Stakeholder Feedback and IESO Response

Long-Term 2 RFP (LT2 RFP) – July 09, 2025

Following May 21, 2025, LT2 RFP stakeholder engagement webinar, the Independent Electricity System Operator (IESO) invited stakeholders to provide feedback on the LT2 RFP Post-Proposal Applicable Tariffs, Gas Turbine Delivery Delay Provisions, Crown Land Site Report and MNR Confirmation Letter, and LT2 RFP Deliverability Update. The IESO is currently in the design stage of the LT2 RFP. Feedback is posted on the Long-Term RFP <u>engagement webpage</u>. 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) Post-Proposal Applicable Tariffs

All parties expressed appreciation for the IESO's inclusion of a tariff risk mechanism. However, there was consistent feedback that current design flaws make the mechanism impractical or ineffective. Specific feedback is summarized below.

Feedback / Common Themes	IESO Response
Feedback / Common Themes The IESO should expand the definition of "Post-Proposal Applicable Tariffs". Stakeholders highlighted that limiting applicability to tariffs rom foreign jurisdictions (U.S., EU) or upstream supply chain tariffs can significantly impact costs. A stakeholder cited trade agreement renegotiations (e.g., USMCA) as justification for broader coverage.	IESO Response

Feedback / Common Themes	IESO Response
Can the IESO provide more detailed criteria or examples of what constitutes "Commercially Reasonable Efforts" to mitigate tariff impacts: This would reduce subjectivity in Tariff Adjustment Notice (TAN) evaluation.	Commercially reasonable efforts would be actions taken by the suppliers that are conducted in good faith and align with commonly accepted commercial practices. These efforts are typically expected to be practical and feasible: for example, with respect to mitigating tariff impacts, commercially reasonable efforts might include negotiating with suppliers or exploring alternative sourcing options. Commercially reasonable efforts are expected to include some willingness to incur expense to address the appliable item (such as reasonably availing oneself of alternate non-tariffed supplies that are substantially equivalent), but not to materially compromise the financial premise of the investment.
The IESO should remove or reduce the 10% Capital Cost Threshold: Stakeholders felt any cost increase from tariffs should be eligible for relief.	The IESO will be maintaining the 10% capital cost threshold for a Tariff Adjustment Event (TAE). Suppliers are expected to manage the risk of tariff impacts up to this threshold. We believe this approach ensures a balanced distribution of risk and encourages proactive risk management practices among suppliers.

Feedback / Common Themes	IESO Response
The IESO should remove the limit of two Tariff Adjustment Notice submissions: Stakeholders viewed the limit as unnecessarily restrictive and incompatible with how tariff changes occur (multiple stages/rounds).	The IESO understands that stakeholders view the limit as restrictive. However, due to the administrative demands of the Post-Proposal Applicable Tariffs process, allowing more than two submission notices is unfeasible.
	The IESO is confident that the two tariff adjustment notice submission windows should be sufficient to capture any associated tariff changes during the portion of the pre-COD period where the Supplier's exposure for those changes exists.
The IESO should eliminate the TAE deadlines: The deadlines are arbitrary and misaligned with project development timelines. Supplier should be able to trigger this mechanism from the Proposal Submission Deadline up to the COD.	The IESO will not be eliminating the TAE deadlines. Instead, the IESO has adjusted the deadlines to allow Tariff Adjustment Notices to be submitted until 6 months prior to the Milestone Date for Commercial Operation, rather than only until 12 months prior to COD. This adjustment will better accommodate project timelines while maintaining the necessary structure for the process.
The IESO should compress the timeline of the process: Stakeholders found the multi-step process cumbersome, duplicative, and too slow (90+ business days).	In response to these concerns, the IESO has compressed the timelines of the Adjustment for Post-Proposal Applicable Tariff process; including responding to Tariff Adjustment Notices (TAN) within a total maximum of 50 business days. Please review the final LT2 contracts for complete details on these changes.

