

IESO Engagement

From: IESO Engagement
Sent: March 19, 2024 1:10 PM
Cc: IESO Engagement
Subject: IESO Long-Term 2 RFP (LT2 RFP) Update

Good afternoon,

Since the launch of its engagement on the upcoming LT2 RFP, the IESO has appreciated the level of stakeholder engagement and feedback on the preliminary LT2 RFP design. Much of the feedback to date has centred on the IESO's Enhanced Power Purchase Agreement (E-PPA) revenue model that will underpin the LT2 RFP. The LT2 RFP represents the first in a cadenced set of long-term procurements that will form the backbone of the IESO's Resource Adequacy Framework and provides an opportunity to transition energy producing resources to a market focused revenue model that underscores the benefits the renewed market will bring.

The IESO sees the E-PPA as being key to that effort, doing so in a manner that provides revenue certainty for suppliers, while also encouraging contracted resources to provide power to the IESO when it is most needed (and valuable). This is critical as we transition out of a period of surplus electricity into one with emerging needs.

The IESO's focus is to ensure that all resources are incented to operate as efficiently as possible to ensure the IESO can continue to deliver cost-effective reliability.

The IESO would like to inform stakeholders that it has recommended to the Minister of Energy to proceed with the Enhanced PPA (E-PPA) revenue model for energy producing resources under the LT2 RFP. The IESO acknowledges that it has received significant feedback on a number of topics that pertain to the E-PPA, most of which align with the discussion during the February 1 [webinar](#). Based on feedback, the IESO has explored a number of different mechanisms that will further de-risk the E-PPA for proponents.

To address the feedback received thus far, the following changes will be implemented in the E-PPA revenue model:

1. **Enabling monthly production factors** (January – December), which will allow proponents to account for seasonality in the deeming mechanism. The average of monthly production factors will be utilized in the contractual settlement provisions. For the purposes of the evaluation, the IESO will use the overall annual production factor average.
2. **Variable Generator (VG)** resources will have the option of being deemed based on a simple average of their monthly Locational Marginal Prices (LMP), or a **forecast weighted average price**. The forecast weighted average price will take into consideration an individual resource's production capability from the IESO centralized forecast at their location. For **Hydro-electric** resources, the IESO proposes to continue deeming based on the simple average monthly LMP as daily centralized forecasts are not published by the IESO for resources other than wind and solar.
3. The IESO is also evaluating a number of options that could help to further manage the **Day-Ahead to Real-Time Risk** for proponents. One of those options is to provide choice to proponents to a) deem resource specific revenues based on the IESO day-ahead price at their location or b) deem resource specific revenues based on the IESO real-time price at their location. Both options would require participation in the IESO Day-Ahead Market (DAM), which is a pre-requisite to participate in the real-time market. These options will be presented in more detail during the IESO's next LT2 RFP engagement.

In the coming weeks, the IESO will publish more information that further describes the fine tuning of the E-PPA design, and will continue to work with stakeholders on those refinements.

The IESO is hosting a webinar on April 4 to discuss the details of the E-PPA revenue model and discuss other key design considerations of the LT2 RFP and its cadence with the MT2 RFP.

Please reach out to engagemet@ieso.ca with any questions.