

# Feedback Form

## Long-Term 2 (LT2) RFP – April 4, 2024

### Feedback Provided by:

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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 "Confidential".

Following the LT2 RFP April 4, 2024, engagement webinar, the Independent Electricity System Operator (IESO) is seeking feedback from stakeholders on the items discussed during the webinar. The webinar presentation and recording can be accessed from the [engagement web page](#).

**Please submit feedback to [engagement@ieso.ca](mailto:engagement@ieso.ca) by April 23, 2024.**

## Enhanced Power Purchase Agreement (E-PPA) Revenue Model: Proposed Modifications

Topic	Feedback
<p>Do you have any comments regarding use of monthly production factors for the calculation of deemed energy revenues?</p>	<p>ESC supports the transition to monthly production factors. An outstanding question for the IESO is whether an annual degradation factor for energy output will be included as part of the monthly production factor (i.e., an estimate of the decline in energy production year-over-year).</p>
<p>Do you have any comments regarding use of the Forecasted Weighted Average Price (FWAP)?</p>	<p>At a high-level, the FWAP approach appears consistent with addressing issues of Deemed Revenue calculation flagged by stakeholders through feedback to previous LT2 engagement sessions.</p> <p>However, to ESC is it still not clear how the FWAP will be calculated including what timeframe for the forecast will be used and how the FWAP calculation will flow to settlement values related to the new IESO-Administered Market (IAM) under MRP. ESC would greatly appreciate a detailed calculation for multiple days on FWAP as it relates to calculation of Deemed Revenue, Grid Reliability Payments and where and when (i.e., what tool and when will the information be accessed) the information will be used for payments under the E-PPA Revenue Model.</p> <p>Generally, more detailed calculation and contract language is required to provide substantiative input to the IESO’s high-level proposals.</p>

Topic	Feedback
<p>Do you have any comments or suggestions on further mitigating perceived risks associated with VG participation in the DAM?</p>	<p>The primary purpose of the DAM is to provide the IESO with insight into available capacity to meet real-time operating requirements among other things. The ability to forecast and predict future energy production a day ahead for VG is limited by the nature of the resources' dependence on weather as well as potential variations due to adverse conditions (e.g., cloud cover, wind gusts, etc.).</p> <p>The issue for VG generation participation in DAM is a very similar issue for nuclear participation in the DAM. Outages or inability to deliver in real-time is outside of the control of nuclear generation and their impact would be outsized if focused into the DAM and required to manage the resulting Day-Ahead to Real-Time (DART) risk. In short, forcing VG participation into the DAM is counterproductive to the purpose of the DAM and the benefits it can provide to the reliability and operability of Ontario's electricity market. Instead, the DAM should be reserved for dispatchable generation that can offer capacity to meet next day electricity system needs as well as offer opportunities for flexible and responsive resources (e.g., energy storage) to manage DART risk.</p>

## LT2 RFP & Contract: Key Provisions

Topic	Feedback
<p>Do you have any comments regarding the use of minimum production factors during proposal evaluation?</p>	<p>In ESC's view, the IESO has not provided a clear explanation why minimum production factors are needed for the LT2 procurement objectives or the benefits to the IAM. ESC suggests that the IESO provides a fulsome explanation on the reasoning.</p> <p>Further, ESC is interested in understanding if the IESO will publish minimum production factors prior to LT2 proposal submission.</p>
<p>Do you have any comments regarding the application of the non-performance charge?</p>	<p>Similar to comments above, ESC would like to see contractual language or a term sheet that explains the scope and weight of non-performance charges before commenting.</p>

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Do you have any comments regarding the treatment of outages under the LT2 Contract?	Similar to comments above, ESC would like to see contractual language or a term sheet that explains the scope and weight of outage treatment before commenting.
Do you have any comments regarding the payback of Deemed Market Revenues greater than the Monthly Revenue Requirement?	In ESC’s view, the requirement of payback of Deemed Market Revenues greater than the Monthly Revenue Requirement is a significant reversal of previous design proposed by the IESO. In ESC’s view, the requirement for payment will require significant reconsideration by ESC of previous comments submitted as part of the LT2 procurement.