Feedback / Common Themes	IESO Response
The IESO should remove the automatic termination of the Agreement if the Buyer rejects the TAN:	The IESO will not be removing the automatic termination of the agreement in the case of a rejected TAN price.
Add flexibility to allow for negotiation between the Parties if the TAN price is rejected. The Parties should also be allowed to submit for arbitration if negotiation does not result in a mutual agreeable price adjustment.	It is important for Suppliers to understand that submitting price notices should be done with careful consideration, only if and to the extent the submitted price change is absolutely critical to maintain viability of the
Or Stakeholders should have the ability to proceed under original contract if TAN price is rejected, rather than automatic termination. This flexibility supports bankability and reduces project cancellation risk	Facility and should not be used or considered as a negotiating mechanism. This measure is intended to ensure that all price notices are submitted with due diligence and seriousness and only to the extent necessary.
The IESO should consider allowing proponents to re-bid their project under a future LT2 window without penalty or loss of security.	The IESO understands the importance of providing flexibility for proponents whose agreements are terminated due to the rejection of their TAN price.
	The IESO will no longer be retaining completion and performance security for those projects whose agreements are terminated under these circumstances.
The IESO should return 100% of Completion & Performance Security: Stakeholders felt that retaining 50% of Completion & Performance Security is unfair and punitive given the uncontrollable nature of tariffs. Stakeholders felt they would be punished twice; once for the sunk cost of the project and again through the forfeiture of security.	The IESO will no longer be retaining completion and performance security for those projects whose agreements are terminated because of a TAN price rejection.

Feedback / Common Themes	IESO Response
The IESO should replace "sole and absolute discretion" with "acting reasonably": Current language undermines confidence in the mechanism and is viewed as incompatible with financing and good-faith contracting.	No changes are planned to this provision. The existing language is intended to preserve the IESO's ability to assess potential impacts on project viability and contract compliance pre- COD and is necessary in light of the competitive procurement process and reliability needs on which the procurement is based.
The IESO should adopt a more flexible approach: A proponent submitting a modest price revision—close to the next lowest bid— should not face the same penalties as one proposing a significantly higher, non-competitive price.	The IESO having sole and absolute discretion, will allow the IESO the flexibility to accept revised prices that are deemed reasonable when compared to the increase in capital costs the Supplier faces.

B) Gas Turbine Delivery Delay Provisions

There was mixed feedback on the Gas Turbine Delay Provisions; with some proponents welcoming what they felt was a necessary provision, while others felt it created an unfair advantage for gas projects. Specific feedback is summarized below:

Feedback / Common Themes	IESO Response
The IESO should apply identical delay provisions to all technologies: The current treatment of gas turbines creates a technology-specific advantage inconsistent with the Minister's directive for a competitive, technology-agnostic procurement.	Gas turbine delays are a known supply chain issue and unlike unknown supply chain issues would not fall under the provisions of force majeure. Therefore, gas turbine delays require a specific provision to manage these known current delays.
The IESO should shift procurement emphasis and risk mitigation support towards renewables and low carbon resources: Prioritizing gas is questionable considering the climate crisis and energy transition goals. The IESO's financial support would be better used on renewable and low- carbon technologies.	The LT2 RFP remains a technology agnostic procurement as per the expectations set out in the Minister's directive. The gas turbine delays provision is included for a known supply chain issue.

Feedback / Common Themes	IESO Response
The IESO should expand the scope of relief provisions to include other long- lead components: Long lead times are not unique to gas turbines. Other critical components (e.g., HV switchgear, GSU transformers, control systems) face similar delays. Restricting relief to turbines distorts risk allocation.	The IESO recognizes that long lead time concerns may also apply to other electrical equipment such as high-voltage switchgear and generator step-up transformers, however these markets generally offer a broader set of suppliers and product alternatives compared to the gas turbine market. As such, the risk exposure and mitigation options are not equivalent.
The IESO should adjust COD and Longstop Dates to reflect known long- lead delays, especially when disclosed pre-bid: Penalizing proponents with liquidated damages for delays due to widely known supply chain issues is unjustified and results in inflated bid prices due to risk premiums.	The IESO does not agree that liquidated damages should be waived in instances of equipment delay. The potential for proponents to incorporate LD-related risk premiums into their bid prices where delays are foreseeable serves as a meaningful market signal. It reflects the extent to which proponents have prepared to manage such risks and contributes to a competitive and risk-informed procurement outcome.

C) Crown Land Site Report and MNR Confirmation Letter

Stakeholders were pleased with the direction presented by the IESO regarding Crownland projects and how to obtain an MNR confirmation letter; however, stakeholders felt there were still several concerns that needed to be addressed before proposal submission deadline. Specific feedback is below:

