Connection Process Deposit

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Territory Acknowledgement

The IESO acknowledges the land from where we are delivering today's webinar is the traditional territory of many nations including the Mississaugas of the Credit, the Anishinaabeg, the Chippewa, the Haudenosaunee and the Wendat peoples, and is now home to many diverse First Nations, Inuit and Métis peoples. We also acknowledge that Toronto is covered by Treaty 13 with the Mississaugas of the Credit First Nation.

As we have attendees from across Ontario, the IESO would also like to acknowledge all the traditional territories across the province, which include those of the Algonquin, Anishinaabeg, Ojibwe, Cree, Oji-Cree, Huron-Wendat, Haudenosaunee, Métis, and Inuit peoples.

Engagement Principles

This engagement is conducted in accordance with the IESO's External Engagement Framework, which includes the following principles:

- **Purposeful** – Initiate meaningful conversations that move the sector forward
- **Inclusive** – Invite many voices and diverse perspectives to the table
- **Timely** – Seek input and insight when it can have the most impact
- **Accessible** – Ensure we meet people where they are on their energy journey
- **Traceable** – Allow everyone to follow the path that is being taken
- **Transparent** – Show how engagement helped shape the final outcome

Shared Commitment to Respectful Participation

To support a focused and constructive discussion:

- We will take questions one at a time; please use the raise-hand feature to enter the speaking queue
- We encourage concise and focused comments to allow time for multiple perspectives
- Participants are encouraged to raise relevant points during the discussion and provide more detailed feedback through the written submission process
- We ask that all participants maintain a respectful and professional tone throughout the session
- Facilitators will guide the discussion and manage participation to stay aligned with today's focus and agenda
- Where necessary, we may disable a participant's microphone to manage participation

Overview

The IESO has completed a review of its connection deposit framework, which has remained largely unchanged since the early 2000s. Growing connection volumes, increasing project complexity, and rising costs have highlighted the need to modernize deposit requirements to better reflect today's connection environment and protect Ontario ratepayers.

Outdated Deposit Structure

- Deposit requirements have remained largely unchanged for over 20 years.
- Current deposits no longer reflect the effort required to process connections.

Evolving Connection Landscape

- Significant growth in project volume and complexity.
- Increased demand driven by data centres, electrification, and grid constraints.
- Higher resource requirements to support the connection process.

Cost & Financial Pressures

- Post pandemic inflation has increased operating costs.
- Existing deposits expose the IESO to greater financing and interest cost risks, which ultimately impact ratepayers.
- Other jurisdictions have updated their connection deposit frameworks to reflect current market conditions and industry trends.

Timeline Trends

- Deposit framework introduced ranging from $20,000 – $40,000
- Relatively low connection activity
- Less complex customer connection requirements
- Costs and resource demands aligned with deposit levels
- Deferred cost recovery, with invoicing occurring after System Impact Assessment (SIA) completion or project closeout

- Deposits no longer reflect the cost and effort required to support connections
- Increased financial exposure and interest costs for the IESO
- Increased cost to rate-payers, impact on affordability
- Applicants have poorer visibility into actual connection costs

Early 2000s

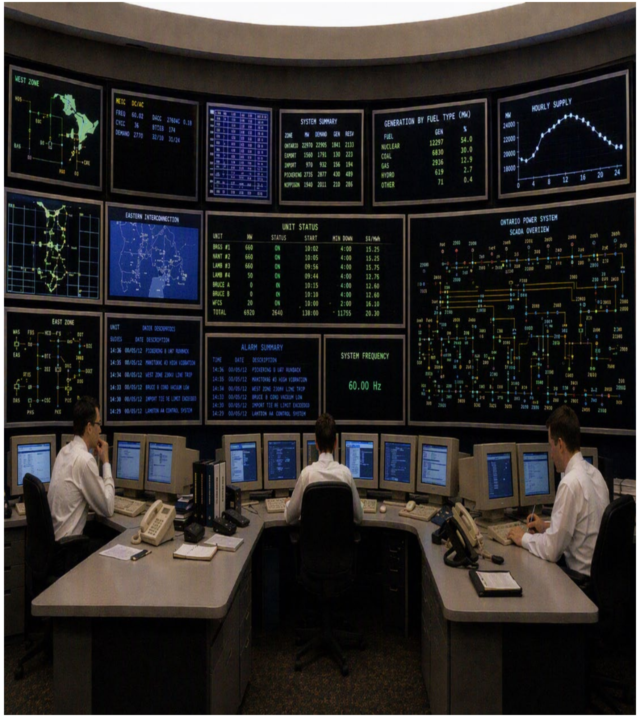
2026

Drivers of Change

- Accelerated electrification driving increased connection demand
- Growing grid congestion and system constraints across Ontario
- Peer ISOs modernizing deposit frameworks to reflect evolving market conditions
- Increasing project complexity and resource requirements

