

Long-Term RFP Feedback and IESO Response

Long-Term RFP Information Session For Municipalities – April 12 & 19, 2022

Following the Long-Term Request for Proposals Community Engagement Municipal Breakout Discussion held virtually on April 12 and April 19, 2022, the Independent Electricity System Operator (IESO) invited feedback on the presentation materials shared and on how the IESO can support municipalities in these discussions.

Summary

This document provides a summary of the key themes that emerged from feedback received along with the IESO responses to the feedback. The IESO appreciates all of the input, which will be considered as the procurement process continues.

Feedback was received from the following parties and posted on the Long-Term RFP [Community Engagement webpage](#):

- [Association of Municipalities of Ontario](#)
- [Bonnie Rowe](#)
- [City of Temiskaming Shores](#)
- [Halton Region](#)
- [Municipality of Dutton Dunwich](#)
- [Municipality of Middlesex Centre](#)
- [Municipality of North Perth](#)
- [Municipality of West Grey](#)
- [Robert Lake](#)
- [Saturn Power](#)
- [Township of Georgian Bluffs](#)
- [York Region](#)

Theme 1- Supporting economic development planning for municipalities

- **Feedback:** Communities are growing due, in part, to recent shifts from urban to rural centres and electricity is needed to support population growth and a balanced tax base. How will new electricity supply support growth and economic development planning for municipalities specifically. Is this an opportunity to build out capacity in areas to attract growth?
- **IESO Response:** As the organization responsible for ensuring there is enough power to meet the province's electricity needs in a reliable and cost-effective way, the IESO recognizes the importance of supplying electricity to communities across Ontario in a way that takes into account future growth. Through our regional electricity planning activities, we engage with municipalities to seek input on local growth trends, priorities and plans. This information helps to develop a long-term regional electricity plan for each of the 21 regions across Ontario, and to inform the forecasting of the province's broader electricity needs. Visit the IESO website to [subscribe](#) to receive updates on a variety of topics, including regional planning, or to join a Regional Electricity Network.

While it is proposed that projects will be incentivized to build in areas where the electricity system is constrained, project submissions will be considered in all areas across the province.

Theme #2: Desire for timely and effective information, education, and engagement

- **Feedback:** Information is requested on how and when municipalities are being engaged throughout the process.

The IESO should provide early, continuous, transparent, consistent, audience-specific information. Topics of interest include: approval processes, timelines, and prospective projects. Copies of the procurement documents should also be provided directly to key municipal staff including Chief Administrative Officers, municipal planners, etc. Delivering information sessions is particularly helpful during and after municipal election.

Communications should be tailored in ways that recognize municipalities have different levels of experience, resources, and expertise. Effective communication and sharing of best practices will help municipalities in planning for procurement related activities, overcoming short timelines, and lack of consulting being undertaken by proponents. Fostering regional co-ordination to support generation projects is also important.

Internal and external municipal decision-making processes should be supported by delivering a range of capacity building tactics. Suggested tactics include: online website, educational information sessions, in-person meetings, email, zoning changes, and sample municipal resolutions, etc.

- **IESO Response:** We are committed to providing continuous, up-to-date information about the design of the Long-Term Request for Proposal (LT1 RFP) procurement process, and the timelines and results associated with the different stages of the procurement.

To ensure purposeful engagement with municipalities, a dedicated [community engagement webpage](#) has been developed to deliver information in a way that is meaningful and effective. A

[municipal road map](#) document describing what communities can expect throughout the LT1 RFP procurement process is available under the Key Documents section of the webpage. The road map will continue to be updated to reflect updated procurement timeline and design details.

The IESO will continue to share relevant information through presentations at virtual and in-person events at specific junctures throughout this process. The targeted discussions with municipalities also intend to facilitate a dialogue to address common questions and specific priorities. The next virtual information session is planned for July 14, 2022.

The IESO is committed to providing municipalities with the information they need to effectively engage on the LT1 RFP initiative and will continue to respond to input received for the design of future community engagement and outreach tactics throughout the duration of this initiative. Discussion and input will be encouraged at the IESO's next engagement session in July (or by email to communityengagement@ieso.ca) where we will continue to seek feedback on how the IESO can be of support or improve on our engagement efforts.

To help in building capacity among municipalities so that they are equipped to engage in broader electricity-related discussions, the IESO endeavours to provide products and host activities targeted at elected officials and municipal staff. The IESO has begun development of an [electricity toolkit for municipalities](#) as a guide to understanding the role communities play in Ontario's electricity system. Education materials and presentations will continue to be made available after the election. Specific content will be developed to enhance new local governments' knowledge of the procurement process.

The IESO is participating in various municipal conferences taking place across the province (e.g., Ontario Municipal Administrators' Association workshops, Association of Municipalities of Ontario conference etc.,). Through presentations, meetings, and interactions with elected officials and municipal staff, we will be raising awareness about the need for new electricity supply, and discussing the role of municipalities in the procurement process.

