

Feedback Form

Annual Acquisition Report

Public Information Session – May 2, 2022

Feedback Provided by:

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- Date: April 27, 2022
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- Following the April 8th public information session on the Annual Acquisition Report (AAR), the Independent Electricity System Operator (IESO) is seeking feedback from participants on a variety of questions and details included in the report and session on April 8 to help further inform the path forward on meeting the needs identified in the AAR.
- The referenced presentation can be found on the [AAR webpage](#).
- Please provide feedback by **April, 27 2022** to engagement@ieso.ca. Also, please feel free to send any questions or request for clarification on the AAR in advance of the April 20 engagement session. This will ensure the IESO is prepared to help inform stakeholder feedback before the April 27 deadline.

Expedited Procurement

Topic	Feedback
<p>What incentives are sufficient to encourage expedited project development to meet the 2025 needs (e.g., term length, pricing adders, reduced RFP requirements)?</p>	<p>Considering the very high risk associated with the Expedited Process, the IESO should be offering contract terms much longer than the 17 years that would be the longest contract period contemplated under the LT1 RFP. We recommend a contract term of at least 20 years. In addition, to reduce risk for expedited projects, especially in light of market renewal and changing energy landscape (decarbonization, etc) we strongly recommend that the contract structure have very limited exposure to fluctuations in the Hourly Ontario Energy Price and that revenue earned from any energy market participation (i.e. energy arbitrage and operating reserve, etc.) be considered a benefit that the project and the IESO can share.</p> <p>In addition, as global supply chain issues have created a spike in pricing for specific electricity-based technology; we recommend that the IESO allow proponents to propose that a portion of their proposal price fluctuate with a specified commodity index over a short period of time. More specifically, for example: (a) allow proponents to include in their RFP bid that X% of their proposal price be tied to a publicly traded price for a specified raw material ("RM Price"); and (b) until the project's full notice to proceed ("NTP"), allow the proponent to pass on to the IESO the cost impact of any increase (or decrease) in the RM Price compared to the actual publicly traded price for such RM at the time of such NTP.</p> <p>Further, considering the current and expected ongoing significant inflationary pressures, the IESO should also be willing to accept: (a) a reasonable inflation-based escalation in the contract to capture the inflation in capital costs the proponent faces from the bid due date to NTP; and (b) a reasonable inflation of any transmission and distribution delivery related costs that arise in respect of charging activities and operating activities post commercial operations.</p> <p>In reference to energy storage projects, currently the OEB has not provided clarity to Hydro One in respect of how to address the connection costs associated with energy storage projects considering these types of projects act as both a load and a generator. Normally, Hydro One will recover the connection costs associated with a load through transmission charges to such load. However, in the case of energy storage projects, they are required to pay for all connection costs as if they are a generator and also pay for all transmission delivery costs as if they are acting as a load. The IESO should provide some relief to energy storage projects so they are not effectively paying twice for the cost to connect the project to the electrical grid.</p> <p>As energy storage projects will (i) be charging during off-peak hours and presumably will not impact the system peak; and (ii) have limited control in being able to manage the exact timing of its charging activities compared to the system peak because the purpose of the project will be to provide reliable capacity when needed; the IESO should accept a pass through of all Global Adjustment related costs that an energy storage project must pay. Further, as with other capacity-based contracts for energy storage, the IESO should accept a pass through of all regulatory costs that an energy storage project must pay.</p>

Topic	Feedback
What procurement timelines (i.e., contract execution) and forward period would be required to support a 2025 in-service date?	The IESO should screen projects in advance of the submission of a proposal to the Expedited RFP so projects that pass this screening will be eligible to apply for funding from the Canadian Infrastructure Bank in advance of any bid into the Expedited Process.
Is there any other external support (e.g., from the IESO) that would be needed to help proponents meet expedited development timelines?	Proponents will need the IESO to communicate with Hydro One, the IESO system impact assessment team, Municipalities, relevant Ministries and other key stakeholder groups to expedite projects through the required connection and permitting processes.
What considerations should be given for community engagement and/or Indigenous participation?	Given the very tight timeline, combined with the upcoming municipal elections, to avoid disqualifying a very advanced project, we do not believe support letters from relevant municipal stakeholders should be a mandatory requirement, however, substantial proof of all stakeholder engagement should be a mandatory requirement.

General Comments/Feedback

- This section can include insight on the proposed additional mechanisms including:
 - Whether these are the right mechanisms to support in-service dates of 2025/26?
 - Are the proposed timelines for the expedited process achievable?

Baseload Power's additional feedback on the Expedited Process:

- As an additional incentive, due to current global instability, we recommend that the IESO allow proponents to propose that a portion of their proposal price fluctuate with a foreign currency over a short period of time. More specifically, for example: (a) allow proponents to include in their RFP bid that X% of their proposal price be tied to a specified foreign currency exchange rate ("Currency Rate"); and (b) until the project's NTP, allow the proponent to pass on to the IESO the cost impact of any increase (or decrease) in the Currency Rate compared to the actual foreign currency rate at the time of such NTP.
- The timeline to reach COD by May 1, 2025 is possible if the Expedited Process will result in executed contracts by the end of 2022.
- Considering that proponents will be required to issue binding purchase orders for all material equipment for their project(s) by Q1 2023 to meet a May 1 2025 deadline, it is logical that each project would need to have received confirmation that it can reasonably be connected to the electrical grid and what the reasonable cost of that connection would be prior to RFP submission. With this in mind, we recommend that the IESO set a mandatory requirement that all projects considered under the Expedited Process have a completed SIA or be allocated additional merit in the RFP evaluation process as discussed below.
- The connection plan for a project should be mandatory and clearly defined in the RFP submission and it should be mandatory for all energy storage projects to reasonably demonstrate that the connection plan will provide for sufficient electrical capacity to charge and discharge without creating a new peak or bottleneck in the system. More specifically, energy storage proponents with a project connection plan that provides a higher degree of reliability for the IESO over other project connection plans should be allocated additional merit in the RFP evaluation process as discussed below.
- Contract structure for energy storage projects should include reasonable capacity tests and cycling requirements with reasonable reductions in revenue in the event these tests and requirements are not met. However, additional liquidated damages and contract termination should be very limited in the event such capacity tests and cycling requirements are not being met. Specifically, in the IESO's Phase 2 Energy Storage Procurement contracts, IESO's ability to impose liquidated damages over and above a reasonable revenue reduction and its right to terminate were set at much too high of a threshold in terms of meeting the capacity tests and cycling requirements.
- Projects that: (1) have key stakeholder support letters; (2) are located in the designated IESO preferred regions (Southwest and East of the GTA); (3) have completed SIAs; (4) have completed key environmental permitting activities; and (5) can offer a higher degree of reliability for the IESO, should be awarded additional merit for each item in the evaluation process and the rules around how that merit will impact the evaluation of proposals should be clearly explained. We recommend, for example, that a project with a support letter will benefit from a specified % reduction in the project's bid price at the final stage of the RFP evaluation process and a different % reduction would apply for a project with a completed SIA.
- Considering the IESO hasn't clearly specified exactly how big or small each project should be and how long it needs capacity for, the IESO should allow one RFP proposal to include multiple size and duration options.

- As financial close of a project won't occur until after a contract is issued by the IESO, demonstration of financial capacity should be limited to the placement of the security deposit and other publicly available financial information about the RFQ Applicant Team and its Control Group.