Feedback / Common Themes	IESO Response
The IESO should work with its members to ensure a streamlined approach to crown land approval: While the requirements are clearly outlined, the current timelines for approval remain a risk.	Natural Resources (MNR) to answer all questions that it can related to the Crown Land

edback / Common Themes	IESO Response
 Stakeholder identified various risk: The CLSR places full responsibility on the proponent to review and confirm that the project site does not overlap with any existing Crown land dispositions using the resources listed in Appendix A. However, point 1 of Section 3 in the CLSR states that Appendix A does not include all resources that could impact the proposed project, and the province does not guarantee the accuracy, completeness, or timeliness of these resources. We understand that at this stage, MNR will issue confirmation letters based solely on completeness reviews and will not assess the project area or related implications concerning access to Crown land prior to the bid award. This creates a significant risk for proponents regarding their ability to secure access to Crown land. 	subscribed to receive LT2 updates, once the document has been published.
Clarify if AORs (and not LUPs or a lease) are assumed to suffice for demonstrating necessary land access rights at bid submission	To clarify, a Proponent does not need to be an Applicant of Record (AoR) in order to submit a Proposal for a Crown Land Project. The requirement for a Crown Land Project to demonstrate access rights at Proposal submission is evidenced via the MNR Confirmation Letter.
Clarify if conflicting land interest claims (e.g., mining claims) at proposal submission will impact IESO's consideration of land access rights.	The IESO will not be considering conflicting land interest claims at Proposal submission. The IESO will be evaluating access rights based on the information provided via Prescribed Form: Access Rights Declaration. Proponents are required to manage their own risks relating to land access and rights.

dback / Common Themes	IESO Response
Would proponents be able to resolve land access right conflicts following proposal submission.	No, Proponents must have a completed Prescribed Form: Access Right Declaration including all the requirements within the prescribed form. Any risks that remain with respect to adequacy of a Proponent's access rights are the Proponent's risk and responsibility.
The IESO should include a provision allowing proponents to terminate LT2 contracts or proposals without penalties if MNR declines necessary authorizations despite compatibility with constraints listed in Appendix A: this would acknowledge the proponent's due diligence and mitigate risks associated with discretionary or unforeseen permitting outcomes.	Unforeseeable permitting outcomes that are beyond the Supplier's reasonable control are covered by Force Majeure protections availab to the Supplier under Section 11.3(i) of the LT2(e-1) Contract and LT2(c-1) Contract.
The IESO revise Section 3, item 5 to clarify that MNR is not making representations or warranties under the CLSR. The actual instruments pursuant to which Crown land rights are granted may have representations and warranties.	The IESO is working with MNR to answer all questions related to the CLSR form and MNR processes more broadly and will publish thes answers in a separate document. The IESO v notify stakeholders that have subscribed to receive LT2 updates once the document has been published.
The CLSR places full responsibility on the proponent to review and confirm that the project site does not overlap with any existing Crown land dispositions using the resources listed in Appendix A. However, point 1 of Section 3 in the CLSR states that Appendix A does not include all resources that could impact the proposed project, and the province does not guarantee the accuracy, completeness, or timeliness of these resources.	The IESO is working with MNR to answer all questions related to the CLSR form and MNR processes more broadly and will publish thes answers in a separate document. The IESO v notify stakeholders that have subscribed to receive LT2 updates once the document has been published.

Feedback / Common Themes	IESO Response
The IESO should allow proponents with flexibility to adjust the project location—either within or beyond the original project boundaries—while maintaining the originally selected capacity and interconnection point.	The IESO will not, as part of the RFP process, allow proponents to adjust the project location beyond the original project boundary. Note under Section 2.1(b) of the LT2(e-1) Contract and the LT2(c-1) Contract the IESO cannot unreasonably withhold its consent to a Facility Amendment (that could include change in the Project Site). For example, it would be reasonable for IESO to withhold its consent to a Facility Amendment that impacts the competitive outcomes of the procurement.
Before bid submission the IESO should provide guidance on the process and timelines for crown land dispositions post project award: will allow proponents to adequately prepare for the risk of not securing crown land.	The IESO is working with MNR to answer all questions related to the CLSR form and MNR's processes more broadly and will publish these answers in a separate document. The IESO will notify stakeholders that have subscribed to receive LT2 updates, once the document has been published.

D) LT2 RFP Deliverability Update

Stakeholders stressed the need for greater transparency surrounding deliverability requirements and offered suggestions for future LT2 RFP submission windows. Specific feedback is summarized below.

Feedback / Common Themes	IESO Response
The IESO should provide early and	Thank you for your comments. The
transparent guidance: While one-on-one	deliverability guidance is intended to provide
consultations and preliminary guidance are	open and transparent information to all
positive steps. Transmission planning,	potential proponents about transmission
capacity allocation, and deliverability	capacity availability across the province. Please
processes need greater transparency,	set up a meeting through
particularly regarding connection capacity in	<u>engagements@ieso.ca</u> to provide greater
northern Ontario, where significant	clarity around what you have in mind for our
hydroelectric projects are expected.	consideration.