Current Deposit Structure

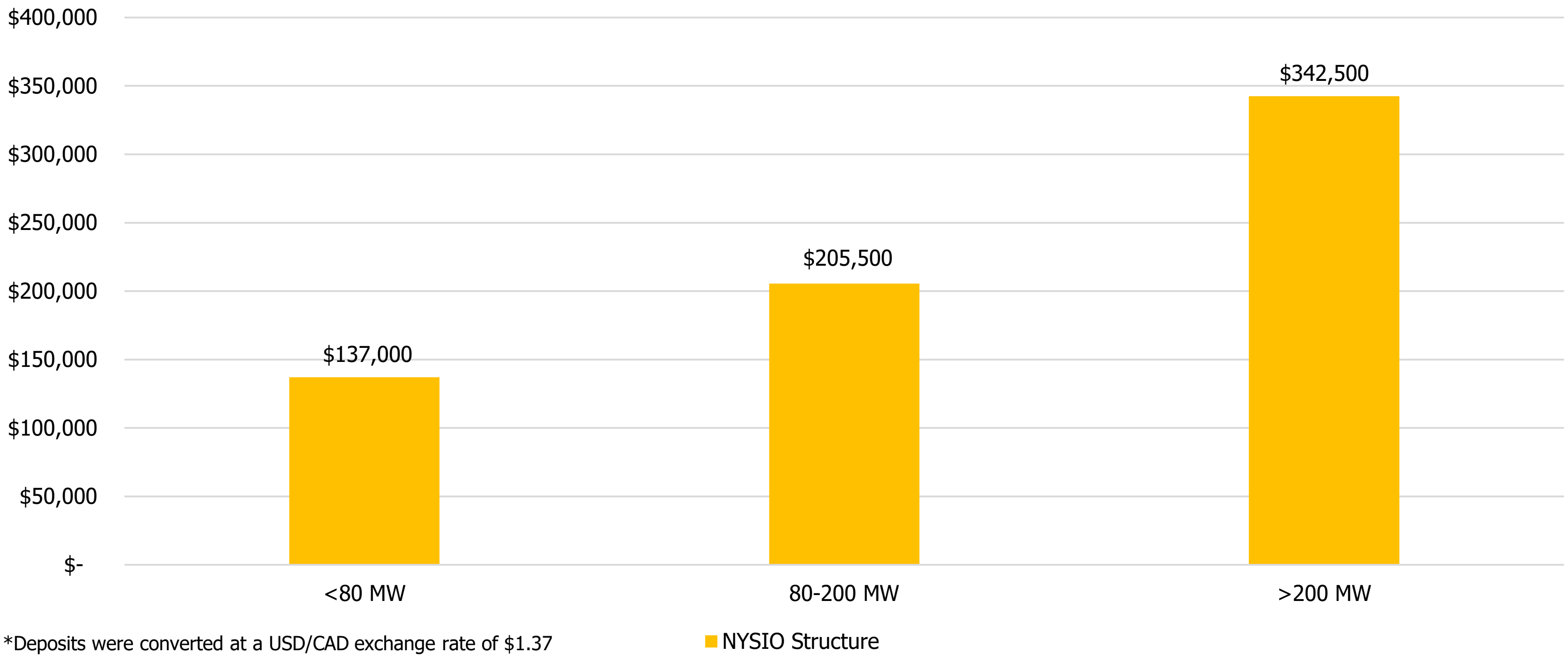
Type of Project	Dollar Deposit
Load facility or load increase	$20,000
Generation unit(s) connected to a distribution system	$20,000
Electricity Storage unit(s) connected to a distribution system	$20,000
Ancillary services facility	$20,000
Generation facility connected to the IESO controlled grid	$30,000
Electricity storage facility connected to the IESO controlled grid	$30,000
Transmission facility	$40,000



Key Characteristics of the Legacy Framework

- Fixed deposit amounts ($20K–$40K) regardless of project size, complexity, or resource requirements
- Deposits are not proportional to, or representative of the actual cost and effort required to support current projects
- Deferred invoicing model, with final costs reconciled and invoiced following completion of the SIA
- Applicants had limited upfront visibility of total connection costs
- Framework remained largely unchanged despite significant growth in project volume, complexity, and connection-related costs

