Stakeholder Feedback and IESO Response

Long-Term 2 RFP (LT2 RFP) – January 27, 2025

Following the December 12, 2024, LT2 RFP stakeholder engagement webinar, the Independent Electricity System Operator (IESO) invited stakeholders to provide feedback on the LT2 RFP Deliverability Guidance Update, LT2 RFP Policy Considerations and the Draft LT2 Energy RFP and Contract. The IESO is currently in the design stage of the LT2 RFP. Feedback is posted on the Long-Term RFP engagement webpage. Please reference the feedback forms for specific feedback as the information below is provided in summary.

Note on Feedback Summary and IESO Response

The IESO appreciates the feedback received from stakeholders and communities. The tables set out below respond to the feedback received and are organized by topic.

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A) Overview of directive and LT2 updates

Stakeholders were generally supportive of the IESO's procurement targets for the LT2(e) and LT2(c) RFPs, many stakeholders suggested extending the first submission window timeline to Q3 2025. Specific feedback is summarized below.

The IESO should extend the timing of the LT2 RFP Proposal Submission Deadline.

- Many stakeholders cited challenges with the proposed July 2025 Proposal Submission Deadline suggesting that it should be extended to late 2025, indicating that an extension would not require a change to the LT2 RFP milestone COD or proposed early operation incentives. Stakeholders indicated that such a deferral would likely result in more submissions, enhancing competitiveness and lower prices.
- Multiple stakeholders cited difficulties obtaining Municipal Support Resolutions prior to the July deadline as many municipalities take a recess during the summer months, limiting the available time to secure support. Additionally, many municipalities have delayed engagement until final LT2 RFP materials are published by the IESO. As a result, many Proposals targeting window 1 may need to be deferred to window 2 as municipalities may not want to make rushed decisions.
- Many stakeholders indicated that the proposed deadline limits meaningful engagement with Indigenous Communities, potentially creating challenges for obtaining Indigenous Support Resolutions.
- Some stakeholders indicated that a July deadline would limit the amount of available MET data and introduce potential project uncertainties in instances where MET towers are located on Crown Land due to MNR approval timelines.
- Few stakeholders indicated that a July deadline would limit the ability to conduct site visits and perform environmental studies (i.e. habitat and bat surveys) in Northern regions, as they are not effective during winter months.
- One stakeholder supported the proposed July 2025 Proposal Submission Deadline.

The IESO has assessed the potential impact of extending the proposal submission and is extending the proposal submission deadline of the LT2(e-1) RFP to **October 16, 2025** and the proposal submission deadline of the LT2(c-1) RFP to **December 18, 2025**.

Recognizing that the LT2 (c-1) RFP lags the LT2 (e-1) RFP and considering the numerous challenges faced by proponents, the IESO is currently reviewing the timing of release of the final LT2 (e-1) RFP documents. This will provide Proponents with additional time to meaningfully engage with municipalities and Indigenous communities.

IESO Response

The IESO should bifurcate procurement targets for each LT2(c) RFP window between electricity storage and non-electricity storage resources. Some stakeholders indicated that identifying the LT2(c) RFP procurement target as such would support better planning for Proponents.

The IESO will not bifurcate procurement targets for the LT2(c-1) RFP and will competitively source capacity services from all technology types capable of meeting the Must Offer Obligations outlined in the LT2(c-1) Contract. The IESO will reassess procurement targets for subsequent windows and determine whether bifurcation within a procurement window is appropriate for that window.

Procurement Targets for the LT2 RFP should be increased.

- Some stakeholders indicated that the IESO should procure more than the LT2(c) or LT2(e) RFP targets if a large number of Proposal submissions are received.
- One stakeholder indicated that the procurement target for window 1 of the LT2(e) RFP should be increased beyond 3 TWh.

The IESO will not increase the procurement target for the first window of the LT2 RFP.

The targets for each window are determined based on the IESO's projected needs for energy and capacity resources at the start of the commitment period specified in the respective contract window. By aligning the targets strictly with projected requirements, the IESO seeks to maximize value for ratepayers.

