

Feedback Form

Long-Term RFP – March 10, 2022

Feedback Provided by:

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Date: March 31, 2022

Following the March 10th 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: term length, revenue streams, deliverability process and Draft RFQ.

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

Please provide feedback by March 17, 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.

Term Length

Topic	Feedback
Does the revised, 15-year term length provide stakeholders with sufficient certainty for project financing and development?	<p>OPG is encouraged with the increase in term length, however a fifteen year contract term will still be a challenge for most investors, given the mismatch with asset life and the limited track record of capacity markets in Ontario. After 15 years there is no guarantee that a resource would be able to participate in a capacity auction, or mid-term RFP.</p> <p>It is important to consider the major transformation expected in the electricity sector, not only through the IESO Market Renewal Project, but also through the changes in asset mix that will be required to facilitate the transition to net zero and meet requirements such as the proposed Federal Clean Energy Standard. The electricity system may look very different in 15 years, as a result it is very difficult for proponents to predict future potential revenue streams. Energy and Operating Reserve markets have the potential to be significantly disrupted by entry of a large amount of resources with very low variable operating costs.</p> <p>The IESO should consider providing longer contract terms that align with asset lifetimes.</p>

Revenue Streams

Topic	Feedback
Are stakeholders supportive of the high level approach for additional revenue streams, discussed in slides 26-28?	

Topic	Feedback
<p>Does an option with a capacity payment and energy market hedge provide stakeholders with sufficient certainty?</p>	<p>It would be beneficial to consider expanding the UCAP + Energy Hedge contract structure to include a hedge for Operating Reserve (OR) revenue. The reason for providing a hedge for OR revenue is that historical OR clearing prices may no longer be relevant as large amounts of energy storage resources (i.e. a resource that can provide Operating Reserve at a very low marginal cost) enter the Ontario market. The impact of this change is very hard to predict and makes it difficult for proponents to forecast OR revenue.</p> <p>With a collar structure there is some risk but also opportunity for incentive both of which are capped. The collar does not have to be symmetrical and the upside and downside risk should be set to a level that balances manageable risk for the supplier and ratepayer. The IESO defines and labels the collar as an “energy market collar”, however, this revenue stream should be designed to be a revenue collar in order to capture all revenues not solely energy.</p>
<p>Do stakeholders believe that the high level revenue stream option supports efficient market operation? Are there additional considerations that could help support energy market efficiency?</p>	<p>Revenue “top-up” payments should occur quarterly. Specific hours of peak are not the same in every season. Freshet is one example where quarterly payments would provide a more precise view of operations.</p> <p>Please provide more information on the qualifying hours. Are the qualifying hours referring to the top 5 hours of the day?</p> <p>Behind the meter resources usually have a partner. The partner might be limited by these additional restrictions.</p>

Deliverability Process

Topic	Feedback
Do stakeholders have any comments on the deliverability process laid out on slides 34-36?	
Does the general timing of the proposed deliverability process (i.e., a deliverability assessment window prior to proposal submission) provide stakeholders with enough clarity on the deliverability of their proposed project?	

Draft RFQ

Topic	Feedback
<p data-bbox="180 642 862 709">Do stakeholders have any general comments on the draft RFQ as discussed on slides 37-46?</p> <p data-bbox="180 747 854 852"><i>Please note that specific draft RFQ feedback is requested on the feedback form sent alongside the draft RFQ on February 28.</i></p>	<p data-bbox="932 642 1511 783">Regarding uprates and expansion would the IESO identify the approach to be used to define an uprate and expansion and confirm they are eligible under the LT RFP.</p> <p data-bbox="932 825 1487 961">In Section 2.13 Information on Long-Term Capacity Project(s) (b) "Confirmation that the project would be a dispatchable, New Build Electricity resource" -</p> <ul data-bbox="932 961 1498 1209" style="list-style-type: none"> • This statement should also include "Expansion and uprates" (i.e. additional generation output, not replacing existing, separate revenue grade meters,). How will the expansion and uprate be measured if the revenue meters are not replaced.

General Comments/Feedback

- In the IESO response to Stakeholder Feedback from the February 8th LT RFP Engagement, which was posted on March 18th 2022, the IESO states the following:

LT1 Eligibility/RFQ/RFP

Question/Comment	IESO Response
Regarding uprates, would the IESO define all valid uprates and confirm they are eligible under the LT RFP. Lastly, are existing, uncontracted MW's eligible under the LT RFP?	The LT1 RFP is intended to help address system reliability needs that emerge as early as 2025, by acquiring capacity from incremental new-build supply and storage resources. Expansions to existing resources/assets are also under consideration. The IESO will continue to engage with stakeholders to identify how uprates, including uncontracted MWs may be able to participate.

Please define all valid uprates and expansions and confirm that they are eligible under the LT RFP.

- In order to participate in the LT RFP, it is critical that Hybrid Integration Project, specifically the Co-located Hybrid Facility Model 2 of this new storage resource be able to participate in the LT RFP. The Hybrid Integration Project model seems geared specifically for existing generating facilities to avail themselves of developing storage resources on site. The existing generator will continue to operate as it does today and the storage facility will register as both a load and a generator (as storage does today). Please confirm that the Hybrid Integration Project model will be able to participate in the LT RFP.
- Further, from the December Hybrid Integration Project Webinar, the IESO has acknowledged that should existing resources with existing contracts be able to participate in the LT RFP, then co-located hybrid model seems to be the most appropriate as the existing resource can operate independently under its current contract and the new storage facility will receive its own contract from the LT RFP. Essentially, the addition of the new incremental capacity to be co-located on the same land as an existing contracted resource should therefore, be able to participate.
- Will the IESO be looking at aspects related to the decommissioning of the battery energy storage, wind and solar resources. Is there a requirement to maintain a decommissioning fund or bond for the removal of these systems at the end of life? This is something that should be included in the model in order to cover our costs.
- Please provide details and examples on how capacity is assessed. For instance would a resource that starts at 125 MW and ends at 75 MW (average of 100 MW) over a 4 hour period be valued the same as a resource that can maintain a steady 100 MW over 4 hours?
- Please also provide details on how the IESO values duration over MW (i.e. 100 MW over 5 hours vs 200 MW over 4 hours)? How would the IESO evaluate the UCAP for this facility. This would be critical to allow proponents to evaluate if an uprate would be a beneficial undertaking.