Feedback / Common Themes	IESO Response
For future procurement windows the IESO needs to publish finalized guidance upfront: Past guidance documents have evolved significantly, causing developer uncertainty. Guidance provided upfront would support effective project siting and encourage bids in less congested grid areas, promoting efficient network use.	The IESO will take this feedback into consideration for future procurement windows but notes that deliverability guidance has been provided for both the LT2(e-1) and (c-1) RFPs well in advance of the Proposal Submission Deadline.
The IESO should allow proponents to keep an 'active but conditional' Connection Impact Assessment (CIA) status that lapses only if not selected: Preserving queue position and potentially reducing project timelines by 6–12 months. This would also increase IESO's confidence in the selected projects' connectability without triggering new studies.	Thank you for your suggestion. It is the IESO's understanding that the Distributor's Connection Impact Assessment process will take less than 60 days. The IESO has included the requirement to rescind any distribution system Connection Impact Assessment to ensure that connection queue space is available for projects that are offered an IESO contract. This is a requirement that has existed in past IESO procurements, including under the Feed-in Tariff Program.
	If this question is referring to the IESO and Transmitter's System Impact Assessment / Customer Impact Assessment (SIA/CIA) this is more typical to range in 6-12 months. However, there is no queue position that is established as part of this process. Applications are processed as quickly as possible once the required information is provided by the project applicant. There is no duty to rescind an SIA/CIA application prior to submitting a bid to LT2. Please refer to Appendix A of LT2(e) RFP – Evaluation Stage Deliverability Test Methodology for Long-Term 2 Energy Supply (Window 1) Request for Proposals V2 (January 10, 2025) for guidance on Distributor's CIA and the IESO/Transmitter SIA/CIA process as they relate to the LT2 procurement.

Feedback / Common Themes	IESO Response
Will the IESO be updating Preliminary Connection Guidance and Deliverability Test Methodology before LT2 RFP Window 1 submission deadlines.	There is no plan to update the guidance or test methodology documents for window 1 of the LT2 RFP at this time. The most recent versions of these documents have been provided, and they remain as the applicable guidance for proponents preparing their submissions. Should there be any updates or developments, the IESO will communicate them promptly to all proponents.
The IESO should provide illustrative diagrams, scenario-based examples, or summary tables of the alternative connection point: Some of the requirements regarding connection points remain unclear.	The IESO intends to walk through illustrative examples of alternative connection points at the July 10 public engagement.

E) General Comments/Feedback

Specific feedback is summarized below.

Feedback / Common Themes	IESO Response
Could the IESO confirm that for the Prescribed Form: Confirmation of Unincorporated Territory, in the absence of any Official Plan for a site on unincorporated territory, a Registered Professional Planner can confirm that the site is not located on lands designated as Prime Agricultural Areas; and that this determination is based and designated by the municipality's or Northern Planning Board's official plan.	Lands that do not fall within the jurisdiction of a municipality or planning board would not be included in an Official Plan and thus would not be designated as a Prime Agricultural Area for the purposes of the LT2 RFP.

Stakeholders proposed various definitions for what constitutes a "Canadian Company" for the purpose of rated criteria points:

- A "Canadian Company" should mean (i) • an Indigenous Participation Supplier with an Initial IPL of at least 50%; or (ii) a Supplier that is not a non-resident of Canada or that is a Canadian Partnership (each within the meaning of the ITA) where either (A) at least 50% of the Economic Interest of such Supplier is held by one or more Persons or groups of Persons that is an Indigenous Community, Indigenous Holding Vehicle, Local Municipality, Municipality, Canadian Partnership or other Person that is not a non-resident of Canada; or (B) such Supplier is Controlled by one or more Persons or groups of Persons that is an Indigenous Community, Indigenous Holding Vehicle, Local Municipality, Municipality, Canadian Partnership or other Person that is not a non-resident of Canada.
- A "Canadian Company" should mean a project entity is ultimately Controlled by a legal entity formed and existing under the laws of Canada then it is automatically deemed a Canadian Company. The definition of "Controlled" should follow the classic definition of Control set out in Section 1(5) of the Business Corporations Act of Ontario (RSO 1990, c B.16 | Business Corporations Act | CanLII) as follows:

For the purposes of this Act, a body corporate shall be deemed to be controlled by another person or by two or more bodies corporate if, but only if,

(a) voting securities of the firstmentioned body corporate carrying more than 50 per cent of the votes for the election of directors are held, other than The Ministry of Energy and Mines issued an amending directive to the IESO on June 26 providing the basis for the definition of "Canadian-Status Proponent" which has been incorporated in the final LT2(e-1) RFP and LT2(c-1) RFP and contracts.