That said, the IESO reserves the right to exceed the stated procurement targets at its discretion. Targets for future submission windows may be adjusted to reflect evolving system needs and development resources from prior procurements.

Clarify if incremental energy and capacity from existing hydroelectric facilities will be eligible to participate under the windows approach of the LT2 RFP. One stakeholder indicated that enabling the participation of incremental energy and capacity from existing hydroelectric facilities under the LT2 RFP would be consistent with the Minister of Energy's direction of the Northern Hydro Program with respect to the LT2 RFP.

Hydro facilities that are interested expanding their facilities are eligible for the LT2 RFP (or future long-term procurements), as long as such projects meet all other eligibility requirements. However, only the incremental energy and capacity would be eligible for an LT2 Contract.

| Feedback / Common Themes | IESO Response |
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| Clarify how long legacy Applicant of Record (AoR) status will be considered as valid under the new LT2 RFP windowed approach. Many stakeholders requested clarity on the number of LT2 RFP windows under which legacy AOR status will be considered as valid. | The IESO is currently working with MNR to ensure stakeholder issues are addressed as soon as possible. |
| One stakeholder indicated that MNR should confirm if AoR status will be maintained across the windows of the LT2 RFP that are equivalent to the original procurement target proposed by the IESO for the | |

B) LT2 (c) – High Level Overview of RFP and Contract

Stakeholders were generally supportive of the high-level overview of the LT2(c) RFP and Contract provided by the IESO but provided mixed feedback on the proposed rated criteria for duration of injection under the LT2(c) RFP. Specific feedback is summarized below.

| Feedback / | Common Themes |
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LT2 RFP.

The IESO should not require facilities to provide continuous injections for a minimum of eight (8) hours under the LT2(c) RFP.

- Many stakeholders indicated that the minimum duration requirement for continuous injections should be the same as the LT1 RFP and kept at four (4) hours.
- Some stakeholders recommended that the IESO should incentivize facilities with extended capacity capabilities by awarding rated criteria to facilities that can provide continuous injections for 8 hours or more.
- Some stakeholders indicated that setting a minimum requirement at 8 hours would limit the number of Proposals submitted.
- One stakeholder indicated that analysis should be provided to justify the increase in minimum duration.

IESO Response

Recent studies completed by the IESO indicate that to effectively sustain the capacity value provided by storage, the grid increasingly requires storage resources capable of injecting for longer durations as the total capacity of the storage fleet increases. Therefore, the minimum duration requirements which were set for the LT1 RFP are now outdated and will not be applied to the LT2 RFP.

The IESO expects to publish a white paper in the coming months that sets the context for how storage capacities could be qualified by the IESO in its future procurements.

Electricity storage resources capable of providing continuous injections for a minimum of 12 hours should be awarded three (3) rated criteria points. Some stakeholders indicated that the current incentive of two (2) points may not adequately offset the costs of extending storage durations or de-rating projects. Other stakeholders indicated that awarding three (3) rated criteria points to storage resources would better follow a technology agnostic approach.

An electricity storage facility with a greater duration places prolonged demand on the system to charge the facility. This drawback does not apply to non-electricity storage facilities, which do not rely on the system for charging. The rated criteria points assigned for duration account for these considerations, ensuring a balanced evaluation that reflects the system impacts and operational characteristics of storage and non-storage facilities.

C) LT2(e) and LT2(c) RFPs and Contracts

Stakeholders were generally supportive of the proposed approach allowing Municipal Support Confirmations to remain valid across all LT2 RFP windows with a new attestation confirming that the confirmation has not been revoked, amended or changed. Stakeholders were also supportive of the proposed evidence requirements for a project located on an Unincorporated Territory. Specific feedback is summarized below.

Feedback / Common Themes

The IESO should clarify the requirements for the Crown Land Site Report (CLSR) and establish maximum response times for the Ministry of Natural Resources (MNR).

- Many stakeholders indicated that the lack of clarity on Crown land access poses significant risk to development timelines.
- Some stakeholders indicated that the IESO should allow for delayed submissions of confirmation letters if delays are the result of MNR response times.

