Feedback Form

Long-Term 2 (LT2) RFP – April 4, 2024

Feedback Provided by:

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Date: April 20, 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?	As I mentioned in previous feedback; for variable generators (VG) wind and solar, the initial set of monthly Production Factors (PF) for the first year of operation will be educated estimates. Production Factors should be revised, if necessary, for the second and third year of operation. Production Factors may decline over time due to weathering on external components and wear on internal components. The IESO should require all proponents to include a protocol to monitor this decline and adjust the Production Factors as appropriate.
Do you have any comments regarding use of the Forecasted Weighted Average Price (FWAP)?	The Forecasted Weighted Average Price (FWAP) is a refinement of the Day Ahead Price (DA) to account for the hourly variation in the value of the energy produced. This is appropriate given the hourly variations in price.
Do you have any comments or suggestions on further mitigating perceived risks associated with VG participation in the DAM?	If the IESO proceeds with its intention of implementing the proposed Grid Reliability Payment (GRP) as part of the Enhanced Power Purchase Payment, (E-PPA) there is ZERO risk for Variable Generating (VG) proponents for participation in the DAM. (Day Ahead Market) In essence, the GRP would provide an iron-clad guarantee that a successful VG proponent will be reimbursed for every MHh that it claims it can produce in any given month, based on its monthly Production Factor (including curtailments), at the contract price, regardless of the amount of electricity actually accepted into the grid. Proponents are expected to "…account for both planned and expected outages when determining production factors." The GRP makes the use of the Day Ahead Market (DAM) simply a paper exercise for Variable Generation projects since the minimum monthly revenue actually received will still be the [contract price] X [the Monthly PF] X [the #hours in the month].

LT2 RFP & Contract: Key Provisions

Topic	Feedback
Do you have any comments regarding the use of minimum production factors during proposal evaluation?	Minimum production factors for proposal evaluation are appropriate
Do you have any comments regarding the application of the non-performance charge?	This question is based on the assumption that the E-PPA with GRP will be implemented as proposed. The proposed non-performance charge based on a three-year average monthly output is cumbersome at best. It is prone to mis-calculations, and still will not address any unusual swings in production for variable generators due to unforeseen weather anomalies. If this process is adopted, the non-performance charge should be applied the following month and should cover the full amount of the shortfall in output during the previous month. This should also include any additional cost if the cost to replace the shortfall is greater than what would have been paid to the proponent. This charge could be as simple as deducting the non-performance charge from the next month's revenue.
Do you have any comments regarding the treatment of outages under the LT2 Contract?	Treatment of planned and expected forced outages, as a risk for the proponents to manage, is appropriate so long as proponents exclude the potential generation from these outages from their monthly and yearly production factors. The proponents proposing a Variable Generation project, such as wind or solar, are well aware that their output is variable and subject to weather conditions. The risk from any such outages due to weather, and unexpected mechanical malfunction, should be borne by the proponents, not by the ratepayers/taxpayers.

Do you have any comments regarding the payback of Deemed Market Revenues greater than the Monthly Revenue Requirement?	The deemed market revenue model gives proponents the opportunity to exceed their monthly revenue requirement if they overperform, while the Grid Reliability Payment protects them from shortfalls in monthly revenue if they underperform. This provides a potential upside to proponents, while shifting downside risk from the proponents to the ratepayers. If the proposed E-PPA is implemented, payment of deemed market revenues should be limited to the actual output accepted into the grid. There would be no need for a payback process. SUMMARY RECOMMENDATIONS The proposed revenue models are flawed and still prone to 'gaming'. For VG projects, a much more transparent and equitable model would be to limit revenue to output that is accepted into the grid, at the contract price, plus curtailment costs if included in the contract. Output that is surplus to the grid requirement could be accepted, assuming no transmission constraints, and sold in the real time market at the HOEP rate. The project owners should be reimbursed for the surplus output at the HOEP rate, or they could elect to curtail production if they conclude that the HOEP price will not cover operating expenses. If the IESO projections are correct; when the LT2 projects come online, the grid requirements will be such that even Variable Generators will have most, if not all, output required and accepted into the grid. The proponents should be offered the option of participating in ONE of the following revenue models: the Day Ahead Market (with Forecasted Weighted Average Price and Locational Marginal Price); the Real Time, Locational Marginal Price market (RT LMP); or the agreed to contract price, for all output accepted into the grid, plus curtailments if included in the contract. If the proponents are accurate and realistic with their monthly Production Factors, the Grid Reliability Payment (GRP) is not necessary and should not be implemented. Proponents should be reimbursed only for their output to the grid, plus curtailment costs, plus any surplus output at the HOEP rate.

	This would greatly simplify the process.

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?	There are significant issues with repowering existing variable generators, particularly wind generators. The suggestion to host a separate meeting to discuss repowering should be followed. This should include a senior member from the Ministry of the Environment, Conservation and Parks since this agency will be involved in any contracts issued to repowered facilities.

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?	I have no comment on these items.

General Comments/Feedback