Jurisdictional Scan: NYISO Tiers (CAD)



*Deposits were converted at a USD/CAD exchange rate of $1.37

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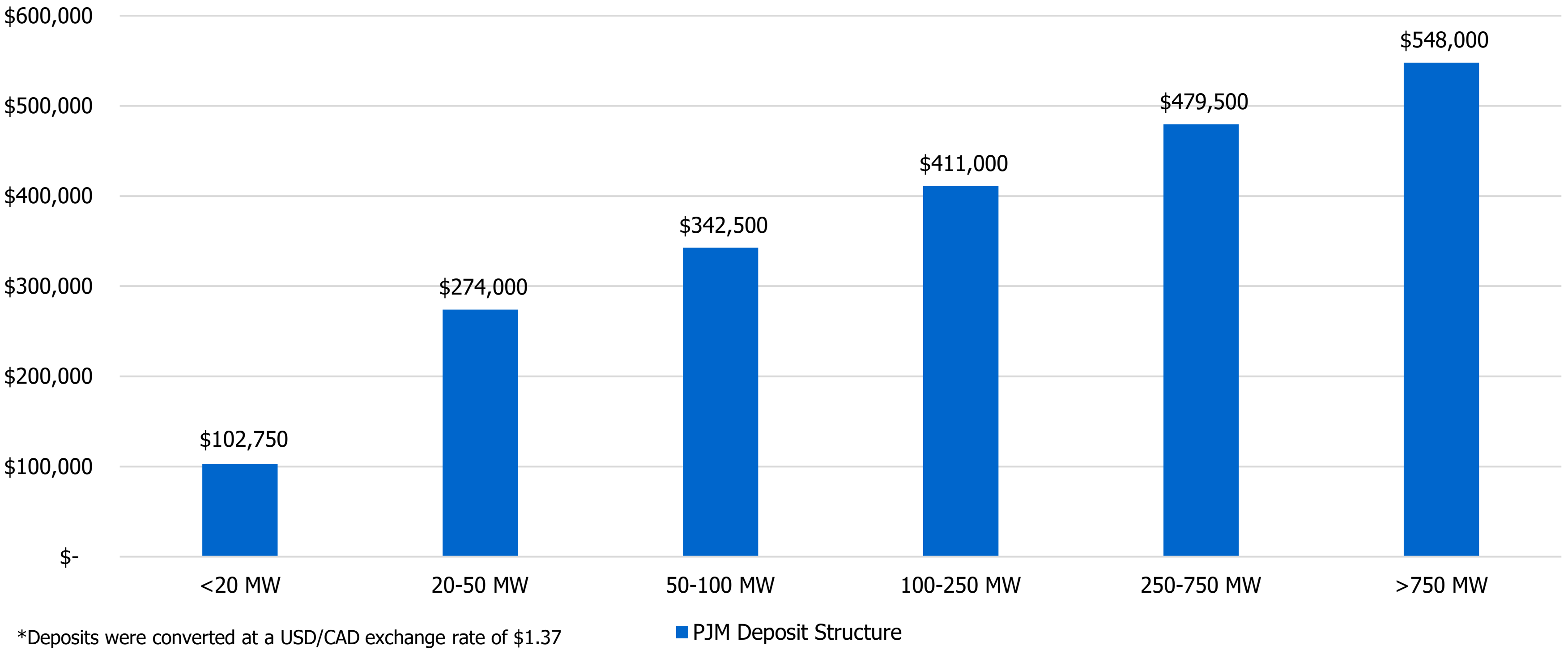
Jurisdictional Scan: PJM Tiers (CAD)



*Deposits were converted at a USD/CAD exchange rate of $1.37

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Revised MW Based Tiered Connection Process Deposit

Deposits scaled by project size (MW)

Deposit requirements will increase based on project size, ensuring a consistent and scalable approach across all project types.

Better alignment with project scope

Deposits more accurately reflect the level of effort, resources, and financial risk associated with each project, improving overall cost recovery.

MW Range	Dollar Deposit
<20*	$50,000
20-49	$75,000
50-99	$100,000
100-249	$150,000
250-749	$200,000
750>**	$250,000

*Transmission projects **not** designated by Order in Council
Transmission projects designated **by Order in Council

Note: Increasing the deposit amounts does not increase the cost of the connection process. The underlying fees will continue to be calculated using the existing OEB approved methodology.

