



Chuck Farmer  
Vice President, Planning, Conservation and Resource Adequacy  
Independent Electricity System Operator  
1600-120 Adelaide Street West  
Toronto, ON M5H 1T1

July 19, 2024

Dear Chuck,

This submission responds to the Independent Electricity System Operator's (IESO's) invitation for feedback in relation to the July 4, 2024, webinar (the "webinar") on the Medium-Term 2 Request for Proposals (MT2 RFP) and Long-Term 2 RFP (LT2 RFP).<sup>1</sup>

Power Advisory has coordinated this submission on behalf of a consortium of renewable generators, energy storage providers, Energy Storage Canada (ESC), and Canadian Renewable Energy Association (CanREA) (the "Consortium").<sup>2</sup>

We thank the IESO for its continued outreach to stakeholders during the initial development of the MT2 and LT2 RFPs. There are still significant aspects of these two procurements that need to be resolved and it will be important for the IESO to continue to consult with potential proponents to improve the process, ensure the most competitive energy pricing possible, and avoid fatal flaws.

We stress that it is very difficult to provide helpful comments to the IESO without understanding the interplay between the various design components the IESO has put forward for our consideration have with the MT2 and LT 2 RFPs and contracts. As we have said previously, we will require the RFP and contract documents, that provide a complete picture of how all moving pieces presented by the IESO to date are intended to cohesively work together as part of the proposal evaluation process and under operation of the contracts. This will better enable potential proponents to properly assess the risks and opportunities presented by these procurements.

We maintain the opinion that Ontario would be best served using a proven revenue model (e.g., Power Purchase Agreement (PPA) with an indexed fixed price that does not depend on market outcomes) to attract the most competition to participate in RFPs, minimize risks on Proponents, and yield the lowest prices for ratepayers. That said, we do appreciate the efforts made by the IESO to address the concerns with the Enhanced Power Purchase Agreement (E-PPA) revenue model brought forward by the Consortium in our January 15, 2024, April 23, 2024, and June 28, 2024, submissions ("prior submissions").

Based on the information presented in the webinar we have the following comments on the proposed MT2 and LT2 procurement processes.

#### **Ownership of Environmental Attributes**

We understand that the IESO is prepared to leave the ownership of the environmental attributes with Suppliers in the MT2 capacity stream. Ownership of the environmental attributes under the MT2 energy stream, and both the capacity and energy streams of LT2 remains unclear and needs to be clarified.

<sup>1</sup> See <https://www.ieso.ca/-/media/Files/IESO/Document-Library/engage/long-term-rfp/lt2-rfp-20240704-presentation.pdf>

<sup>2</sup>The members of the Consortium are: ESC; CanREA; Axiom Infrastructure; BluEarth Renewables; Boralex; CarbonFree Technology; Connor, Clark & Lunn; Cordelio Power; EDF Renewables; EDP Renewables; Enbridge; ENGIE; Evolgen (by Brookfield Renewable); FirstLight; Kruger Energy; Liberty Power; NextEra Energy Canada; Northland Power; Pattern Energy; Potentia Renewables, RES; and wpd Canada.



### **Materials Cost Indexing Adjustment**

The IESO indicated during the webinar that it was considering abandoning the materials cost indexing adjustment in LT2 that were features of the E-LTI and LTI procurements. We would like to know why the IESO is considering abandoning the materials cost indexing adjustment.

### **Deliverability**

We request that the IESO provide the details on how deliverability testing will be done as part of the evaluation process for LT2. This information is required so that potential proponents can advance our site selection for LT2.

As we have stated in our prior submissions, including a deliverability assessment at the back end of the proposal evaluation process is very problematic because it requires prospective proponents to spend development dollars without knowing if their projects can deliver energy. These assessments ought to be done as part of the pre-submission process so that development dollars are not wasted on infeasible projects.

### **Participation in IESO Capacity Auctions**

We understand from this webinar that in the MT2 capacity stream, Suppliers will retain all energy market and other revenues to their own account. This is consistent with the treatment of these revenues under E-LTI and LTI contracts. We would like to know if Suppliers in the MT2 and LT2 energy streams will also be allowed to retain any capacity-related revenues (e.g., resulting from successful participation within IESO capacity auctions).

### **LT2 Contract Price or Annual Revenue Requirement**

It is unclear to us from the webinar content and accompanying presentation whether or not a proponent responding to the LT2 RFP is required to provide a contract price or an annual revenue requirement. On slide 33 it states that proponents offer a contract price, but on slide 35 and the accompanying example, it states that an annual revenue requirement is submitted.

### **Procurement Target**

The IESO is proposing that the MT2 procurement target be based on a certain percentage of MW of the proposals submitted. This is a departure from the E-LTI and LTI RFPs and we were wondering what prompted this change.

### **LT2 Proposal Security**

The IESO is proposing minimum proposal security of \$500,000 per proposal. We believe that this amount is excessive. The vast majority of generating facilities in Ontario are under contract. Generating facilities that are not supported by out-of-market contract payments are not economically viable. The risk that a selected proponent fails to enter into the LT2 contract is negligible. We think that a dollar amount per MW of nameplate capacity ought to suffice without setting an arbitrary minimum amount.

### **Consideration of Project Size in the LT2 Evaluation**

Some found the LT2 proposal ranking example with the different proposal price and capacity laminations confusing. We would appreciate more detailed information on how the ranking process will be executed as part of the evaluation process. Also, the assumption that largest project will be lowest cost proposal may not hold.

### **Qualification of Capacity**

The IESO has indicated that it intends to qualify capacity for the MT2 capacity stream. We would appreciate more detailed information on how this qualification process will be undertaken.



We will be pleased to meet with IESO about this submission at a mutually convenient time.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Chee-Aloy", positioned to the left of a vertical line.

Jason Chee-Aloy  
Managing Director  
Power Advisory

cc:

Barbara Ellard (IESO)  
Justin Rangooni (ESC)  
Leonard Kula (CanREA)  
Elio Gatto (Axiom Infrastructure)  
Roslyn McMann (BluEarth Renewables)  
Adam Rosso (Boralex)  
David Oxtoby (CarbonFree Technology)  
Jason Woods (Connor, Clark & Lunn)  
Paul Rapp (Cordelio Power)  
David Thornton (EDF Renewables)  
Nathan Roscoe (EDP Renewables)  
Sukhminder Purba (Enbridge)  
Sarah Bresolin (ENGIE)  
Julien Wu (Evolugen by Brookfield Renewable)  
Stephen Somerville (First Light)  
JJ Davis (Kruger Energy)  
Deborah Langelaan (Liberty Power)  
Michelle Gardner (NextEra Energy)  
Brandon Kelly (Northland Power)  
John O'Neill (Pattern Energy)  
Jennfier Tuck (Potentia Renewables)  
Stephen Cookson (RES)  
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