

# Feedback Form

## Long-Term 2 RFP – September 12, 2024

### Feedback Provided by:

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Date: September 27, 2024

Following the LT2 RFP September 12, 2024, engagement webinar, the Independent Electricity System Operator (IESO) is seeking feedback from stakeholders on the items discussed. The presentation and recording can be accessed from the [Long-Term RFP \(ieso.ca\)](#).

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 “Yes” below:

- Yes – there is confidential information, do not post
- No – comfortable to publish to the IESO web page

**Please submit feedback to [engagement@ieso.ca](mailto:engagement@ieso.ca) by September 27, 2024.**

## LT2 RFP Deliverability Guidance – Update

Topic	Feedback
Do you have any feedback to share regarding the updated Preliminary Connection Guidance document?	The updated guidance document falls short in providing meaningful information about the Ontario transmission grid. The main area of concern remains identifying circuits that can and cannot be connected to. The list provided is cumbersome to sift through and requires developers to cross-reference a PDF document to identify specific lines. The PDF document itself is useful to see transmission lines but is still extremely difficult to confidently identify specific lines throughout the province. Being able to identify lines correctly is critical to understanding project risks. Additionally, placing energy limits on all lines based on voltage will result in lines being underutilized or 'stranded capacity' remaining on transmission lines. IESO / HONI should allow developers to propose any project sizes on Tx lines that are then reviewed through the deliverability process. Given that the deliverability process occurs after RFP submission anyways, developers will be required to engage independent consultants to estimate interconnection capacities on transmission lines throughout the province. This an inefficient and prone to error process, the IESO should be providing project developers with a deliverability assessment for each project.
Do you have any feedback to share on the procedure to request access to the transmission system map or process to request pre-submission consultations?	With the lack of clarity provided in the Preliminary Connection Guidance document it is difficult to provide detailed agendas to HONI prior to engagement meetings.
Do you have any feedback on the types of information that you would like to see in the LT2 Capacity RFP Guidance Document?	N/A

## LT2 RFP Design – Policy Considerations



Do you have any feedback to share on the policy considerations outlined in the August 29, 2024, letter from the Minister of Energy and Electrification to the IESO?

The Minister of Energy has asked the IESO for options with accelerated timelines and design elements for LT2, we recommend an alternative approach to procurement be proposed:

1. A financial and experience qualification process be introduced to pre-qualify Proponents to ensure the IESO is receiving bids from Proponents with the experience and financial capability and financial commitment to build and finance projects.
2. The qualification process is followed by a 2 – 3 yr open call for energy whereby Qualified Proponents can offer in their projects on a timeline that is technically feasible. The open call could begin in 2025 and remain open until 2028 or until the IESO procures the energy they are seeking. Instead of having procurement RFPs every one or two years, this allows Qualified Proponents to establish their project sites, collect the necessary onsite resource data (in the case of wind this is 1 yr of onsite data), and complete the additional development related tasks, including consultation, as quickly as they can and then offer in their projects as soon as they are ready, and not on a set procurement schedule that could result in delays in project schedules, or result in projects being bid in that are not technically advanced enough. If an open process does not work for whatever reason, then the RFPs should be run frequently, every 6 months, to catch the projects that are ready to move forward on a regular timeline. This will result in more projects being delivered on a faster schedule. Furthermore, if the first RFP does not provide projects developers with the opportunity to collect a minimum of 1 yr of wind data, the RFP should be delayed until project developers are ready. "Readiness" could be gauged through a confidential questionnaire process with the Qualified Proponents.
3. For the current LT2 RFP, the experience criteria for a Qualified Proponent should not be based on the experience of the team members solely, it should be based on the experience of the company with the

financial worth that will build the project and could be supplemented with team member experience.

4. The open call process should include a transmission deliverability test whereby the Qualified Proponent submits a deliverability test request, and in a timely manner (1-2 months), the IESO provides feedback to the Qualified Proponent if their proposed project location and project size can be delivered within a set time period. Without a deliverability test, Project Developers are blindly investing capital into project development tasks, like the installation of a met tower (\$250,000 - \$300,000) with no visibility on whether or not their project can connect to the transmission system. This makes no sense and will limit investment in the province because project developers will be reluctant to take this financial risk.

The restrictions on the use of prime agricultural land for projects are too restrictive which will result in less projects bid into the RFP. While we can understand the desire to restrict projects from truly prime agricultural lands, there are many classes of agricultural land and lower classifications should not have development restrictions on them. Furthermore, development restrictions should align with other types of development, for example, if a plot of land can be used to build a shopping mall or light industrial complex, why can it not be used for a solar project?

While we support the focus on developing projects in northern Ontario, this cannot realistically happen if new transmission is not built in this region. We encourage the IESO to prioritize the build out of the grid in northern Ontario to unlock future project development opportunities.

It is critical that the IESO become more transparent with transmission availability and deliverability assessments for projects. Without transparency, project developers will minimize their spend on project development to manage their cost risk, and the IESO will receive under-developed project proposals that carry project completion risk. Running RFPs that results in a high project attrition / default is not in the best interest of Ontario taxpayers.

Topic	Feedback

## Draft LT2 Energy RFP and Contract

Topic	Feedback
Do you have any feedback regarding the recently posted LT2(e) RFP?	N/A

Do you have any feedback regarding the recently posted second version of the LT2(e) Contract?

