

Stakeholder Feedback and IESO Response

Long-Term RFP – March 10, 2022 Webinar

Following the March 10, 2022 Long-Term RFP (LT1 RFP) engagement webinar, the Independent Electricity System Operator (IESO) invited stakeholders to provide feedback on the materials presented.

The IESO received feedback from the following stakeholders:

- Bedrock Energy
- BluEarth Renewables
- Boralex
- CanREA
- Capital Power
- City of Ottawa
- Electricity Distributors Association
- Enbridge
- Energy Storage Canada
- Evolgen by Brookfield Renewable
- Kaaj Energy
- Northland Power
- NRStor
- Ontario Energy Association
- Ontario Ministry of Agriculture, Food and Rural Affairs
- Ontario Power Generation
- Ontario Waterpower Association
- Power Workers Union

- Saturn Power

This feedback has been posted on the [engagement webpage](#).

Note on Feedback Summary and IESO Response

The IESO appreciates the feedback received from stakeholders. The table below responds to the feedback received and is organized by each topic. This document is provided for information purposes only. It does not constitute, nor should it be construed to constitute, legal advice or a guarantee, offer, representation or warranty on behalf of the IESO.

Term Length

Feedback	IESO Response
<p>Generally stakeholders appreciated the change to the proposed contract term length from 7-10 years to 15 years, however many stakeholders further indicated that a 20-year term length would be preferred and would better align with other jurisdictions.</p>	<p>The IESO acknowledged stakeholder concerns about a 7-10-year term length and extended it to 15 years. This is similar to contract term lengths seen in other jurisdictions such as California. As the IESO has previously indicated, additional term can be attained via early operation incentives in the LT1 RFP. In addition, the IESO intends to further engage with stakeholders on the Expedited procurement design considerations, such as additional term length.</p>
<p>Some stakeholders suggested that the term length should better coincide with the useful life of the facility and inquired whether it would be possible to add flexibility to the contract term to reflect the lifespan of each technology.</p>	<p>The LT1 RFP is intended to acquire capacity services to meet system reliability needs over a given period of time. It is not a technology specific procurement, nor is it intended to be aligned with the useful life of any particular facility using a particular technology or combination of technologies. The Resource Adequacy framework provides for cadenced procurements to allow facilities with remaining useful life to continue to provide reliability services.</p>

Revenue Streams

Feedback	IESO Response
<p>Some stakeholders expressed that the proposed revenue streams for capacity and some energy assurance do not provide stakeholders with sufficient certainty.</p> <p>Other stakeholders indicated that an energy market hedge could provide sufficient certainty depending on the specific details and implementation.</p> <p>Other stakeholders commented that the IESO should opt for the lesser complicated models where possible (i.e., resource adequacy contracts in California). A straight-forward bundled CFD approach could help minimize uncertainty.</p> <p>Stakeholders expressed that MRP creates market revenue uncertainty, and as a result there is a need for contract structures that de-risk that market uncertainty.</p>	<p>The IESO continues to explore contract design options. Two options that have currently been discussed at the LT1 RFP stakeholder meetings are a capacity contract with an energy market hedge and a bundled contract for differences (CFD). The IESO will consider the feedback received to date, in addition to the feedback from the April 20 engagement session, as contract design options are refined. Further detail will be provided in subsequent engagement sessions.</p>
<p>Many stakeholders indicated that more detail needs to be shared to determine whether the IESO proposal will work for energy storage. An alternative mechanism other than the CFD/hedge structure may be required.</p> <p>Some considerations included:</p> <ul style="list-style-type: none">• Contracts that reimburse demand charges, global adjustment charges, and regulatory and uplift charges may provide more certainty for battery storage projects and reduce pricing.• Have the strike price as a bid (instead of a fixed contract parameter per technology) may yield the most effective pricing across all technologies.	<p>As the IESO continues to refine contract design options, the potential implications of that design on a range of technologies that could be expected to participate in the LT1 RFP procurement will be taken into account, including energy storage. The feedback provided to date will be considered and addressed through contract design. Nevertheless, the intention remains to acquire capacity services to meet system reliability needs, rather than being a technology specific procurement. This means that the contract design will focus on the provision of capacity and making resources available for dispatch in the energy market.</p>