IESO Response

The IESO is in discussion with the Ministry of Natural Resources to publish the requirements for Crown Land Site Report Forms under the LT2 RFP and has shared previous feedback on the need to establish maximum response times for renewable energy applications.

Early COD multipliers should be extended to electricity storage resources. Some

stakeholders indicated early COD multipliers should be extended to electricity storage resources under the LT2(c) RFP as they are competing for the same capacity as other resources under a single procurement target. The IESO has offered early COD multipliers under the LT2 RFP so that projects awarded an LT2 Contract are incentivized to come online and reduce potential reliability concerns by providing energy in advance of forecasted energy needs that emerge at the end of this decade. As a result, early COD multipliers under the first window of the LT2 RFP are only available to energy-producing resources and not electricity storage resources which rely on the system for charging.

The IESO should increase the proposed early COD multipliers.

Few stakeholders indicated that the early COD multiplier should be increased to 2.0x to further incentivize early delivery of projects in the first window.

The early COD multipliers align with those offered in the E-LT1 and LT1 RFPs, which effectively incentivized the early delivery of projects.

The IESO should provide clarity on whether the proposed early COD multipliers will be applicable under future LT2 RFP windows.

The IESO may provide early COD multipliers under future LT2 RFP windows if it determines that they are necessary to incentivize projects to meet system reliability needs as energy forecasts beyond 2030 evolve.

The IESO should provide clearer guidance for Proponents on public meetings and community engagement requirements.

- Some stakeholders indicated that clearer guidance would ensure consistency and provide sufficient time for community input.
- One stakeholder indicated that the IESO should reference requirements for project websites in the LT2 RFP.

Following feedback from Indigenous
Communities and Municipalities, the IESO has
determined that public meetings and community
engagement requirements for purposes of the
LT2 RFP are to be determined by the respective
Indigenous Community or Municipality where
the proposed project is located and from whom
support resolutions are sought, if applicable. As
such, Proponents will be required to meet the
requirements set forth by (or otherwise
acceptable to) such community and provide
evidence of doing so by submitting the
Prescribed Form: Evidence of Indigenous
Support, and/or Prescribed Form: Evidence of
Municipal Support, as applicable.

The IESO should recommend language for the Pre-engagement Confirmation Notice format.

The IESO intends to a sample of what the Pre-Engagement Confirmation Notice must contain, at a minimum, in Appendix C of the Prescribed Form: Evidence of Indigenous Support and the Prescribed Form: Evidence of Municipal Support, recognizing that the applicable Local Governing Body may require the Pre-Engagement Conformation Notice to contain incremental information.

These samples will be available in the next version of the aforementioned Prescribed forms.

The IESO should modify the requirements for the LT2 RFP Capacity Check Test.

- One stakeholder indicated that a maximum ambient temperature of 15°C should be set for Winter Capacity Check Tests, alongside the minimum of -20°C.
- One stakeholder indicated that a four-hour limit should be set on the duration of Capacity Check Tests for non-storage projects.
- Another stakeholder suggested that realistic thresholds (i.e. 90%) be set for capacity check tests to better align with operational realities.

The IESO is considering this feedback and will provide an update at its next stakeholder engagement webinar.

IESO Response

The IESO should set clear limits of liability and "off-ramps" pre-COD for unresolvable issues like permitting or interconnection failures.

- One stakeholder proposed mutual termination rights if AIA completion is beyond the Supplier's control to avoid disproportionate liabilities
- One stakeholder indicated that other jurisdictions have provided pre-COD contract off-ramps for interconnection failures, citing examples from New York.
- One stakeholder indicated that the IESO should excuse delays caused by Force Majeure (regardless of prior extensions) and expanding Force Majeure definitions to include unforeseen adverse impacts on future resources.
- One stakeholder indicated that liquidated Damages should be the sole remedy for pre-COD delays, except when the 548-day cap is reached.
- One stakeholder indicated that the IESO should provide term buy-back provisions to allow flexibility for Suppliers facing unexpected delays.