## MT2 RFP

Topic	Feedback
Do you have any comments regarding the IESO’s considerations on the MT2 RFP, including timing, eligibility, and the interplay between repowering and the MT2 and LT2 RFPs?	ESC supports the IESO’s considerations on MT2. As noted, permitting and regulatory uncertainty remain a major barrier for existing renewable generation assets to be repowered as hybrid resources. We are confident that resolving these barriers would provide a strong pathway for bringing competitively priced capacity resources to market. We strongly encourage the IESO to increase engagements with MECP towards appropriate reforms to the permitting and approvals processes for existing assets.

## Long Lead Time Resources

Topic	Feedback
<p>Do you have any comments regarding the IESO’s considerations on Long Lead Time Resources, including timing, eligibility, targets, and term?</p>	<p>ESC strongly endorses the IESO’s consideration for the LLTR as a separate procurement stream run concurrently with LT2. We also agree with the proposed notions on 40-year contract terms and a flexible COD of 2030 to 2034.</p> <p>We believe there are advantages to defining LDES as 10+ hours, but accept 8+ hours as a suitable minimum duration. We would encourage the IESO to ensure appropriate incentives for assets capable of delivering 16+ and 24+ hour durations.</p> <p>We look forward to further working with the IESO on defining the procurement capacity targets, and welcome the openness expressed on potentially expanding the target to greater than 1,000 MW according to evolving system needs. We applaud the IESO’s intent to accommodate both small and large LDES projects through flexibility in the ultimate target.</p> <p>We would note the interest of some proponents to develop LDES resources ahead of 2030, and we encourage the IESO to continue highlighting that LT3 and other procurements that will provide opportunities to deliver projects to market ahead of LLTR. We encourage the IESO to more substantively define the terms and criteria that will be used to determine eligibility for which projects are (or are not) deemed able to achieve COD 2030, in order to best assure prospective bidders.</p> <p>Further, some members have expressed uncertainty over the envisioned evaluation model to compare LDES with hydroelectric assets, noting the significant differences in attributes and performance between technologies. Greater clarity on anticipated evaluation mechanisms would be welcome. In either event, we support the IESO’s proposed approach of offering proponents a choice of either an LT1 Contract for Capacity or an E-PPA.</p> <p>Lastly, we recognize ongoing stakeholders’ proposals on the possible merits of more clearly delineating an allocation of the capacity target between LDES and hydroelectric proponents. We look forward to continuing these discussions and the tradeoffs involved through IESO stakeholder engagements.</p>

## General Comments/Feedback

ESC strongly supports the IESO's approach of a steady cadence of procurements across both energy and capacity. Establishing regular market opportunities is crucial to building proponent confidence and enabling them to maintain a presence in Ontario markets in the face of a highly competitive global clean energy demand. To that end, the IESO's procuring of even a modest capacity target under LT2 would be a paramount benefit to ensuring the continued presence, robust competition between vendors, and momentum that was achieved by LT1.

The IESO is undertaking a significant number of regional and bulk transmission system plans to determine investments to meet future electricity demand needs. In none of these studies are energy storage resources being accurately or fairly represented. Further, assumptions as part of the studies have not been published and ESC is greatly concerned that the IESO is not using recent information when assessing options to deploy energy storage resources. Overall, ESC believes that the IESO must continue to evolve its planning framework to better include information on energy storage resources to maximize the potential benefits of non-wires solutions for Ontario ratepayers. In particular, none of the procurements underway by the IESO have any regional or bulk transmission system need focus and ESC strongly recommends that as part of bulk and regional planning activities, the IESO operate procurements for non-wires solutions to perform market price discovery and to provide guidance on how energy storage resources will be integrated into future planning activities.