- **Feedback:** The IESO should develop teams to assist and/or create mechanisms whereby proponents and municipalities can reach out if either party is finding the process difficult.
- **IESO Response:** Thank you for the input. The IESO will consider different ways to provide assistance throughout the procurement process, while adhering to its role as a procurement body to ensure fairness and transparency are maintained throughout the procurement process. The IESO will endeavour to continuously update the [Q&A document](#) and provide relevant information to help prepare municipalities for the next phase of this process.

Where possible, the IESO will encourage proponents to work directly with municipalities to understand their priorities in order to ensure they have an effective submission in the RFP. Municipalities can contact Ontario's Ministry of Municipal Affairs and Housing (MMAH) [regional Municipal Services Offices](#) for further technical and regulatory support, or [MMAH](#) directly for more general information. Additionally, interested parties can email lt.rfp@ieso.ca for questions and to sign up for future communications about the Request for Qualifications (LT1-RFQ) and LT1 RFP, if interested.

Theme #3- Working with project proponents

- **Feedback:** Proponents should understand the municipal planning processes to ensure that inquiries follow existing requirements.

Emphasis should be made on the importance of collaboration between municipalities and proponents. Two-way dialogued should be encouraged for proponents to understand municipal priorities (i.e., climate change) so that projects support and/or complement community goals.

- **IESO Response:** The IESO recognizes that effective collaboration between communities and proponents is critical to the success of project development. The LT1-RFQ is a pre-qualification process that requires interested parties to demonstrate that they have experience in generation project development, including experience in working with municipalities and Indigenous Communities. Demonstrating this past experience will help ensure that proponents will engage and work with municipalities in an effective manner.

The IESO is proposing that the LT1 RFP and Expedited Process both include specific mandatory requirements to ensure that communities are informed early in project development via requirements to notify affected communities. Furthermore, the IESO is currently proposing and seeking feedback on requirements that would see proponents attain support resolutions prior to LT1 RFP proposal submission and potentially after contract award (if applicable) under the Expedited Process. This proposed approach provides communities with the ability to support projects that can help meet emerging system needs on a province-wide and regional basis. Further opportunities to provide feedback on these specific procurement design considerations are taking place through the [broader engagement process](#) and will also be provided following the July community engagement webinar.

- **Feedback:** Proponent contact information should be made readily available.
- **IESO Response:** The LT1 RFP associated with this LT1 RFP and Expedited Process will qualify proponents who will be eligible to submit proposals at the RFP stage. The LT1 RFQ, which was recently posted on June 3, will close on June 30, 2022. The IESO will publish and communicate to municipalities a list of Qualified Applicants at the conclusion of the LT1 RFQ process.

Theme #4 – What new resources are expected? And Where?

- **Feedback:** Information requested about the eligible resources types (e.g., small hydro, solar, ground source heat pumps, and imports). In particular, specific details (i.e. simulations) to raise awareness/expectations about new technology types.
- **IESO Response:** The IESO is designing the LT1 RFP and Expedited Process in a technology agnostic manner. This is reflective of the [Minister of Energy's letter](#) and the IESO's [Resource Adequacy framework](#) under which procurements will seek to acquire products/services to meet system reliability needs, as opposed to specific resources or facilities.

The Mandatory Requirements proposed under the LT1 RFP and Expedited Process align with emerging system needs and will ensure that the resources that come forward are able to meet those needs. Prioritization will be given to facilities located in areas of highest need, such as

southern Ontario, specifically, in areas around the Greater Toronto Area (GTA), and in the southwest part of the province.

The IESO cannot forecast the types of resources that may be successful in the LT1 RFP and the Expedited Process. The IESO is focused on acquiring products and services from resources able to meet the mandatory requirements that will be laid out in the LT1 RFP and Expedited Process. This approach will ensure that the IESO can continue to meet critical system reliability needs.

- **Feedback:** Ensure that the long-term procurement process is supporting and encouraging innovation and local solutions. Considerations given to programs to promote solar and ground sources projects in new residential building.
- **IESO Response:** The IESO's [Resource Adequacy Framework](#) and additional mechanisms will provide opportunities for resources of different types to participate in Ontario's electricity sector, in part by providing certainty and clarity for proponents needing lead time for investment. The LT1 RFP and Expedited Process are technology agnostic procurements, that are focused on acquiring products/services from resources (i.e., capacity) in order to meet critical reliability needs. Given the focus of the LT1 RFP and Expedited Process to acquire capacity with a minimum 4-hour energy duration, from dispatchable resources, the IESO expects that some variable generators may not be able to meet the requirements outlined. The IESO will continue to work with stakeholders to present iterative procurements that may provide opportunities to different resource types, based on the reliability need to be met.
- **Feedback:** Availability of municipal land including parcel information for mapping on GIS and potential zoning changes can be a barrier for proponents to seek municipal support. To address this barrier, ensure that adequate time is taken into account for the successful implementation of projects.
- **IESO Response:** The IESO appreciates the feedback. In order to meet emerging reliability needs, the IESO will need to adhere to stringent timelines, especially for the Expedited Process. Given feedback received from municipalities on the Expedited Process and timelines, the IESO has proposed that some requirements for this procurement be modified to accommodate the compressed length of the contracting processes and thus different from those in the LT1 RFP. To account for timeline concerns, the IESO's current proposal would see proponents attain support resolutions prior to LT1 RFP proposal submission, whereas the requirement may apply after contract award (if applicable) under the Expedited Process.
- **Feedback:** How will the IESO work with existing contract holders in order to optimize and leverage existing electricity infrastructure?
- **IESO Response:** The IESO's [Resource Adequacy framework](#) includes a number of mechanisms that focus on reacquiring products and services from existing resources (i.e., the capacity auction, the [Medium Term I RFP](#)). As the IESO works to implement and operationalize the Resource

Adequacy framework, we will continue to evolve the framework to ensure it is able to meet emerging reliability needs.

