

Memorandum

To: Strategic Advisory Committee

From: Barbara Ellard, Director, Resource and System Adequacy

Date: August 2, 2023

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](#).

The Resource Adequacy framework provides the IESO with multiple tools to meet its resource adequacy needs and provides proponents with multiple investment opportunities in addition to participating in Ontario’s wholesale energy market. The IESO is currently in the process of designing and executing multiple resource acquisition mechanisms to ensure it is able to meet emerging system needs.

The table below summarizes the status of the main resource acquisition mechanisms:

Mechanism	Status	Considerations
Medium-term RFP (MT1 RFP)	✓ Completed	<ul style="list-style-type: none"> Acquired 309 MW (UCAP) for the summer and 380 MW (UCAP) for the winter from 5 existing facilities with a combined nameplate capacity of 757 MW
2022 Capacity Auction	✓ Completed	<ul style="list-style-type: none"> Acquired 1,430 MW for the summer and 1,160 MW for the winter Participation from broad range of resources including imports from Quebec and New York

Mechanism	Status	Considerations
2023 Capacity Auction	<ul style="list-style-type: none"> Design completed. Enhancement implementation underway 	<ul style="list-style-type: none"> Auction targets for the 2023 Capacity Auction have been set to 1,400 MW for summer 2024 and 850 MW for the winter of 2024/25. Both seasonal targets are increases from last year's Capacity Auction (by 200 MW and 100 MW respectively).
Same Technology Upgrades Solicitation	✓ Completed	<ul style="list-style-type: none"> All seven upgrade amendments have been finalized, with the final one going through execution procedures during the week of July 24. The seven upgrades will add 286 MW of incremental contract capacity to meet short term reliability needs.
Expedited Process (E-LT1 RFP)	✓ Completed	<ul style="list-style-type: none"> 17 Proposals were selected, representing approximately 1,177 MW of Maximum Contract Capacity with an in-service contract date no later than May 1, 2026 with incentives for early commercial operation Proponents who submitted a proposal but were unsuccessful will have an opportunity to re-submit as part of the IESO's subsequent LT1 RFP
Long-term RFP (LT1 RFP)	<ul style="list-style-type: none"> Engagement and Design are underway 	<ul style="list-style-type: none"> This procurement will target 2,505 MW of capacity with an in-service date no later than May 1, 2028 with incentives for early operation.
Small Hydro Program	<ul style="list-style-type: none"> Design largely completed. Program document drafting underway 	<ul style="list-style-type: none"> IESO has agreed to the key design elements of the program with the Ontario Waterpower Association and other stakeholders. Currently in the program document development phase with a target program launch of Q4 2023.
Subsequent Procurements	<ul style="list-style-type: none"> IESO has outlined that it will start engagement on subsequent procurements including the LT2 and MT2 later this year 	<ul style="list-style-type: none"> The IESO will release details on this engagement later this year

These engagement initiatives can be reviewed on the [IESO Engagement webpage](#).

Capacity Auction

The IESO and stakeholders have completed the design and the majority of the market rule amendment phase of the enhancements for this year’s [Capacity Auction](#) – which is scheduled to be held in late November. The design changes focus on performance and a transition to UCAP (Unforced Capacity), as well as updates to the Demand Curve, including pricing. The IESO intends to begin engaging with stakeholders on the next set of design enhancements in the coming months.

Expedited Process and Long-Term RFP

The IESO has now concluded the Proposal evaluation for the Expedited Long-Term 1 (E-LT1) RFP and has acquired capacity from 17 selected proponents (15 storage and two non-storage) representing a total of 882 MW of storage and 295 MW of non-storage capacity. The IESO announced the two selected proponents for the non-storage category and seven selected storage proponents on May 16, 2023, with an additional eight selected storage proponents on June 27, 2023. Unsuccessful E-LT1 RFP proponents will have the opportunity to re-submit their proposals as part of the Long-Term 1 (LT1) RFP.

	Number of Projects	Maximum Contract Capacity (MW)
Proposals Received	44	3,335.9
Non-Storage Contracts Awarded	2	295
Total Storage Contracts Awarded	15	881.7
Storage Category 1	7	739.2
Storage Category 2	8	142.5
Total Contracts Awarded	17	1,176.7

The IESO is continuing engagement on the LT1 RFP and issued draft documents on May 26, followed by revised drafts on June 30, 2023. The LT1 RFP will target a total of 905 MW of non-storage capacity and 1,600 MW of storage capacity. The IESO has also begun the preliminary deliverability testing process, which is expected to conclude in September 2023.

The current schedule for the LT1 RFP process is as follows:

LT1 RFP Milestone	Target Date
Deliverability Test Results	September 18, 2023 (Additional time may be required given volume of applicants)
Final LT1 RFP and Contract Posted	September 29, 2023
Proposal Submission Deadline	December 12, 2023
Target Date for announcement of Selected Proposals	April - June 2024 (Volume dependent)
LT1 Contract COD	No later than May 1, 2028

Small Hydro Program

The IESO and the Ontario Waterpower Association (OWA) have reached agreement on the key design elements of the Small Hydro Program. Program development has now shifted from design to drafting of the main program documents (e.g. draft program rules and contract). This phase of the program is scheduled to run through Q3 and the IESO is targeting program launch in Q4.

Future Procurements

As outlined in the 'Powering Ontario's Growth' Report, the IESO is preparing for new procurements to attract new investments to Ontario, while at the same time providing opportunities for existing assets with expiring contracts to help meet our growing system needs. The IESO will begin engaging on subsequent medium- and long-term procurements to ensure that existing and new facilities can compete to meet future system needs.