higher LMP rates may occur. Wind would tend to more likely generate during off peak times at nights. The use of FWAP is intended to lower the monthly day ahead LMP price thus increasing the grid reliability payment. But wind will benefit to a greater extent than solar.</p>
Do you have any comments or suggestions on further mitigating perceived risks associated with VG participation in the DAM?	We have concerns regarding how settlement will behave in the instance where VG cannot meet its day ahead bid. In particular we are concerned with the statement "Suppliers will be required to manage any production shortfall"

LT2 RFP & Contract: Key Provisions

Topic	Feedback
Do you have any comments regarding the use of minimum production factors during proposal evaluation?	We agree with the concept and that a value of 0.25 for hydro would be reasonable. Consideration should be given to the difference between a peaking plant with reservoir capacity and a run of river plant, as the peaking plant will naturally have lower imputed production factors.

Topic	Feedback
Do you have any comments regarding the application of the non-performance charge?	<p>The use of a 3-year rolling average is short for hydro which experiences with longer hydrologic cycles. Over a 40-year period, for most river systems, a 3-year rolling average would often be less than 85% of the average. To reflect this pattern, we agree with OWA's suggestion of using a 10-year rolling average to assess penalties.</p> <p>We suggest that non-performance be tested once a year on COD anniversary once the end of the first rolling average period ends</p>
Do you have any comments regarding the treatment of outages under the LT2 Contract?	<p>For hydro plants, major maintenance is scheduled every 5 or 10 years and can require significant outages. The imputed production factors can take this into account, but this will mean that 4 out of 5 years may have higher production factors.</p> <p>As stated during the webinar, IESO should take into account safety outages, transmission/distribution system outages, and economic curtailment.</p>
Do you have any comments regarding the payback of Deemed Market Revenues greater than the Monthly Revenue Requirement?	We do not agree that suppliers should pay back deemed market revenues that exceed monthly revenue requirements. This could occur if LMP prices become very high, and in that case, the suppliers should be able to be compensated for this along with other market participants.

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?	Some clarity is required as it could be very complicated when involving an existing contract such as SHP. It would be simpler to encourage incremental energy through the base contract such as SHP rather than through a separate short term MT2. Payback for incremental energy initiatives is much longer than 5 years.

Long Lead Time Resources

Topic	Feedback
<p>Do you have any comments regarding the IESO’s considerations on Long Lead Time Resources, including timing, eligibility, targets, and term?</p>	<p>We agree with the separation of long lead time resourced into separate streams. We also agree with the proposed 40-year contract term as this aligns well with the life span of equipment and should assist in financing over this longer period, bringing prices down.</p> <p>We believe it will be difficult to have storage competing with hydro with each using different contracts. If not careful, biases may value one technology over the other. We strongly suggest separate procurement streams for each technology.</p> <p>It seems a bit late in the process to change the philosophy of LT2 to include capacity as well as energy.</p> <p>We assume and advise that storage would only be able to bid under the long lead time steam.</p> <p>If capacity is to be part of LT2, IESO could consider the use of the capacity/energy revenue model developed by IESO (but ultimately not used) for the Small Hydro Program.</p>

General Comments/Feedback

We are somewhat concerned with the requirement that even distribution connected projects must be market participants. This will add extra costs.

We don’t see how run of river hydro, wind or solar can ever respond to market signals without storage capabilities.

Also, given there is no history for LMP pricing, nor differences between DA and real time pricing, it is difficult to model revenue with any accuracy. We need to understand how easy it will be to forecast when prices will be low, so we would choose not to operate.

Clarity is required regarding escalation. We suggest that full CPI be applied to bid pricing between time of bid acceptance and COD.