Feedback	IESO Response
<p>Considering that the different technologies and hybrid projects may have significant variability between projects, it may in practice be difficult to set technology based fixed contract parameters, such as a strike price.</p>	<p>The IESO appreciates that there is significant variability between projects and that this could make it difficult to standardize a strike price for the energy revenue hedge option. This will be considered as the IESO continues to refine contract design options. Further information will be provided at subsequent engagement sessions. The IESO's goal is continue to make the contract technology agnostic and focus on the delivery of reliability services.</p>
<p>Stakeholders requested further information on how an energy market hedge would be implemented and settled.</p> <p>Some stakeholders indicated that value-stacking and additional revenue streams (including environmental attributes) can enable projects to deliver the greatest benefits to ratepayers.</p> <p>The IESO should also consider payment mechanisms (via new markets or clearly defined frameworks) to compensate and contract for ancillary services.</p> <p>Additional clarification was requested on how the IESO will value energy when selecting RFP winners.</p>	<p>As the IESO continues to refine contract design options, stakeholder feedback will be used to inform that work. The IESO intends to provide additional information on contract design and revenue mechanisms at subsequent engagement sessions. This will involve additional clarity on the options already presented (Capacity + Energy Hedge & Bundled CFD mechanisms) and additional options based on feedback received to date.</p>
<p>Some stakeholders indicated that a PPA approach is a lot more favourable from a development standpoint.</p>	<p>The IESO will not be pursuing a PPA approach. PPAs are best suited for an energy product, whereas the primary aim of the LT1 RFP is to address a capacity needs. Furthermore, a PPA based contract would be the most disruptive option in terms of market efficiency, which would directly conflict with the aim of the renewed market.</p>

Feedback	IESO Response
<p>Some stakeholders requested that the 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.</p>	<p>The IESO is not considering a mechanism to account for fluctuations in raw materials and commodity prices at this time. The IESO would encourage proponents to adequately account for raw material costs and supply chain considerations in any future proposals.</p>

Deliverability Process

Feedback	IESO Response
<p>Stakeholders indicated that the deliverability process needs to be transparent so proponents know how the deliverability will be assessed.</p> <ul style="list-style-type: none"> • More information on the deliverability process and whether different technology types would have different deliverability expectations would be critical for developers to consider participating in the RFP. • During the deliverability process, will projects that've already completed the CIA/SIA process be at an advantage relative those that have not? 	<p>The IESO intends to provide additional information on the deliverability assessment process at the May engagement session.</p> <p>Projects that have completed an CIA/SIA, or those who are currently contemplating applying for one, will not have an advantage in the deliverability assessment. The IESO discourages proponents from applying for CIA/SIAs at this time as new ones may still be required at a later date, upon the completion of the deliverability assessment and proposal evaluation.</p>
<p>Stakeholders requested that the IESO clarify if the deliverability assessment also factors in cost to connect or timelines to construct interconnection.</p>	<p>The deliverability assessment will not consider the cost to connect or timelines to construct the connection facilities that would be required to connect the new project to the existing IESO controlled grid. Participants are encouraged to reach out to relevant transmitters or LDCs to discuss the cost of any proposed connection arrangement.</p>

Feedback	IESO Response
<p>Some stakeholders suggested that in order to mitigate uncertainty the deliverability assessment process should be rigorous enough to provide proponents with confidence that their project is feasible, and if a 'fatal flaw' is found during the SIA/CIA process there should be a mechanism for the contract to be cancelled without any penalty.</p>	<p>The IESO will take this feedback into consideration as it continues to develop the underlying contracts.</p>
<p>Many stakeholders requested further detail regarding the expected timeline for the RFQ/RFP stages.</p> <p>Stakeholders indicated that it is important to consider the timing details on the interval between RFQ decisions and RFP submission dates when establishing the deliverability process.</p> <p>Some considerations included:</p> <ul style="list-style-type: none"> • Detailed deliverability process requirements should be finalized well in advance of the RFP so time isn't wasted developing sites the IESO will ultimately deem undeliverable • The deliverability process should not occur so far in advance of the RFP submission deadline that project details are still far from being finalized. • Consider the timelines for the required reviews, in order to avoid time constraints. 	<p>The IESO provided further information on timelines for the LT1 RFP and the Expedited procurement at the April 8 and 20 stakeholder engagement sessions. The timelines reflect the issuance of the final LT1 RFQ which is scheduled to be published by May 20, in addition to proposed deliverability windows ahead of the posting of the final RFP for the Expedited procurement on October 1 and LT1 RFP posting on December 15.</p> <p>Further information can be found on slide number 22 of the April 20 LT1 RFP stakeholder engagement meeting materials.</p>

