

Feedback Form

Long-Term 2 RFP – April 24, 2025

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Date: May 9, 2025

To promote transparency, feedback submitted will be posted on the LT RFP engagement page unless otherwise requested by the sender.

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Yes – there is confidential information, do not post

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Following the LT2 RFP April 24, 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 LT2 [engagement web page](#).

Note: The IESO will accept additional materials where it may be required to support your rationale provided below. When sending additional materials please indicate if they are confidential.

Please submit feedback to engagement@ieso.ca by May 9, 2025.

Tariff Risk Mitigation

Do you have any comments related to the tariff risk mitigation concepts presented during the online seminar?

SEE BELOW

LT2 RFP and Contract Updates

Do you have any comments related to the other RFP and Contract updates presented during the webinar?

ESC continues to remain focused on the need to future proof contracts to capture full value of all types of storage. Therefore, we would like to reiterate our main contract considerations for the IESO and specific mechanism which build off the options presented by the IESO.

- IESO contract protections should respect the following 4 principles:
 - Maintain flexibility of solutions
 - Transparency – clear and transparent processes for both parties
 - Fairness
 - Focus only on the issue at hand

We therefore propose the following mechanisms in response to a few contractual considerations

Risk	Mitigation mechanism
State of charge limitation	Incorporate coverage in event 8+ hour LDES resources are energy-constrained due to being dispatched during qualifying hours of a previous day, without risking non-performance charges
Inflation	Include 100% inflation indexation up to the COD, through maintenance of the Material Cost Index Adjustment or similar structure Include 80% contract price escalation from one year after COD and onwards
ITCs/tax credits	Programmatic price adjustment clause/formula – 1:1 % price adjustment
CIB / gov funding	Programmatic price adjustment clause/formula – 1:1 % price adjustment OR Reciprocal compensation clause to current government funding clause in the contract (2.13)
Siting flexibility	Allow greater flexibility to change siting and/or Point of Interconnection post-contract award Remove rated criteria points for projects that are sited on non-prime agricultural land and project sited in Northern Ontario

- ESC Canada was very encouraged to see the considerations set forth by the IESO during its LT2 engagement. It is ESC's opinion that the same options as presented in the LT2 presentation should also be considered for LLT contracts.
- However, a recurring concern brought up by ESC members was the potential of trying to "game" the re-bid contracting process after financial close which while it may help address issues related to unforeseen risks it also raises the potential for proponents to low ball offers to ensure acceptance, before then making significant changes after the fact.
- To address this concern some ESC members have proposed a much more clear and defined approach that would only allow contract awardees to establish instead a straightforward contractual pass-through of the cost of new tariffs or import duties. This would reflect the definitive measurable tariff percentage impact based on the tariff imposed on the country of origin. This adjustment mechanism could go from bid date to COD. This is further defined below.

Tariffs	Specific contractual commitment from the IESO to provide proponents with compensation should their project equipment be subject to direct or indirect tariffs, duties etc. when it arrives in Canada. For example, when the equipment arrives in Canada, if it is subject to a tariff, the proponent would provide necessary information to the IESO and the IESO would compensate the proponent for the tariff portion of the cost of the equipment. If the tariff results in a shortlisted bid's overall cost increasing by more than 15%, the IESO shall require the first three bids that were <i>not</i> shortlisted to also create tariff-adjusted bids. Then, the IESO shall re-assess those three non-shortlisted tariff-adjusted bids against the shortlisted bids to determine whether the impacts of the tariffs changed the costs significantly enough to change the final bid scoring.
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- Regarding the 3 contract considerations presented by the IESO, the ESC is encouraged by the AND approach versus the OR approach, which would allow for the contract mechanism protection to essentially stack.
- ESC generally supports these measures and offer comments to improve them on a going forward basis. We do note, however, that these measures do not address the entirety of the financing issues associated with tariff exposure. Without clear outcomes, proposal prices will need to be risk-adjusted if prices are locked in at the proposal submission deadline and lenders will be reluctant to lend to projects given the uncertainty. Below are some quick thoughts on the proposals presented by the IESO.

Pre-COD Contract Price Escalation

- ESC welcomes this consideration in response to our previous proposals and believes this would be of tremendous value to the industry's proponents and especially their supply chains. A similar provision has been included in recent Canadian RFPs, such as the

2024 BC Hydro Call for Power. However, this approach will address only a fraction of potential tariff cost increases and would not be sufficient on its own.

Two Stage Proposal Submission

- ESC and its members believe that while this approach may be beneficial, the small-time window doesn't necessarily mitigate risks presented by tariff changes which as we have seen in the current context with the United States. In this context what would happen after the 2nd stage. Additionally, are questions of the integrity of the bid brought into question with a multiple stage submission process. While our members don't view it as an actively detrimental mechanism, there is uncertainty about its effectiveness in addressing the problem at hand.
- Additionally, would this induce bidders to submit artificially low bids before the second stage to "clear" short-listing and then result in higher bids that might not be the most competitive once tariff impacts are included? Is there a way to isolate tariff impacts from impacts stemming from artificially low bid estimates?