Given system needs emerging in 2025, the IESO has undertaken the design of a procurement that will target expansions from existing facilities. More information on the expansions from existing facilities process was presented at the sector participant engagement meeting on June 9. Presentation materials are available on the broader engagement webpage [here](#).

- **Feedback:** Support expressed for local Indigenous community/municipal authority and for provincial authority siting of new generation.

Support expressed for resources that would require reduced/no facility construction and/or limited/no new transmission lines.

Communities commented on the negative experiences with siting past generation projects and working with large corporate developers

- **IESO Response:** The IESO is proposing that community authority over the siting of new generation projects be reflected in the proposed design of the LT1 RFP and Expedited Process, which are anticipated to include requirements for Proponents to obtain support resolutions from municipalities and Indigenous communities for projects.

Theme #5- Perspectives on decision making authorities and contract terms

- **Feedback:** How can the IESO assist municipalities in developing a framework for local bylaws in order to support the development of resources like new storage.
- **IESO Response:** Land use policies are governed by the Ministry of Municipal Affairs and Housing (MMAH). The IESO and MMAH have and will continue to discuss considerations surrounding siting and developing new resources. Where applicable, outcomes of these discussions may be incorporated into the procurement process and shared with proponents and municipalities as part of the engagement process.
- **Feedback:** How do the new pricing models compare against past pricing models?
- **IESO Response:** The IESO continues to work with stakeholders on the commercial considerations for the LT1 RFP and Expedited Process. A number of these considerations were presented in the June 9 [engagement](#) with further detail to be presented in draft documents and other procurement documents (where applicable).
- **Feedback:** Interest expressed to further understand the procurement process elements including and beyond project maturity, risk, price evaluation, and other rated criteria such as Indigenous participation.

The rated criteria should focus exclusively on duration of service (supplying 4 hours of power)

The existing rated criteria can create challenges for smaller rural communities to host electricity generation in their community – i.e. location of need and Indigenous participation.

- **IESO response:** The IESO will endeavour to make as much information as possible available throughout its procurement processes. This includes the publishing of draft procurement documents (RFQ, RFP, Contract) and relevant supplemental documentation

Rated criteria in the LT1 RFP and Expedited Process will seek to value the attributes of proposed projects that contribute to meeting reliability needs and/or provide additional value (i.e., locational value). The proposed rated criteria include valuation of resources able to provide more than 4-hours of continuous energy duration. The design of the rated criteria aligns with the reliability needs identified in the [Annual Acquisition Report](#).

- **Feedback:** Proponents should be required to consult with municipalities and hold public meetings in advance of contracting. The obligation to consult in advance of contracting will promote transparency, educate residents, and alleviate mistrust within the communities.
- **IESO Response:** The proposed mandatory requirements in the LT1 RFP and Expedited Process currently require that proponents develop and post a Community Engagement Plan and hold one public meeting with each local community in which the project is proposed to be located.

Proponent must also obtain a Municipal Council Support Resolution if the proposed project is to be located on land under municipal jurisdiction. For the Expedited Process, given the condensed timing of the procurement process, as well as the upcoming Ontario municipal elections, the IESO is contemplating requiring successful proponents to obtain applicable support resolutions after contract execution. Further details on these requirements will be included in the draft RFP that will be posted for comment in August 2022.

- **Feedback:** Municipalities should have an opportunity to weigh in on the development of the rated criteria.
- **IESO Response:** There will be further opportunity to provide input into the LT1 RFP, Expedited Process, and Contract through upcoming engagement sessions and via comments on the draft documents themselves. The next community engagement session with opportunities for feedback is planned for July 14, 2022.

This community engagement is supplemental to the broader [LT RFP engagement initiative](#) and is aimed at providing opportunities for targeted information and discussions as they relate to the specific needs of Ontario communities. All engagement sessions are open to the public and we welcome feedback on the information provided.

Other Feedback Received:

- **Feedback:** Customers are not paying the true cost of energy. The cost of heating with oil in parts of rural Ontario is about twice the cost of heating with electricity. This will aggravate the

need for supply and threaten the capacity handling of the distribution transformers that were not sized for the increased load.

- **IESO Response:** The IESO is committed to supplying reliable and cost-effective electricity across the province. The purpose of the long-term procurement process is to secure additional electricity supply to address the increased demand for electricity caused by various factors including growth and electrification. Residential consumers pay time-of-use rates for electricity. These rates incorporate various factors and intend to balance supply and demand for electricity. Visit the OEB website for [more information about time-of-use rates](#).