Feedback	IESO Response
<p>Some stakeholders requested clarification regarding the outcome of a project being deemed “Not Deliverable”.</p> <ul style="list-style-type: none"> • Would a resource fail to qualify for the RFP? • Could the transmission/distribution costs associated with making that project deliverable be considered as part of its LT RFP submissions? 	<p>The IESO can confirm that a project deemed “Not Deliverable” would not be able to advance through the proposal evaluation process. However, the IESO will provide additional details as to how proponents may be able to submit multiple connection configurations as part of the deliverability assessment, in order to provide more optionality for projects to be considered “deliverable”.</p> <p>The deliverability assessment will be carried out based on the existing electricity system, including committed network upgrades. Any upgrades beyond those fully committed will not be considered.</p> <p>Further information on the deliverability assessment will be provided at the May LT1 RFP stakeholder engagement meeting.</p>
<p>Stakeholders requested further clarification and provided considerations regarding projects that are deemed to be “Deliverable but Competing”</p> <ul style="list-style-type: none"> • If multiple projects are deemed to be “Deliverable but Competing”, will all proceed to the RFP stage? • Will these projects first compete against one another for available capacity at their delivery point, before competing against the broader pool of RFP applicants? • Sufficient time should be provided for “Deliverable but Competing” to change their project location, if requested by the competitors. 	<p>The IESO can confirm that all projects that are deemed to be “Deliverable but Competing” can proceed to proposal evaluation.</p> <p>Projects that are “Deliverable but Competing” will be evaluated during the proposal evaluation process. At connection paths where there is limited connection capacity, proposals with lower evaluated proposal prices would have the highest chance of being offered a contract. Further information on the deliverability assessment will be provided at the May LT1 RFP stakeholder engagement meeting.</p>

Feedback	IESO Response
<p>Stakeholders requested further information on the number of delivery assessments each qualified proponent could access and an estimated timeline for the response turnaround.</p>	<p>The IESO will provide additional details as to how proponents may be able to submit multiple connection configurations as part of the deliverability assessment, in order to provide more optionality. Additional detail on the deliverability assessment will be provided at the May LT1 RFP stakeholder engagement meeting.</p>
<p>Some stakeholders indicated that the proposed deliverability process is overly complex. The procurement process could be expedited by identifying its priority locations at the beginning of the process.</p>	<p>In order to ensure emerging system needs are met, a process is required to assess the deliverability of the capacity from new resources considering transmission/distribution system limitations. Emerging system needs are both at a global/Provincial level and some exist on a more regional basis; reflected in the locational considerations presented to date. The proposed deliverability assessment will apply to a new resource whether or not it is located within a priority zone. Furthermore, a project in a priority zone may not be deliverable due to local or other issues.</p> <p>Further information on the deliverability assessment will be provided at the May LT1 RFP stakeholder engagement meeting.</p>

Draft RFQ

Feedback	IESO Response
<p>Several stakeholders noted that the front-of-the-meter project experience requirement is a significant barrier for qualification in the small scale projects.</p> <p>Stakeholders recommended that the IESO allow for behind-the-meter experience, particularly as most storage developed in Ontario has been behind-the-meter</p>	<p>The IESO has made changes and the latest RFQ draft is proposing that Small-Scale Entity Development Experience Threshold be satisfied with developing at least 5 projects, either behind-the-meter or front-of-the-meter.</p>
<p>Some stakeholders questioned the IESO's decision to run an RFQ process for resources able to deliver capacity as early as 2025. A suggestion was made that the criteria being assessed in the RFQ could be incorporated into the RFP process, which could give successful proponents more time to develop their projects.</p>	<p>The IESO's past experiences have shown that having a pre-qualification stage to a procurement ensures a more efficient process in a number of ways:</p> <ul style="list-style-type: none">• It focuses the overall engagement process and the design discussion of the RFP and contract.• It ensures downstream processes (deliverability, CIA and SIA, etc.) are limited to qualified proponents, ensuring the IESO, transmitters and LDCs are in a better position to manage the volume within the proposed schedule.• The proposal evaluation process will be more efficient as higher quality proposals will come forward and the evaluation can be narrowed to fewer criteria.• Impacted third parties (municipalities, indigenous communities, ministries, LDCs) can prioritize and focus their processes on those who are qualified

