

Feedback Form

Long-Term RFP – February 8, 2022

Feedback Provided by:

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Following the February 8th public webinar on the Long-Term RFP, the Independent Electricity System Operator (IESO) is seeking feedback from participants on a variety of elements to help further inform the draft RFP and Contract, including: potential revenue streams, contracting mechanisms, term length and forward period, ability of resources to meet mandatory requirements and rated criteria, as well as the general approach to the RFQ including the proposed method to evaluate finances and experience.

The referenced presentation can be found on the [Long-Term RFP webpage](#).

Please provide feedback by February 18, 2022 to engagement@ieso.ca.

Please use subject header: **Long-Term RFP**. To promote transparency, this feedback will be posted on the [Long-Term RFP webpage](#) unless otherwise requested by the sender.

The IESO will work to consider and incorporate comments as appropriate and post responses on the webpage.

Thank you for your contribution.

Revenue Streams

Topic	Feedback
<p data-bbox="181 233 917 302">Please provide feedback on the revenue stream options that the IESO proposed.</p> <p data-bbox="181 338 917 407">Are there additional revenue streams that proponents see that can be monetized?</p>	<p data-bbox="933 233 1524 512">Contracts need to provide compensation for the products delivered by the resource. Compensable products include capacity, energy, environmental attributes, ancillary services, as well as other products and services that may be required by the system operator at some point in the future.</p> <p data-bbox="933 548 1524 827">Revenues available through the IESO-Administered Market are theoretically possible but highly uncertain. Accordingly, long term contracted revenues should be the core mechanism for compensating suppliers for products and services provided over the economic life of the asset.</p>
<p data-bbox="181 877 917 1121">Other jurisdictions have procured new-build resources under long-term agreements through a variety of contract types (power purchase agreements, capacity only contracts, capacity contracts with energy components, etc.). What lessons do stakeholders have from their experience with these other contracting mechanisms?</p>	<p data-bbox="933 877 1524 1436">Long-term power purchase agreements have worked well in other jurisdictions, and long-term contracts have worked well in Ontario. They have also proven necessary for attracting investment in transitioning electricity markets/systems where new technologies are dominated by fixed costs (CAPEX). Capital Power has supported the ongoing use of long-term contracts structured for Ontario's needs, and it continues to believe that Ontario can be a leader in contract design through choosing structures (such as PPAs) that are designed for Ontario's needs.</p> <p data-bbox="933 1472 1524 1598">Design principles should drive an efficient allocation of risk and prioritize simplicity over complexity.</p>

Topic	Feedback
What opportunities do stakeholders see in the future to monetize environmental attributes ?	Opportunities are unclear at this time given the absence of any market framework for RECs in Ontario. Capital Power expects the value of RECs will need to be monetized through the contract itself or a market framework will need to be established and tested before the long-term RFP in order for bidders to ascribe value to this potential revenue source.

Term Length and Forward Period

Topic	Feedback
Do stakeholders feel that the options presented provide proponents with some certainty from an investment and/or financing perspective?	Not enough detail has been provided in order to make an assessment at this time. Other than the proposed price collar, the structuring options provided are directionally helpful.
What are some options for additional term that the IESO should consider?	It remains Capital Power's view that term lengths need to align more closely with the economic life of the investment. Many resources will require a contract term of 20 years.
<p>Are stakeholders aware of any resources (new-build and/or expansions to existing resources) that able to come into service as early as 2025?</p> <p>What challenges would resources face with being fully operational by 2025?</p> <p>Please provide any additional information that may help inform the IESO of potential projects and their development timelines, in order to help guide discussions around LT I RFP forward periods.</p>	Feedback to this question will be provided on a confidential basis.

Topic	Feedback
<p>Please provide feedback on the options for additional term-length that the IESO proposed.</p>	<p>The IESO should seek to align term lengths closer to the useful lives of the resources being procured.</p> <p>The IESO is the agency with sole accountability for forecasting system needs. It also possesses an asymmetric level of information with respect to these system needs. The IESO's hesitancy to contract for the duration of the economic life of the resource needed today and for the foreseeable future effectively shifts the risk of forecast error to the supplier. This risk allocation is likely untenable for many developers unless the net present value of the investment can be recovered under the shorter-term contract.</p>

Mandatory Requirements and Rated Criteria

Topic	Feedback
<p>Please provide feedback on the mandatory requirements the IESO proposed.</p>	<p>No concerns at this time.</p>
<p>The IESO presented a number of technical characteristics that are desirable from a system value perspective, that may form rated criteria in LT I RFP.</p> <p>Please provide feedback on the characteristics proposed and their applicability as rated criteria.</p>	<p>Capital Power relies on the IESO in its role as system planner and market operator to identify the system need and understands the IESO has identified mandatory and rated criteria relevant to the LTRFP.</p> <p>Contracts should fairly compensate suppliers for products, services, and attributes required by the grid, and allocate risk to the party best positioned to manage it.</p>

RFQ

Topic	Feedback
Do stakeholders feel that the high level approach proposed for the RFQ satisfies the IESO's goal of ensuring that interested parties have the capability to undertake project development for the LT I RFP, while also enabling competition?	Capital Power has no concerns with the proposed qualifications.

General Comments/Feedback

None at this time.