Although not yet part of the contract, it has been discussed that the IESO will retain all revenue exceeding the target revenue requirement, effectively leaving the developer with no upside. The rationale provided is that since the IESO offers a revenue floor through the DART adjustment, it is reasonable to impose a ceiling. While this logic makes sense for managing pricing risk, it fails when applied to production risk. If a developer produces less than the monthly imputed production factor, they are not protected; yet, if they exceed this factor, their potential upside is capped. Given that there is no safeguard against production shortfalls, there should be no limit on surplus production. Without this balance, financial modeling teams will have to account for less than P50 production on average, ultimately leading to higher bid prices. Furthermore, we cannot see the logic behind why the IESO would want to cap production upside in an environment where load is exceeding supply.

If the developer fails to produce at least 80% of their average annual imputed production factor (calculated on a rolling average basis), they will incur a non-performance charge. This effectively places the risk of wind speed variability on the developer. Such a risk makes securing project financing more challenging, as lenders are generally reluctant to assume the uncertainty of wind speeds impacting production levels. Furthermore, it may limit the number of projects that are offered into the LT2 RFP because project developers need a minimum of 1 yr of wind data to estimate P50 production. We encourage the IESO to reduce these overly punitive measures in order to encourage project developers to take balanced and measured risks on production estimates.

The non-performance charge formula doesn't use proper algebra, resulting in unusual outcomes. In addition to using proper algebra, we'd also like to clarify/suggest two more points:

1. As it stands, the NPC is an annual charge that accounts for 3 years' worth of production shortfall. It should either be an annual charge on 1 year of production shortfall, or a charge every 3 years on 3 years of production shortfall. If we've interpreted it right, the current method results in a very high NPC.

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	<p data-bbox="792 163 1518 436">2. The NPC formula also isn't multiplied by the average annual imputed production factor, leading to the PFS percentage being applied to a facility that produces at 100% NCF. This results in a very high and illogical NPC, and we suggest it should be changed. Without these two revisions, the NPC risk is too high for lenders to find comfort with providing financing.</p> <p data-bbox="743 485 1518 716">At a high level, we encourage the IESO to consult with the project finance community to ensure the IESO contract is a financeable instrument. If the contract is not financeable, or financeable at a higher rate than normally required, this will result in higher PPA prices which is not in the best interest of the IESO and Ontario citizens and taxpayers.</p> <p data-bbox="743 764 1518 1037">With respect to the 20% of the Fixed Price that will be adjusted for inflation, using CPI, we recommend the inflation factor is fixed in advance at the set % and not fluctuate with CPI. Estimating CPI in the future will result in varying estimates on CPI which will impact PPA pricing whereas using a fixed inflation rate will "level set" this aspect of the PPA pricing.</p> <p data-bbox="743 1085 1518 1472">Lastly, we encourage the IESO to utilize an online bid submission platform, like MERX or something developed by the IESO. Submitting bid submissions, which invariably include documents with high MBs, do not transfer over email well and there are many opportunities for error – files not sending, files will need to be split into multiple emails, etc. Furthermore, we suggest that the IESO does not need a hard copy version of the bid submission, is in an outdated requirement not used by Crown Corporations and utilities anymore.</p>



Topic	Feedback
<p>Do you have any feedback to share on the proposed Rated Criteria for the LT2(e) RFP?</p>	<p>The indigenous community participation rated criteria is too high. In many areas there will only be one indigenous group that meets the definition of having traditional territory or treaty lands in the area, and if they choose not to participate in the project, or worse, they have elected to work exclusively with one Project Developer and thus shut out other Project Developers in the area, then the Project Developer cannot achieve the 3 rated points. This is not a fair process.</p> <p>With respect to the 5-yr requirement to maintain Indigenous Participation level, this places an undue financial requirement on the Indigenous Group and Proponent. Indigenous Groups should be free to sell their equity position as they see fit. Furthermore, requiring the Proponent to replace the Indigenous Participation level with a new Indigenous Group, should the first Indigenous Group exit the project, places an unfair burden on the Proponent. Certainly, having this as a Supplier Event of Default is a huge risk for the Proponent to carry and a risk that is difficult for the Proponent to manage. This is likely an unfinanceable requirement in the contract.</p> <p>With respect to the timeline to demonstrate the indigenous Economic Interest, 20 days is too short, this should be at 30 least days. It takes time to finalize these documents for both the Proponent and the Indigenous Group with their legal team and financial advisors.</p>
<p>Do you have any feedback to share on the proposed mandatory requirements for the LT2(e) RFP, including Municipal and Indigenous Support Resolutions requirements as well as requirements for siting projects on Crown Land?</p>	<p>N/A</p>
<p>Do you have any feedback to share on the Indigenous and Community Engagement requirements for the LT2(e) RFP?</p>	<p>See comments on proposed rated criteria</p>

# Key Themes from Recent Stakeholder Feedback

Topic	Feedback
Do you have any feedback to share on the IESO responses to recent stakeholder feedback?	We encourage the IESO to continue to reach out to stakeholders for feedback including consulting with the project financing community to ensure the contract is a financeable instrument and will not result in unnecessary increases in PPA pricing to mitigate contractual risks that could have been designed differently at this stage of development.

## General Comments/Feedback