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<p>A number stakeholders inquired on the maximum project size.</p> <p>Several comments suggested that a 5 MW minimum will exclude many proponents as Ontario’s large-scale project landscape is relatively small.</p>	<p>The IESO proposes to increase the maximum project size to 600 MW (in effective capacity) for the LT1 RFP to align with the increased capacity needs communicated through the Annual Acquisition Report (AAR).</p> <p>Additional modifications to mandatory experience thresholds now allow for broader applicant participation. Those seeking to develop Large-Scale LT1 Projects will be able to do so even if they are only able to meet the Small-Scale Entity Development Experience Threshold. As long as they post additional proposal security (1.5X).</p>
<p>Team members often change and it would therefore be reasonable to provide the opportunity to replace a qualified team member with a new member that also meets the RFQ requirements.</p>	<p>The IESO agrees with this comment and proposes making an edit in the RFQ to enable a like for like replacement of a qualified team member.</p>
<p>Stakeholders do not believe the “market operating experience” as contemplated in the RFQ is appropriate. Feedback requested that the IESO allow for the use of consultants who specialize in offering this kind of service.</p>	<p>The IESO has removed the market operating experience from the RFQ and instead request that applicants submit high level details as to how they satisfy market operating requirements (i.e., via team member experience or third party entity) should they be successful under the LT1 RFP or the expedited procurement.</p> <p>The IESO may request additional evidence at the RFP stage to ensure Proponents have market operations experience.</p>
<p>Stakeholders noted that Indigenous engagement and ownership is crucial to the success of any new build infrastructure project in Ontario.</p> <p>Some asked the IESO to consider a requirement that entities must demonstrate a % of Indigenous ownership in order to participate.</p>	<p>The IESO agrees with the importance of Indigenous participation in Ontario infrastructure projects, and is seeking to reflect this through the RFP rather than the RFQ, which is solely focused on qualifying applicants – not specific projects.</p>

General Feedback

Feedback	IESO Response
<p>Some stakeholders requested whether there are any updates to the acquisition document, to help provide context for the size/scope future opportunities.</p>	<p>Please refer to the recently published 2022 AAR for the most up to date information on future acquisition mechanisms and planned actions. As the IESO further designs the additional mechanisms</p>
<p>Stakeholders requested further detail on the IESO’s decision to have the 4-hour production duration be a mandatory requirement instead of a Rated Criteria.</p>	<p>As discussed in the 2022 AAR, periods of resource adequacy risk tend to be sustained for multiple hours at a time:</p> <ul style="list-style-type: none"> • 30% of events persist for up to four hours; • 20% of events persist for more than 4 and up to 8 hours; • 25% of events persist for more than 8 and up to 16 hours; and • 25% of events persist for more than 16 hours. <p>The LT1 RFP will look to reward resources able to provide greater than 4 consecutive hours, potentially through the rated criteria.</p>
<p>Stakeholders indicated that permitting in Ontario is challenging and suggested that the IESO engage with other permitting and regulatory agencies to help ensure that proponents can feasibly meet the timelines proposed in the LT RFP.</p>	<p>The IESO will continue to engage with the relevant permitting and regulatory bodies throughout the development of the LT1 RFP and Expedited procurement. At the same time, proponents are also encouraged to engage early with municipalities, Indigenous communities and relevant Ontario and Canadian permitting authorities to understand the applicable permitting timelines, and if needed, commence processes ahead of submitting proposal in response to the LT1 RFP or Expedited Process.</p>

Feedback	IESO Response
<p>Some stakeholders indicated that increased competition could be achieved by permitting redeveloped projects and expansions (e.g. existing renewable energy projects nearing the end of their 20-year contracts) to participate.</p>	<p>In the April 20 LT1 RFP stakeholder engagement, the IESO laid out proposed additional procurement mechanisms, which include opportunities for same technology expansions. Further information can be found on slides 20 – 30 of the meeting materials.</p>
<p>Will the IESO be providing any demand charges to the storage applicants? If so, how will the IESO navigate those charges to the developers?</p>	<p>As the IESO continues to refine contract design options, the potential implications of that design on a range of technologies that could be expected to participate in the LT1 RFP procurement will be taken into account, including energy storage. The feedback provided to date will be considered and addressed through contract design.</p>
<p>Given Ontario’s established needs for capacity and the relatively short time available to meet them, some stakeholders recommend that the IESO proceed with its proposed procurement for up to 1000 MW by 2027 but to also initiate tailored resource procurements for meeting baseload, intermediate and peak demands in 2028, 2030, and 2035.</p>	<p>The IESO will not be pursuing tailored resource-based procurements. With the implementation of the Resource Adequacy Framework the IESO is moving towards a technology agnostic, procurement strategy that seeks to procure products/services to meet system needs. The acquisition mechanisms identified in the 2022 AAR intend to address emerging system needs.</p>
<p>Stakeholders requested that the IESO release anonymized results of the Confidential Questionnaire.</p>	<p>The IESO has used the results of the Confidential Questionnaire to inform the design of the supplemental mechanisms outlined in the 2022 AAR. The IESO is not pursuing the release of questionnaire results at this time.</p>