At this time, the IESO will not be making any modifications to any limits of liability or contractual off-ramps that occur prior to the LT2 Commercial Operation Date, as those provided for in the LT2 Contract are aligned with those offered under the E-LT1 RFP and LT1 RFP.

The IESO should provide clarity on why areas designated as speciality crop areas must be excluded from project sites.

Restrictions for siting projects in specialty crop areas are policy decisions set forth by the Ministry of Energy and Electrification and the Ministry of Agriculture, Food and Agribusiness as reflected in the <u>Directive received by the IESO</u> on November 28, 2024.

The IESO should determine Delay Liquidated Damages (LDs) based on seasonal capacity instead of always using Winter capacity.

Delay Liquidated Damages are not always determined using the Winter Contract Capacity. As indicated in section 2.3(c) of the LT2(c-1) Contract, Delay Liquidated Damages are determined using the Maximum Contract Capacity, where the Maximum Contract Capacity is defined as the higher of the Winter Contract Capacity and the Summer Contract Capacity.

| Feedback / Common Themes | IESO Response |
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| The IESO should allow bids for contracts longer than 20 years (up to 30 years) while ensuring no payment obligations beyond 2050 if operations are legally prohibited. | As indicated in the <u>Directive received by the IESO</u> from the Minister of Energy and Electrification on November 28, 2024, the LT2 Contract is to be issued for a 20-year contract term. |
| One stakeholder suggested that the IESO should evaluate bids based on simple bid prices rather than NPV, enabling longer commitments at a lower cost to ratepayers. | The IESO evaluates Proposals using the Evaluated Proposal Price. Proponents are encouraged to review Section 4.4 of the LT2(e-1) RFP and/or LT2(c-1) RFP for details on how the IESO calculates the Evaluated Proposal Price and uses it to rank Proposals. |
| The IESO should rely solely on proposal security to determine Proposal eligibility or include an appendix in the LT2 RFP to define Qualifying Projects and provide a cure process for deficiencies in submissions to prevent disqualifications for minor issues. | As the LT2 RFP is a reliability-based procurement to meet future system needs, the IESO has set forth Team Member Experience requirements, amongst other requirements to help ensure that projects are able to achieve operation by the LT2(e-1) and LT2(c-1) Milestone Date for Commercial Operation. At least two Designated Team Members must have experience in the Planning, Developing, Financing, Constructing and Operating at least one Qualifying Project, where a Qualifying Project has been defined in both the LT2(e-1) and LT2(c-1) RFPs. |
| The IESO should reduce the minimum amount of Proposal Security from \$500,000 to \$350,000 as it allow smaller projects to have a higher internal rate of return. | The IESO will not be changing the minimum amount of Proposal Security as Proposal Security amounts were developed in part through stakeholder consultation and recent procurement experiences. |
| The IESO should provide clarity to section 7.1 of the LT2(e) and LT2(c) Contract to ensure restructuring flexibility for tax strategies and explicit incorporation of representations into contracts. | The IESO will not be making modifications to section 7.1 of the LT2(e-1) and LT2(c-1) Contract to support restructuring flexibility for tax strategies or explicit incorporation of representations. |