More proportional approach

The tiered structure provides greater predictability for market participants by aligning upfront deposits with the expected costs associated with the relative size and complexity of each project.

Transmission projects

Transmission deposits follow a two tiered approach, with non Order in Council projects aligned to the lowest tier and Order in Council projects aligned to the highest tier to reflect differences in project scale and complexity.

Updated Technical Feasibility Study Deposits

Updates to the TFS deposit are intended to better align with the actual effort and cost required to complete these studies.

Key Changes

- The TFS deposit has been increased from $20K to $50K to better reflect today's study requirements
- Improved alignment with actual costs associated with conducting technical feasibility assessments
- Greater upfront cost visibility for market participants during early project stages

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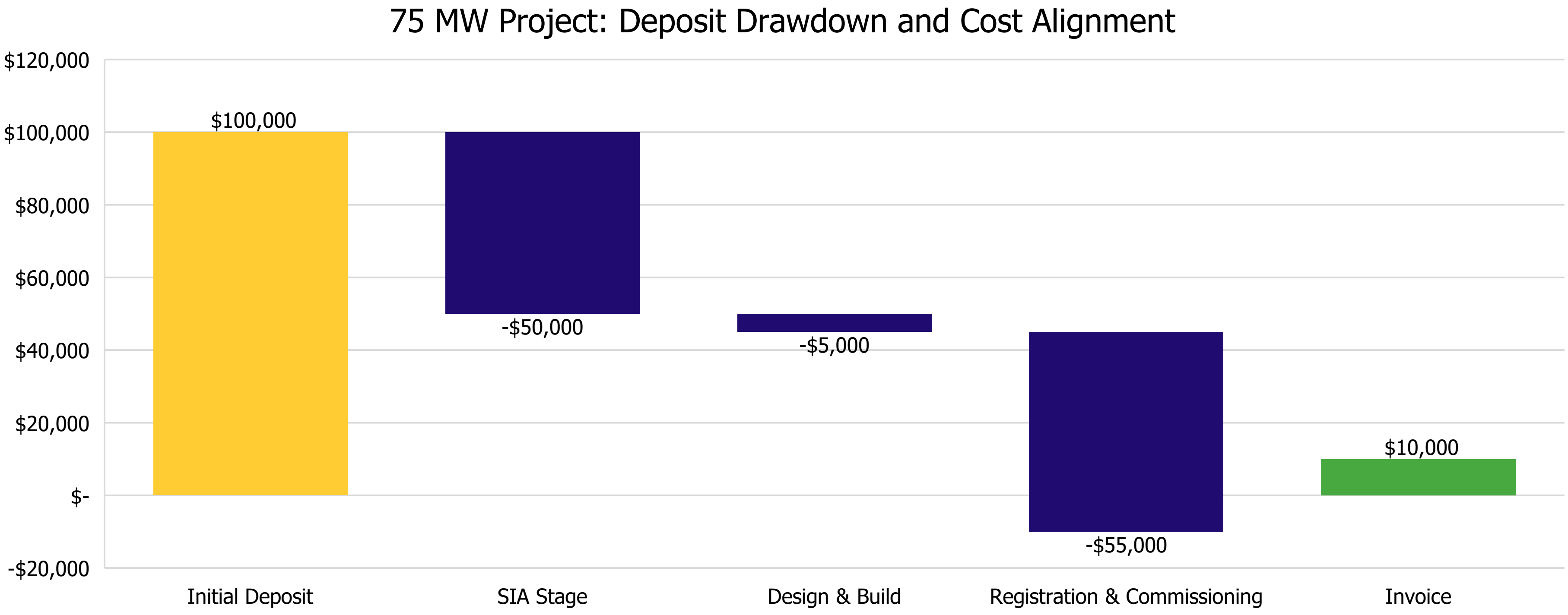
Ad-Hoc Invoicing for Cost Recovery

The updated approach provides additional flexibility to ensure project costs are managed transparently as work progresses.

What does this mean?

- Invoices may be issued as costs are incurred by the IESO
  - Additional invoicing may occur periodically, keeping costs aligned with actual work required
- Supports timely cost alignment across project stages
  - Costs are addressed as they are incurred, reducing the need for reconciliations later in the process
- Enhances transparency of project costs
  - Market participants gain better visibility into how costs are tracked and applied, supporting clearer understanding and more informed project planning.