Mechanism to Re-bid Contract Price

- ESC and its members are largely supportive of this approach proposed by the IESO. We support the principle behind this mechanism but believe it is more complicated than needed. We propose instead a straightforward contractual pass-through of the cost of new tariffs or import duties, that were not in place at a time prior to bid submission, from the project proponent to the IESO. For example, when equipment arrives in Canada, if it is subject to a tariff, the proponent would provide necessary information to the IESO and the IESO would compensate the proponent for the tariff portion of the cost of the equipment. This will avoid the need for more complex accounting of changed costs or definitions of material impact. It will provide project proponents with the certainty that is needed to bid the lowest possible price without adding buffers for potential costs due to tariffs, knowing that if new tariffs do arise that cost will not be leveled against project developers and Indigenous partners and risk the financial viability of projects proceeding. The baseline after which tariffs should be considered "new" should be prior to bid submission – e.g., 3 months – as after this will be too late for those costs to be calculated and factored into project bids.
- Additionally, some questions did come up in consultation that we feel the IESO need to address in refinement of this mechanism. The questions are as follows:
 - Is this a 1-time thing? Or can it be multi-stage?
 - How will the IESO define material impact?
 - Is there a possibility of a stand-alone off-ramp I.e. the proponent can't choose to have an off-ramp.
- What measures is the IESO taking to ensure a level playing field for consideration of re-bids between bids that were and were not shortlisted, especially in situations where pricing differences were small enough to possibly result in different ranking of bids post re-bid?

LT2 RFP Requirements for Crown Land Projects

Do you have any comments regarding the new Proposal Submission requirements for Crown Land Projects?

ESC was pleased to see directions presented by the IESO during the LT2 webinar regarding Crown Land Projects. Throughout this process a continued challenge that the ESC has raised is the integration of crown land access into the LT2 procurement.

ESC and its members were pleased to see the requirements clearly outlined, however at present, under current timelines for approval this remains a key risk to our members. ESC encourages the IESO to work with its members to ensure a streamlined approach to these approvals.

LT2 RFP Deliverability Update

Do you have any comments regarding the deliverability guidance updates presented during the webinar?

Risk of Deliverability Assessment and Deliverability Guidance

Deliverability for the Capacity stream is initially larger than expected and reflects a new more “flexible” approach that IESO transmission planners are taking, giving some allowance for project in service near, as opposed to before, transmission upgrades take place. However, as currently proposed proponents continue to lack the appropriate line of sight into the locations of key consideration for deliverability in advance of the next window. The IESO should work to provide this deliverability guidance further in advance of the next procurement window to allow proponents to best meet system needs.

- Deliverability assessments remain a gatekeeping component of project viability. The IESO’s proposal to offer one-on-one consultations and preliminary guidance is a welcome shift but also signals the need for proponents to engage early and collaboratively. Projects in constrained areas identified in LT2 Window 1, or with uncertain interconnection paths should proactively address these risks, including through the opportunities to identify your projects in the Bulk Planning processes.
- ESC feels very strongly that Transmission **Planning, Capacity Allocation, and Deliverability require greater transparency**. Careful consideration must be made with respect to the allocation of existing connection capacity, particularly in northern Ontario, where the majority of new (and higher capacity factor energy resource) hydroelectric projects are anticipated.

General Comments/Feedback

The Ontario Government has made significant strides in recognizing the value of energy storage, with notable projects demonstrating the technology’s potential. Through recent competitive procurements, the Ontario government, through the Independent Electricity System Operator (IESO), secured almost 3,000 MW of new battery storage capacity, making it the largest battery storage procurement

in Canada's history. This is in addition to the 250 MW Oneida storage project secured in 2023, and behind-the-meter storage assets that are used to help support Class A Customers in reducing peak demands through the Industrial Conservation Initiative (ICI).

Furthermore, Ontario's Local Distribution Companies (LDCs) and transmitters are now empowered to integrate non-wires solutions (NWS) into their distribution system investment plans, promoting innovation and grid modernization. Energy storage is well-positioned to become an increasingly crucial resource, offering a flexible alternative to traditional infrastructure investments.

ESC commends the efforts of the IESO to continue to conduct an open and transparent process as it relates to its LT2 process. Specifically, we would like to acknowledge that the IESO is demonstrating a clear appreciation for its stakeholders by working to provide exceptional clarity when it comes to the timing of procurement initiatives.

While we applaud all these actions a streamlined approach post contract award to development is needed. Despite the MSR process many projects continue to face multiple hurdles through municipal governments as it relates to zoning and environmental protection. ESC, the IESO and project proponents all recognize the importance of these energy projects and propose a streamlined approach to development.

BESS facilities are one type of technology that will help the province meet its electricity needs. Battery storage systems play a crucial role in Ontario's electricity system by providing flexibility and resilience. They help balance supply and demand, especially during peak hours, by storing excess energy when demand is low and releasing it when needed. This reduces reliance on traditional Peaker plants, enhances grid stability, and is crucial for the integration of renewable energy sources like wind and solar.

Municipalities that make the approval and permitting process for BESS projects overly onerous or prohibitive endanger their region's growth and the province's ability to meet forecasted electricity demand, which is projected to increase by 75 per cent by 2050. If the province cannot address the grid's capacity needs with battery storage systems, it will reduce the overall cleanliness of Ontario's electrical grid, while also increasing costs for ratepayers.

ESC and its members would be delighted to work with the IESO and the government to achieve a clear and defined pathway from contract award to development.