| Feedback / Common Themes | IESO Response |
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| The IESO should add "long-term issuer rating" to the definition of "Credit Rating" for equivalence with other rating types. | The IESO is not aware of circumstances where financial institutions listed in Schedule I or II of the Bank Act do not have a credit rating for purposes of establishing them as eligible issuers of Proposal Security. |
| The IESO should include a provision in the LT2 RFP to amend agreements if changes to IESO Market Rules alter the economic balance of the contract. | Section 1.6 of the LT2(e-1) and LT2(c-1) Contract include provisions that allow contractual amendments if a Supplier is unable to meet its obligations under the LT2 Contract as a result of changes in the IESO Market Rules that occur after the LT2 Contract is awarded. |
| The IESO should extend the contract term by the number of days between the Commercial Operation Date and the Milestone Date for Commercial Operation to maintain balance, as is allowed for the buyer under Section 9.1(c). | This right is reserved by the IESO and may only be executed by the IESO when it is determined that such an extension to the contract term is necessary. |
| The IESO should cap Non-Performance Charges to the Completion and Performance Security if the IESO choses not to terminate the agreement after a sustained performance factor below 65%. | The IESO will not be making further changes to the Non-Performance Charge in the LT2(e-1) or LT2(c-1) Contracts as the Non-Performance Charge based on the Performance Factor Shortfall has been developed in part through stakeholder consultation and based on proven financeability of IESO precedent contracts. |
| The IESO should use actual production factors (e.g. for low wind years) instead of Average Imputed Production Factors to calculate performance shortfalls. | The IESO will not use actual production factors in its calculation of the Performance Factor Shortfall, the use of the Average Imputed Production Factor has been developed in part through stakeholder consultation. |
| The IESO should provide clarifying language to ensure payment deadlines align with invoice and statement issuance timelines, especially in months with fewer than 20 business days (i.e. February). | The IESO will not be amending the language on settlement statements in section 5.2 of the LT2(e-1) and LT2(c-1) Contracts as this language is standard in IESO contracts. |

D) Deliverability Guidance

Stakeholders were generally supportive of the IESO's decision to release Transmission Availability Tables and were supportive of a connection feasibility assessment platform for real-time, site-specific assessments for future procurements. Specific feedback is summarized below.

Feedback / Common Themes

IESO Response

The IESO should publish updated Deliverability Guidance for the LT2(e) and LT2(c) RFP as soon as possible.

- Some stakeholders indicated that the IESO should delay the Proposal Submission Deadline to allow Proponents to incorporate any updated guidance, such as transmission circuit capacities, into their Proposals.
- Few stakeholders recommended that the IESO should commit to releasing updated deliverability information promptly after contracts have been awarded in each LT2 RFP window.

The IESO recently published version 2 of the Evaluation Stage Deliverability Test

Methodology for the LT2(e-1) RFP and is aiming to publish version 3 of the LT2(e-1) Preliminary Connection Guidance as well as version 1 of the LT2(c-1) Preliminary Connection Guidance with sufficient time to inform project development decisions. Beyond window 1, the IESO is still evaluating the best way to publish updated Connection guidance information for Proponents as early as possible after contract award.

The IESO will share details on the upcoming Preliminary Connection Guidance documents at its next stakeholder webinar.

The IESO should provide greater clarity on deliverable areas under the LT2(c) and LT2(e) RFP. Many stakeholders indicated that Proponents lack insight into key deliverability considerations which are needed to aid project development.

The IESO will provide a detailed set of deliverability information as part of the forthcoming version 3 of the Preliminary Guidance for LT2 (e-1) RFP document and version 1 of the Preliminary Guidance document for LT2(c-1).

Stakeholders are having trouble obtaining accurate interconnection cost and schedule estimates. Some stakeholders indicated that Proponents are having difficulty obtaining accurate estimates and that the lack of precision leads developers to increase their contingency, resulting in higher Proposal prices.

The IESO continues to look for ways to provide as much precision as possible to help support developers. As part of the forthcoming update to preliminary deliverability guidance for LT2(e-1) and new preliminary guidance for LT2(c-1) the IESO will provide more certainty and granularity around the capacity available on each transmission circuit. Stakeholders are encouraged to contact the IESO with any specific concerns regarding the guidance information by sending an email to engagement@ieso.ca and/or setting up a consultation meeting regarding LT2 procurement guidance.