Single Deposit Across Entire Connection Process



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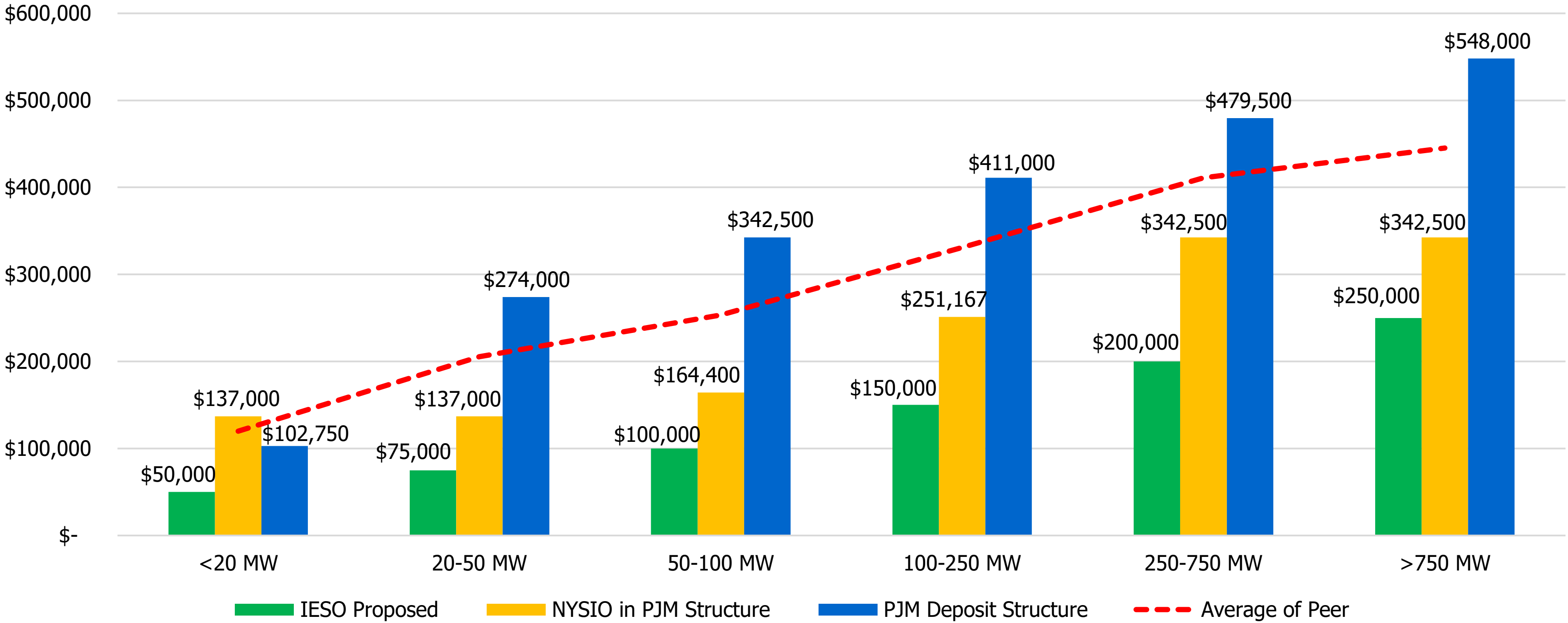
Jurisdictional Comparison: Expanded Tiers (CAD)



*Deposits were converted at a USD/CAD exchange rate of $1.37

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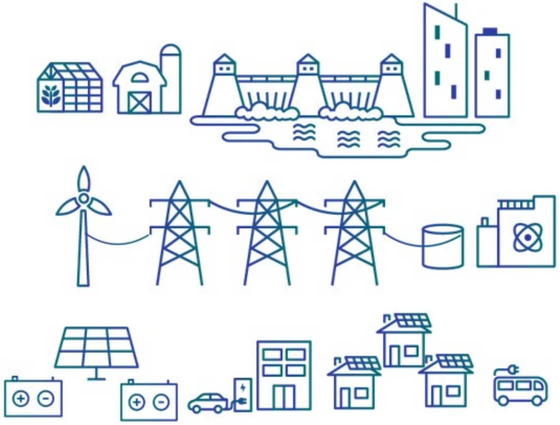
Intended Outcomes

The proposed deposit amounts are not intended to create a barrier to participation. They are intended to better align upfront deposits with the effort associated with processing connection requests.

