

# Feedback Form

## Long-Term RFP – February 8, 2022

### Feedback Provided by:

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Following the February 8<sup>th</sup> 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](mailto: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="191 226 472 401">Please provide feedback on the revenue stream options that the IESO proposed.</p> <p data-bbox="191 436 472 575">Are there additional revenue streams that proponents see that can be monetized?</p>	<p data-bbox="509 226 1511 464">NRStor supports the IESO’s proposal to allow for multiple revenue streams; however, there is significant uncertainty for energy storage resources participating in the future Ontario electricity market. Energy storage resources are highly flexible and can enable significant savings for ratepayers when “value-stacking”. We recommend the IESO review Energy Storage Canada’s detailed LT RFP submission on this subject.</p> <p data-bbox="509 506 1520 621">Energy storage is both a “firm controllable load” and a “firm controllable generator.” – we believe IESO must acknowledge this flexibility and benefit to ratepayers in the evaluation criteria.</p> <p data-bbox="509 663 1511 1293">Capacity RFPs primarily (or only) put value on generation MWs. A 250MW storage project, could provide 250MW of firm load, and 250MW of firm generating capacity, which is a full 500MW of flexibility from a 250MW generator rating. Demand Response as “controllable load” is compensated with a capacity payment, but cannot necessarily increase load, only decrease load. Generators are “controllable generation” and are compensated with a capacity payment, but cannot be told to increase load, they can only output. Demand Response capacity is often “not firm” and may not be there when the IESO needs it, however it is compensated for its ability to curtail load, and if the “UCAP” unconstrained capacity metrics are done properly in the RFP, Demand Response should be scored with a capacity reduction factor based on the reliability of this capacity to meet IESO needs. The value of dispatchable load from storage is not properly compensated in the current frameworks for RFPs and auctions and contracts. Finally, new energy storage resources create new long-term industrial load revenue for Ontario LDCs and ratepayers.</p> <p data-bbox="509 1335 1511 1608">IESO should ensure proponents seek opportunities for value-stacking, but do so in a way that does not compromise their ability to meet the performance and availability requirements of the IESO LT RFP. This would include the ability to offer ancillary services to the IESO such as critical inertia and voltage support. The IESO should consider how proponents can monetize those revenue streams within the LT RFP contract to deliver the best value for ratepayers.</p>

Topic	Feedback
<p>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>Past RFPs have supported repurposing existing infrastructure, while making it more difficult for innovative new-build projects to compete (contract term, bankable contracts, restrictive change of control provisions, etc.). NRStor encourages the IESO to ensure the LT RFP incents new-build infrastructure and best enables low-cost financing.</p>
<p>What opportunities do stakeholders see in the future to monetize environmental attributes ?</p>	<p>We understand the IESO Clean Energy Credits (CEC) consultation will explore options to monetize environmental attributes. At this time, there are many uncertainties on how a CEC framework will be established and what opportunities that means for standalone energy storage resources. Standalone storage resources deliver GHG benefits to the system and should be recognized appropriately. We recommend reviewing Energy Storage Canada’s submission for further detail on this item.</p> <p>Would the IESO consider allocating a scoring penalty to emission-generating resources, in alignment with Ontario’s climate objectives? It is our opinion that expecting generators to increase their costs to properly factor in the cost of GHG emissions is not adequate; we do not believe this should be self-imposed / scored. Would the IESO consider reducing points for GHG-emitting generation and loads hoping to participate with behind-the-meter GHG-emitting generation if applicable?</p>

# Term Length and Forward Period

Topic	Feedback
<p>Please provide feedback on the options for additional term-length that the IESO proposed.</p>	<p>We support a longer contract term. Longer contract lengths allow fixed costs for the project to be recovered over longer time periods. Longer contract terms also reduce financing costs as the contract covers the operating life of the asset, requiring no estimate of terminal value of the asset post-contract term. The lower cost of the contract over a longer term can also act as an effective price hedge for future capacity costs in Ontario. The price discovery of capacity costs for long-term contracts in Ontario can be used to determine if shorter contract terms should be explored or not.</p>
<p>Do stakeholders feel that the options presented provide proponents with some certainty from an investment and/or financing perspective?</p>	<p>NRStor believes revenue certainty over longer terms (e.g., 10-20 years) is preferable to access low-cost financing and align with the long-term life of storage projects.</p>
<p>What are some options for additional term that the IESO should consider?</p>	<p>IESO should reward projects for coming online sooner. Longer term contracts can potentially offer ratepayers the greatest value in the long run. Proponents' submissions should not be negatively scored for offering longer term contracts.</p>
<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>	<p>Other storage projects, including those in active development, could come into service as early as 2024-2025 if an appropriate revenue contract is offered through the Long-Term RFP. Projects that come into service faster should be rewarded for doing so. Existing uncertainty and regulatory barriers for energy storage resources participating in the Ontario market continue to be a challenge.</p>

