

# Memorandum

**To:** Strategic Advisory Committee

**From:** Barbara Ellard, Director, Resource and System Adequacy

**Date:** November 8, 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, specifically as a follow up to the August 2, 2023 Memo. This update will largely focus on the upcoming Long-Term 2 RFP. The [Expedited-Long Term \(E-LT1\) RFP](#) and [Same Technology Upgrades Solicitation](#) have now concluded, the Long-Term (LT1) RFP is accepting proposals until December 12, 2023 and the 2023 Capacity Auction will be held from November 29 to 30<sup>th</sup>, 2023 for the summer 2024 and winter 2024/2025 obligation periods.

## **Resource Adequacy Framework and Long-Term 2 (LT2) RFP**

The IESO intends to commence engagement on the Resource Adequacy Framework and Long-Term 2 RFP later this month. During the engagement session, the IESO will outline details regarding emerging system needs, how those needs will be met through the Resource Adequacy Framework and key considerations for the LT2 RFP.

## **Emerging System Needs**

The IESO’s 2022 APO and upcoming 2023 APO will show that by the end of this decade Ontario will see energy needs emerge and grow sharply; this is driven by growth in demand, increasing deployment of storage that require energy as their fuel, and policy considerations such as the proposed Clean Electricity Regulation (CER). A number of procurement actions will need to be executed for existing and new resources to ensure we can meet energy needs by 2030 and prepare for a larger transition next decade. The targets for the next procurements (including

the LT2 RFP) must ensure we can meet the forecasted energy needs. The IESO's analysis shows that the procurements will need to focus on recommitting existing resources as well as incent net-new resources to meet approximately 5 TWh of energy needs.

### **LT2 RFP Design Considerations**

The LT2 RFP will form the next long-term procurement in a series of cadenced long and medium-term procurement initiatives (along with the Medium-Term 2 RFP) that are expected to provide investment opportunities for both new-build resources, as well as existing facilities looking to repower and/or expand.

Given the nature of the emerging system needs (energy), the LT2 RFP will be expected to target non-emitting energy producing resources that can be in-service by the end of this decade. The IESO is working to design the upcoming long and medium-term procurements in a manner that also provides opportunities for participation for long-lead time assets, as well as distributed energy resources (DERs). Aligning the cadence of procurements to lengthy development timelines (for long-lead time resources) and the market participation models that enable their participation (for DERs) will be crucial.

While the structure of the RFP and some policy elements may be similar to the E-LT1 and LT1 RFPs, the IESO recognizes that there are additional considerations that may impact the siting and development of potential projects. The IESO will present its thinking regarding the revenue model that is intended to support both the upcoming long and medium-term energy procurements as part of its upcoming engagements. The IESO will also present early thoughts on the deliverability testing process for the LT2 RFP, which will be customized to the need and therefore differ from that previously utilized in the E-LT1 and LT1 RFPs.