by way of security only, by or for the benefit of such other person or by or for the benefit of such other bodies corporate; and	
(b) the votes carried by such securities are sufficient, if exercised, to elect a majority of the board of directors of the first-mentioned body corporate. R.S.O. 1990, c. B.16, s. 1 (5).	
 The IESO could consider assessing proponents based on recent operational activity in Ontario or evidence of a meaningful local presence — such as maintaining a team of a certain number of employees in the province. 	
Clarify whether the Connection point weighted average price will be on the proposed contract capacity or the annual production factor: Section 4.4 b) (i) appears unclear and inconsistent with the example presented on Slide 21 of the April 24th webinar. During that session, the Proposal Average Price was defined as a weighted average based on proposed contract capacities across the various PQ alternatives. However, in the recently released Energy RFP document, it appears that the Proposal Average Price will now be calculated as a weighted average based on the expected annual imputed production.	The Monthly Imputed Production Factors apply uniformly to the entire Contract Capacity of the Facility, regardless of the configuration of its Connection Point. The Connection Point Weighted Average is used to determine the applicable real time locational marginal price for a Facility whose Connection Point is comprised of multiple physical connections and will be calculated using the price and proposed contract capacity allocated to each Circuit or Feeder as described on slide 21 of the April 24 th webinar.
The IESO should allow suppliers the ability to decline extending the contract to 21 years: Under section 9.1 (c) the IESO has a unilateral right to extend the contract, it places Suppliers in the position of needing to design the project to ensure it can operate for at least 21 years, while only potentially having upfront revenue certainty for 20 years.	The IESO has revised the language in the LT2 contracts to reflect the IESOs right to extend the contract to the 20 th anniversary of the later of the Commercial Operation Date or the Milestone Date for Commercial Operation. The IESO will now require Supplier consent to extend the term of the contract to the 21 st anniversary of the latter of the Commercial Operation Date or the Milestone Date for Commercial Operation Date for Commercial Operation Date or the Milestone Date for Commercial Operation Date or the Milestone Date for Commercial Operation Date or the Milestone Date for Commercial Operation.

Feedback / Common Themes	IESO Response
The IESO should include a mechanism to compensate developers for any potential repeal of the Federal Investment Tax Credit (ITC) and other governmental sources of funding in the future.	The IESO will not include a mechanism to compensate Suppliers for any repeals of current or known governmental sources of funding. It is incumbent on prospective Proponents and Suppliers to consider such risks in determining their competitive prices.
The IESO should update the Force Majeure clause to reflect the natural gas transmission and supply concerns: The following provisions was suggested "Notwithstanding the definition of Force Majeure above, delays or disruptions in fuel supply caused by a lack of existing gas transmission system capacity, where such capacity expansion is outside the reasonable control of the Supplier and requires action by third-party pipeline operator or governmental authority, shall constitute a Force Majeure event under this Section 11.3 (f), provided that the Supplier has used Commercially Reasonable Efforts to secure such capacity and mitigate the delay."	The IESO will not be amending the Force Majeure provision, however, in response to a letter from the Minister of Energy and Mines, the IESO has has issued an addendum to the LT2 (c-1) RFP which contains a provision for Gas Transmission System Upgrade Cost Sharing where the IESO will agree to pay 75% of the Gas Transmission System Upgrade Costs Please review section 2.18 of the LT2(c-1) Contract for complete details.
The IESO should resolve the gas supply issues while consultations are still permitted rather than through addendum.	The IESO has issued an addendum to the LT2 (c-1) RFP which contains a provision for Gas Transmission System Upgrade Cost Sharing where the IESO will agree to pay 75% of the Gas Transmission Upgrade Costs. Please review section 2.18 of the LT2(c-1) Contract for complete details.
The IESO should adjust the LT2c registration deadline to also be 6 weeks before the submission deadline to align with LT2e.	The IESO has adjusted the deadlines for registration; LT2(c-1) RFP registration deadline is now October 3, 2025 and LT2(e-1) RFP registration deadline is September 4, 2025. The IESO will not be aligning the registration deadlines.

Feedback / Common Themes	IESO Response
A stakeholder recommended the government carve out a portion of the LT2 procurement target (e.g. 150 MW) for smaller, distribution-connected, co-located projects. These facilities should be allowed to use CHP assets to provide energy to the site.	The IESO will not be carving out portions of the procurement target for either the LT2(e-1) RFP or the LT2(c-1) RFP.
Smaller distribution-connected, co-located projects should not be subject to a Agricultural Impact Assessment(AIA) and should not be penalized by the loss of any rated criteria points for being cited on agricultural land.	Per the Ministerial directive dated November, 28, 2024: Any eligible resources located on lands which constitute Prime Agricultural Areas must complete an AIA.