# Mandatory Requirements and Rated Criteria

Topic	Feedback
<p>Please provide feedback on the mandatory requirements the IESO proposed.</p>	<p>We request more information on the permitting and regulatory requirements outlined in the mandatory requirements. Please see further responses below regarding experience, bid security, Indigenous engagement, etc.</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>IESO should require a demonstration of prudent due diligence as part of mandatory requirements. Final permits and approvals could be sought after contract award as part of project development and construction obligations – though proponents that have these for their submission should be rewarded for doing so.</p> <p>Ramp Rate: The scoring methodology of at least one prior IESO RFP has indicated a maximum score for Ramp Rate of 100MW/minute or higher. The benefit of faster responding and higher performance resources should be recognized in scoring and/or payments. Specifically, maximum points should be awarded to resources capable of responding at a higher MW/minute ramp rate, otherwise the process may not be recognizing the benefits of faster acting resources. Would the IESO consider implementing a 50MW/min minimum ramp rate, and scoring criteria that shows a range up to 1000 MW/min?</p> <p>Pay for Performance: It is important that the scoring criteria consider “mileage” or pay for performance similar to other jurisdictions to ensure storage resources are properly compensated for their flexibility and high performance compared to traditional resources.</p> <p>Availability Metrics: The IESO should include detailed availability metrics and scoring methodology for proponents to ensure a high degree of availability to meet system needs.</p>

## RFQ

Topic	Feedback
<p>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?</p>	<p>It is important to ensure proponents have sufficient local experience developing and operating facilities of similar scope and scale.</p> <p>Indigenous Engagement &amp; Site Access: The IESO should include thorough Indigenous engagement and community stakeholdering requirements for proponents, to ensure adequate community participation and ownership in energy projects. Further, the IESO should ensure proponents have adequate site access for projects.</p> <p>Adequate Proposal Security: The IESO should ensure that adequate proposal security is required by proponents to ensure the success of the RFP and the quality of bids. Further, proponents that have been successful in prior RFPs, but who have elected to not build projects should be excluded from participating – or have that factor into their scoring evaluation.</p> <p>Experience Requirements: The IESO should include detailed experience requirements for the purpose of scoring in this RFP. It is our belief that both local development and operational experience is critical for the delivery of successful energy projects. Not considering this can significantly impact the quality of proposals submitted.</p> <p>Zonal Restrictions &amp; Scoring: Could the IESO please provide further information on how zones may be scored and evaluated? Previous RFPs have in some cases had clear and specific zonal restrictions for projects, presumably because there are technical implications and factors to consider. Should proponents review the MT RFP documents to best assess connection locations? Should proponents file SIA/CIAs at this stage, prior to being awarded a contract?</p>

## General Comments/Feedback

**Raw materials and commodity price indexing:** NRStor requests IESO consider a capital cost adjustment mechanism in the RFP to account for fluctuations in applicable raw materials and commodity prices between the RFP submission and in-service period. Doing so would enable energy storage proponents to present the most competitive pricing for ratepayers and reduce contingency associated with price volatility.

**Regulatory Risk:** There are ongoing consultations and potential future changes to Ontario's electricity regulatory framework driven by the Ontario Energy Board (OEB) with respect to energy storage resources. The OEB has primarily referenced the Framework for Energy Innovation (FEI)

consultation as the main forum for addressing barriers within the 2018 energy storage report as per the Minister's direction in the November 10<sup>th</sup>, 2021, letter. The recommendations from the FEI working group are not expected until late summer 2022 and the actions taken by the OEB executive based on the recommendations are unknown. These timelines mean there is potential uncertainty that must be addressed to provide clarity for energy storage participants.

There is continued uncertainty over the treatment of demand charges, regulatory charges and uplifts, energy charges, etc. for energy storage resources in Ontario. Could the IESO please provide clarity on how energy storage proponents should factor these costs into their submissions? If the IESO were to make these costs a pass-through it would reduce the need for proponents to build contingency into their submissions, especially given the difficulty projecting these costs far into the future. Would the IESO consider making these applicable costs from Hydro One and or LDCs a pass-through under the contract term?