

Feedback Form

Long-Term 2 RFP – April 24, 2025

Feedback Provided by:

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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.

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

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 webinar?

- Thank you for recognizing the risk posed by tariffs to projects proceeding while maintaining affordability for ratepayers. On the specific mechanisms presented:
 - Two-Stage Proposal Submission: We do not support this mechanism. The additional time of 2.5-3 months will not be sufficient to mitigate tariff risk, as equipment purchases and applicable tariffs will not be known until much closer to the project construction phase. This mechanism would introduce complexity to the bid submission process without having the intended effect.
 - 100% CPI Pre-COD Contract Price Escalation: We support this mechanism as a means to address inflation-related cost increases. 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.
 - Mechanism to Re-Bid Contract Price: 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 essential 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.

LT2 RFP and Contract Updates

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

1. Please confirm if the new Common Corridor component allows proponents to include up to 4 parallel lines under one PoI. Could the IESO provide the list of line names of these corridors? For example, for a project that would connect to either of X1H, X2H, X3H or X4H, can we put all 4 as an option rather than have to choose one or have all four count against us as ‘variable options’?

LT2 RFP Requirements for Crown Land Projects

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

- No comments.

LT2 RFP Deliverability Update

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

- No comments.

General Comments/Feedback

Feedback on the draft LT2(e) Contract:

Definition: “Future Government Support Program” and 2.13: Additional Sources of Government Support

To avoid contradicting the proposed tariff adjustment mechanisms, the IESO should exclude from this definition and section 2.13 any future support offered by the Canadian or Ontario Governments that is intended to compensate Suppliers for additional costs arising due to tariffs on imports to Canada. Such support would not provide any net benefit to the Supplier that could be shared with the IESO, it would only mitigate additional costs out of the Supplier’s control after a Contract price has been locked in.

Definition: “Reportable Events”

This list is extensive and will require additional tracking and compliance efforts from Suppliers to avoid generating default. The IESO should consider scaling down and removing immaterial events from this list, such as paragraphs (a) (permitting), (c) (ordering of equipment), (d) (delivery of equipment), (f) (commencement of site clearing). Also, paragraph (e) should be modified to refer only to the start of construction (notice to proceed).

1.6 (b): IESO Market Rules and Statutes

The IESO Market Rule protection is much narrower than in previous IESO contracts. It only protects a Supplier from incurring increased material costs associated with the Supplier’s obligations under the contract caused by an IESO Market Rule amendment. In other OPA/IESO contracts, if there were ever to be an amendment to the IESO Market Rules that materially impacted a Supplier’s economics, the Supplier had a right to contract amendments to restore the Supplier’s economics. We recommend that this protection be established in the Contract to keep Supplier risk at a manageable level.

In addition, the Contract expressly states that there will be no increase in the Fixed Price or decrease in any Monthly Imputed Production Factors unless the parties agree. This exclusion should be struck out as it unnecessarily constrains the remedy for a harmful market rule amendment.

2.4: Buyer Information During Design and Construction

(a) and (b): The requirement to provide quarterly progress reports is quite onerous on Suppliers. The Liquidated Damages for failing to achieve COD by the agreed date are a sufficient incentive for Suppliers to meet the necessary deadlines. Instead of a quarterly report, Suppliers should only be required to notify the IESO within a few days after a Reportable Events has occurred.

(c): Buyer Information During Design and Construction

The IESO should consider narrowing down or clarifying the obligation to report on “any material incident, loss, casualty, event or concern which may occur or arise during the course of the development, construction or commissioning of the Facility”. The current wording is vague and could lead to differing interpretations.

2.5 (a) (i) (C): Requirements for Commercial Operation

The requirement for 100% of the Contract Capacity to be available to generate and Deliver Electricity at COD is very demanding. For the purpose of achieving substantial completion, construction contracts generally consider effective availability to be less than 100%. This creates the risk of a mismatch between the PPA and Supplier’s construction contracts. One way to fix this would be for the PPA to rely on (or cross refer to) the construction contract effective availability threshold for the EPC contractor to achieve substantial completion.

2.12 (b): AIA Component Two and Three Requirement Confirmation

Failure to obtain the AIA confirmation by the 18-month anniversary of the Contract Date is a Supplier Event of Default. If this occurs, the IESO can elect to terminate the Contract, and if it does, the Supplier get its Completion and Performance Security returned. We ask that the IESO include a similar right for Suppliers.

11.3 (i): Definition of Force Majeure

Notwithstanding the IESO contention during the July 24, 2024, webinar that an inability to obtain an Agricultural Impact Assessment could be an Event of Force Majeure, s. 11.3(i) expressly excludes this event from the definition. We recommend that this exclusion be struck out.

We also recommend that supply chain bottlenecks that create delays for a Supplier should be expressly stated as Events of Force Majeure. This would reflect the intention of (f), delays or disruptions in fuel supply, to similar situations for other resource types.

13.1: New Change in Law provision – change to Discriminatory Action

We recommend adding a Change in Law provision linked to a right to a price change in order to mitigate project cost increases resulting from government-imposed trade policies or changes to federal tax incentives. When tariffs increase or tax credits are eliminated after a Contract is signed, the resulting cost increases are out of a Supplier’s control but can render the agreed purchase price insufficient to complete the project. This increases the risk of project delays or cancellations,

discourages private investment in the power sector, and brings risk to building out the electricity supply that Ontario needs to meet demand.

This change could be achieved by expanding the definition of Discriminatory Action to include other legislative and governmental bodies.