

Feedback Form

Long-Term 2 (LT2) RFP – May 23, 2024

Feedback Provided by:

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To promote transparency, feedback submitted will be posted on the Long-Term RFP engagement page unless otherwise requested by the sender. If you wish to provide confidential feedback, please mark "Confidential".

Following the LT2 RFP May 23, 2024, engagement webinar, the Independent Electricity System Operator (IESO) is seeking feedback from stakeholders on the items discussed during the webinar. The webinar presentation and recording can be accessed from the [engagement web page](#).

Please submit feedback to engagement@ieso.ca by June 7, 2024.

LT2 RFP Energy + Capacity Streams

Topic	Feedback
<p>Do you have any questions or comments regarding the clarifications the IESO provided regarding the targets, timing, eligibility or other details of the LT2 RFP Energy and Capacity streams?</p>	<p>With the objective of procuring both energy and capacity, ESC believes the IESO should consider establishing a standalone hybrid procurement to leverage the benefits of hybrids. Specifically, hybrids can be developed in areas where the power system needs dispatchable resources to manage system congestion. A targeted hybrid development can avoid many of the constraints identified in the Preliminary Connection Guidance document by withholding energy during congested times and managing output when thermal constraints occur.</p> <p>The hybrid procurement should focus on areas of the power system where the operability benefits of hybrids can be maximized, particularly in areas of the province that are restricted for energy-only resources.</p> <p>In addition, ESC recommends the IESO give due consideration to the opportunity to procure long duration energy storage resources in this stream so the IESO can evaluate having the complement of both long duration and short duration resources to meet nearer term capacity needs, which would be an overall benefit to the system.</p> <p>With respect to deliverability, ESC is concerned how the IESO will manage system models and assessment processes given many different changing parts. For example, how will the results of LT2 energy factor into deliverability for LT2 capacity? Further, how will demand growth and other changes in system conditions be assessed out to 2030 given significant policy and economic uncertainty? ESC strongly recommends the IESO provides clear guidance on preferred locations and capacity sizes to help guide proponents.</p>

Long-Lead Time Resources Procurement

Do you have any questions or comments regarding the clarifications the IESO provided regarding the targets, timing, eligibility or other details of the Long Lead Time Resources Procurement (LLT)?

ESC firmly supports no inclusion of a deliverability assessment for long lead resource procurement.

ESC agrees with the IESO that there is a need to take a more flexible approach when considering the deliverability and interconnection of LLT projects, which provide significant benefits (relieving congestion & curtailment, increased duration to support variable generation and maximizing use of existing transmission) to the bulk system. These benefits should be included when completing upcoming bulk studies. Considering their long lead time, the IESO has time to complete the required studies and upgrades to support the development of strategic LLT projects.

Given the term length and in-service date target, ESC recommends launching the procurement sooner than later so there is ample time to address the complexities and challenges of project development. This includes interconnection analysis, community engagement and design, project attributes and market design adjustments. To that end, ESC strongly recommends the IESO develop the RFP throughout 2024 and seek to launch the long-lead procurement in 2025.

ESC also recommends a target of approximately 1,000 MW to support the large scale & size of LLT projects.

As the IESO considers procurement design for LLT projects, it should utilize a more versatile approach for Proposal Security. This can include either a much smaller upfront amount (with the balance due at financial close) or a milestone-based approach. The increased versatility will enable more participants in the process and accommodate the higher development costs and risks associated with LLT projects.

Scalability in the project size and potential phases of implementation should be explored as part of the procurement to optimize the installation of long lead resources.

Concerning the COD date for LLT projects, ESC recommends that the IESO can maintain target COD

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	<p>of 2034/2035, but should allow for earlier COD by up to 2033 with no multiplier to allow for full ITC capture at 30%. Without an allowance for an earlier COD in 2033, the Suppliers could lose the maximum ITC at 30% and would be unable to pass those benefits to ratepayers.</p> <p>Further clarity on how “long lead time” will be defined would be appreciated.</p>

MT2 RFP

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<p>Do you have any questions or comments regarding the clarifications the IESO provided regarding the targets, timing, eligibility or other details of the MT2 RFP?</p>	<p>No comments</p>

LT2 RFP Preliminary Connection Guidance Follow-Up

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<p>Do you have recommendations for; addressing the previous feedback received; version 2 of the Guidance Document; and most specifically on the LT2 RFP capacity stream delivery approach the IESO is proposing.</p>	<p>ESC would like to strongly state that the information in the Guidance document is not a substitute for a feasibility study. The Ontario system is changing significantly and specific information on connection points and system conditions is critical to support project development, design and community engagement. With plenty of time before the proposal submission date, the IESO must develop a specific process for proponents to receive a standard feasibility study to help guide development, including understanding what the limit is for capacity of new projects that would not trigger major bulk system upgrades.</p> <p>It appears to ESC that the IESO believes constrained resources are a reason to not pursue a feasibility study. If true, this is not appropriate given the long-term benefit to Ontario ratepayers and competitiveness of the LT2 procurements. The IESO should charge proponents the costs the IESO needs to recover to complete feasibility studies. Further, if the IESO is short on internal resources, the IESO should obtain external technical expertise to support completing the feasibility studies. Use of external parties is common practice throughout North America for feasibility studies and should be adopted by the IESO for LT2.</p> <p>Finally, ESC believes the IESO should be working to allow proponents to make investments in the Ontario electricity system to allow their project to connect, particularly given the scale and quantum of investment the proponent is willing to invest for the projects.</p>

E-PPA Revenue Model and E-PPA Energy Market Settlement Examples

Topic	Feedback
<p>Do you have any questions or comments regarding the modified, "protected" version of the Enhanced Power Purchase Agreement (E-PPA) that the IESO has proposed?</p>	<p>ESC believes further information on contract provisions and how the protected E-PPA will integrate with other conditions of the LT2 contract. The protection offered is not clear to ESC and there are many instances where the outcome could result in lower than expected revenues, particularly since the market price outcomes in 2030 will require understanding of how Market Renewal Program (MRP) design leads to price formation, something that is unknown at this time (e.g., how will the change to ramp rate used to set prices impact volatility in real-time).</p> <p>Finally, ESC would like a better explanation of how the IESO arrived at the 60% protected value. Please share analysis and references used.</p>

General Comments/Feedback

ESC strongly recommends that the IESO provide a fulsome timeline that lays out the steps the IESO is expecting to take to move from now to a proposal submission date including when the IESO expects to publish draft RFP and contracts. Along the steps, ESC recommends the IESO identify when they will be presenting and discussing key components of LT2 procurement design and when IESO expects to make decisions on the major design components. This is important to help manage feedback to the IESO. So far, the LT2 procurement has been difficult to follow logically and therefore challenging to provide complete and concise feedback to assist the IESO.