Key Outcomes of the Proposed Changes

- Support a more efficient and consistent connection process
- Increase transparency for market participants through clearer upfront cost signals
- Improve cost alignment between deposits and actual connection costs
- Reduce financing and interest cost exposure for the IESO and, ultimately, ratepayers
- Strengthen cost recovery to better reflect project risk and effort



Summary & Next Steps

Why Changes are being made

- Connection process has significantly increased in size and complexity
- Existing deposit structure is outdated and no longer reflects actual costs
- Updates ensure fair, transparent alignment with today's connection requirements

What this means for Market Participants

- ✓ Improved upfront cost transparency
- ✓ Flexibility to withdraw after SIA and re-enter under the Reliable Integration Fee (RIF)
- ✓ Ad-hoc invoicing only if project cost exceeds deposit
- ✓ Better cost visibility throughout the project lifecycle

Note: Proposed Market Manual updates will be published on July 27 as part of Baseline 56.0, providing stakeholders with an opportunity to review the changes and submit comments by August 7.

Thank You

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Appendix A: Proposed Market Manual Changes – 1.4

Reference	Description of Change
Section 5.5, Table 5-1, Section 5.12 , Sections 9.3.1 & 9.8	Updated SIA and TFS study deposit requirements and clarified invoicing provisions.

- **Section 5.5.1 Required Deposit**
  - Deposit Structure - Table 5-1 sets out the SIA study deposit amounts required for facilities. Notwithstanding the table, the IESO Chief Operating Officer (COO) or delegate may approve a different study deposit amount or waive the study deposit for a specific facility.
  - For the purposes of determining the appropriate deposit amount, the MW of a facility will be based on its MVA rating. If a facility is included within a cluster study, the MW will be the equivalent MVA rating of the facility as determined in accordance with section 6.2.3 of Market Manual 1.5. Notwithstanding the foregoing, transmission projects subject to an Order in Council issued under the Ontario Energy Board Act, 1998 are deemed to have a MW Range of 750+. All other transmission projects are deemed to have a MW Range of <20.
- **Section 5.12 Costs**
  - Calculation of invoice – Invoices may be issued on an ad hoc basis, as determined by the IESO. Upon completion of the SIA, the connection applicant will receive an invoice from the IESO to cover the total costs and expenses incurred by the IESO and the transmitter, if applicable, relating to the processing of the connection applicant's request for connection assessment, and to the conduct of the SIA, minus the amount of any deposit paid. If the total costs and expenses are less than the deposit amount, the connection applicant may request a refund for the difference.

Appendix A: Proposed Market Manual Changes – 1.4

Reference	Description of Change
Section 5.5, Table 5-1, Section 5.12, Sections 9.3.1 & 9.8	Updated SIA and TFS study deposit requirements and clarified invoicing provisions.

- **Section 9.3.1 Required Deposit**
  - Amount of deposit – A deposit of $50,000 must be remitted against the anticipated cost and expense of the TFS. Final costs are calculated after completion of the TFS, and an invoice is issued to the TFS applicant, as described in section 9.8. No guarantee is given that the final costs will be less than the deposit amount.

- **Section 9.8 Costs**
  - Invoice – Invoices may be issued on an ad hoc basis, as determined by the IESO. Once the Technical Feasibility Study Report has been issued, the TFS applicant will receive an invoice from the IESO to cover the total costs and expenses incurred by the IESO in conducting the TFS. If the total costs and expenses are less than the deposit amount, the TFS applicant will receive a refund for the difference.

Appendix B: Proposed Market Manual Changes – 1.5

Reference	Description of Change
Section 6.1.1	Updated reliable integration study deposit requirements and clarified invoicing provisions

- **Section 6.1.1**
  - Deposit Structure Table 5-1 sets out the deposit amounts required for Project facilities. Notwithstanding the table, the IESO Chief Operating Officer (COO) or delegate may approve a different study deposit amount or waive the study deposit for a specific facility.
  - For the purposes of determining the appropriate deposit amount, the MW of a facility will be based on its MVA rating. If a facility is included within a cluster study, the MW will be the equivalent MVA rating of the facility as determined in accordance with section 6.2.3 of Market Manual 1.5. Notwithstanding the foregoing, transmission projects subject to an Order in Council issued under the Ontario Energy Board Act, 1998 are deemed to have a MW Range of 750+. All other transmission Projects are deemed to have a MW Range of <20.
  - The deposit required for reliable integration activities may be offset by the amount of any SIA deposit previously paid in relation to the same facility and Project pursuant to MM 1.4 s.5.5.1, unless such deposit was returned to the connection applicant or was otherwise exhausted following the conclusion of the SIA.