| Feedback / Common Themes | IESO Response |
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| The IESO should develop a framework to enable project interconnection with minor transmission updates. Some stakeholders cited similar practices in Alberta, British Columbia and U.S. jurisdictions. | Thank you for your feedback. The IESO continues to look into a mechanism whereby future procurements take into account project-specific transmission upgrades along with the proposal for generation. |
| Clarify if a Proponent would be eligible to submit a Proposal that has two connection points and for which the Contract Capacity is the sum of the two feeders' capacity. If not, would a Proponent be eligible to submit each feeder as an independent project? | Under the LT2(e-1) and LT2(c-1) RFP, a Proposal may connect to multiple circuits on the transmission system or multiple feeders on the distribution system. |
| Clarify the rationality in not allowing the CIA/SIA process prior the bidding process, which can help in more accurately assess MW and \$/MWh of a bid. | The IESO strongly recommends that Proponents proposing transmission system projects or distribution system projects ≥ 10 MW delay their SIA applications until the results of the LT2(e-1) RFP are announced as any SIA/CIA results would likely be invalidated by the results of the procurement and would need to be reassessed. Proponents are precluded from applying for a CIA-DX for distribution system connected projects until the conclusion of the Deliverability Test for the LT2(e-1) RFP. For clarity, projects submitted for a Deliverability Test for the LT2(e-1) RFP must rescind any current CIA-DXs related to project of interest for the LT2(e-1) RFP. |
| What alternative paths does the IESO recommend to allow a developer to confirm that a certain capacity can be connected to a certain connection point and that any potential upgrades do not make the project cost prohibitive? | Developers are encouraged to consult the preliminary guidance documents and/or contact engagement@ieso.ca to discuss connection matters through the consultations offered by the IESO. Furthermore, developers should confirm they have a viable connection point and connection arrangement by engaging with the applicable Transmitter or Distributor. |

| Feedback / Common Themes | IESO Response |
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| Clarify if a developer would be able to claim Force Majeure if a Proponent is informed prior to Proposal submission that a certain feeder has available capacity and then after award of the LT2 Contract, the Proponent learns that the same feeder has a reduced capacity. | Subject to any commercially reasonable efforts that may be available to mitigate the circumstances, a Selected Proponent would be eligible to claim Force Majeure if they are unable to provide all or part of their Monthly Contract Capacity due to the available capacity on a feeder being less than what was advised to the Proponent at the time of Contract award as such instance would be unforeseeable. |

E) General Comments

Specific feedback is summarized below.

| Feedback / Common Themes | IESO Response |
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| LT2 RFP materials should be finalized by the end of February 2025. Many stakeholders indicated that the finalization of documents by the end of February would provide Indigenous Communities, Municipalities and all other stakeholders with the final rules and materials needed to proceed with development activities. Some stakeholders indicated that certain Municipalities are not interested in beginning engagement until final LT2 RFP materials are issued by the IESO. | As indicated in the response regarding extensions to the Proposal Submission Deadline, the IESO is actively reviewing the timing of release for final documents. |
| The IESO should allow mutual redaction of sensitive information to avoid competitive disadvantages. | Please see the confidentiality provisions of the applicable LT2 RFP and contract forms, which address handling of Confidential Information. |

| Feedback / Common Themes | IESO Response |
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| For future windows of the LT2 RFP, the IESO should revisit the award of rated criteria points for siting projects in Northern Regions and for projects not located in Prime Agricultural Areas. | Rated Criteria for each window of the LT2 RFP is established by the IESO through system reliability needs and policy considerations put forth by the Ministry of Energy and Electrification on an as-needed basis. |
| | The IESO appreciates this feedback and may consider changes to Rated Criteria categories for future submission windows. |
| The IESO should consider implementing a mechanism that allows project proponents to recover fuel management costs during the contract term. Currently, indexing of the Fixed Capacity Payment is only for inflation and does not include a fuel cost recovery mechanism to account for unpredictable fuel management costs. | Fuel management costs are the responsibility of the Supplier. Suppliers are expected to procure and maintain fuel supply as part of their contractual obligation and can reflect such obligations when developing Proposals. |
| The IESO should update the Prescribed Form: Evidence of Indigenous Community Participation (Energy) to reflect the revised definition of an Indigenous Community. | The IESO appreciates this feedback and will be making this update with the next issue of the Prescribed Form: Evidence of Indigenous Community Participation (Energy). |
| The IESO should consider rated criteria for thermal proponents to submit a fuel management plan and award rated criteria points if proponents demonstrate the ability to meet must-offer obligation while proposing the most cost-effective solutions. | The IESO will not be implementing such rated criteria for the LT2(c-1) RFP. |