

Feedback Form

Long-Term RFP – April 20, 2022

Feedback Provided by:

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Following the April 20th public webinar on the Long-Term RFP, the Independent Electricity System Operator (IESO) is seeking feedback from participants on the additional procurement mechanisms, as well as on proposed revenue streams.

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

Please provide feedback by May 2, 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.

Additional Acquisition Mechanisms: Expedited Procurement

Topic	Feedback
<p>Considering higher security amounts, what incentives are sufficient to encourage expedited project development to meet the 2025 needs (e.g., increased term length, price adders, reduced RFP requirements)?</p>	<p>It is unclear why the IESO has not included a tangible net worth requirement in the RFQ. In past procurements the OPA relied on proponents satisfying a tangible net worth requirement so as to provide assurance proponents had sufficient financial resources to finance and develop proposed projects and attain contracted COD, and tangible net worth requirements continue to be included in processes administered in Alberta, Saskatchewan, and Quebec. Capital Power recommends the IESO establish and include a tangible net worth requirement in its process.</p> <p>Capital Power also recommends that the IESO focus on the critical path items necessary for running its procurement process which will be necessary for getting projects online for 2025.</p> <p>Capital Power understands that the IESO is considering increased security amounts for the purpose of assuring itself that projects successful under the Expedited Process will be delivered. While it is understood that in seeking feedback the IESO is trying to understand stakeholders' requirements, Capital Power recommends the IESO undertake to first prioritize the advancement of the procurement process, contract design (i.e., risk allocation principles, structure, salient commercial terms), and then turn its mind to what adjustments may need to be made in order to compensate suppliers for increased performance security. This will help the IESO avoid the awkward algebra of attempting to offset or mitigate security and net worth requirements through the inclusion of additional contract incentives</p>

	<p>prior to core commercial terms being established.</p> <p>Since performance security requirements under the Expedited Procurement to apply to all eligible developers uniformly (i.e., same \$/MW) competing bidders can readily assess the impact of the performance security on overall project economics and submit bids reflective of project-specific and developer-specific requirements.</p>
<p>What evidence can proponents include in the proposal to show the advanced stages of project development?</p>	<p>If established, the following facts can be used to demonstrate a project is in an advanced stage of development:</p> <ul style="list-style-type: none"> - Site control - Site design - Environmental studies - Financial capability - Complete lists/timelines of achievable milestones necessary for COD <p>It is not clear what the IESO means when it refers to evidence of “having supply chain lined up.” Could the IESO provide specifics of evidence it would be seeking to establish this?</p> <p>A Municipal Council Support Resolution should not be required to establish that a project is in the advanced stages of development. Capital Power considers this proposal particularly challenging when considering the proposed restrictions on communication relating to the RFQ.</p>
<p>Is there any other external support (e.g., from the IESO) that would be needed to help proponents meet expedited development timelines?</p>	<p>Please see Capital Power’s comments submitted on April 27th, 2022. Capital Power believes the IESO shares a role in understanding, identifying, and coordinating solutions to overcome regulatory and permitting barriers to achieving COD.</p>

<p>Are the proposed timelines acceptable to proponents? (slide 23 of April 20 presentation)</p>	<p>With respect to in-service dates, these should be scheduled for December 2025, not May 2025. This will avoid the challenges and additional costs that come with scheduling construction over the winter season.</p> <p>Please also see Capital Power’s comments submitted on April 27th, 2022.</p>
<p>Do the timelines for the Expedited procurement offer sufficient time for proposal preparation? (slide 23 of April 20 presentation)</p>	<p>Please see Capital Power’s comments submitted on April 27th, 2022.</p>
<p>Any further general comments on the Expedited procurement?</p>	<p>Not at this time.</p>

Additional Acquisition Mechanisms: Same Technology Expansions

Topic	Feedback
<p>What milestones (i.e., contract execution) and forward period would be required to support a 2025 in-service date?</p>	<p>Proponents require the IESO to communicate and expeditiously administer its process for Same Technology Expansions so that the proponent-owners can allocate their capital optimally across sites with consideration to available transmission capacity.</p> <p>While earlier is better, contracts should be executed by the end of Q3 2022. Capital Power has recommended the same apply to the Expedited Procurement contracts.</p> <p>With respect to in-service dates, these should be scheduled for December 2025, not May 2025. This will avoid the challenges and additional costs that come with</p>

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	scheduling construction over the winter season.
What considerations regarding the existing contracts does the IESO need to take into account in the design of the process?	<p>Capital Power expects that the terms of existing facility contracts will need to be aligned with the term length of agreements executed for Same Technology Expansions.</p> <p>If the IESO's intention is to apply the proposed CFD/hedge structures to the Same Technology Expansion procurement, then both the IESO and supplier will need to consider whether the proposed structures can work effectively with the structure/incentives of the existing asset's contract.</p>
Is there any other external support (i.e., from the IESO) that would be needed to help proponents meet expedited development timelines?	Please see comments submitted on April 27 th , 2022.
Any further general comments on the same technology expansions?	Not at this time.

Additional Acquisition Mechanisms: Forward Capacity Auction

Topic	Feedback
To what extent does a forward capacity auction with longer forward and commitment periods increase interest for prospective auction participants?	A forward capacity auction with a three-year term would not be considered a sufficient incentive for additional investment in existing or new facilities.
Do stakeholders have any comments on expanded participation and eligibility for resources?	No comments at this time.
Do stakeholders have any comments on demand curve parameters?	No comments at this time.

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Do stakeholders have any comments on interactions with the annual capacity auction including target capacities?	No comments at this time.
Do stakeholders have any input to provide into the design of longer forward and commitment period?	No comments at this time.
Do stakeholders have any further comments on other business/stakeholder considerations associated with longer forward periods?	No comments at this time.
Any further general comments on the forward capacity auction?	No comments at this time.

LT1 Design Considerations: Revenue Streams

Topic	Feedback
Are stakeholders supportive of the concept of a bundled CFD style approach?	Directionally, yes. This structure can work, but more details are required.
As per slide 54, is a bundled CFD contract preferred that is either: (1) linked to energy market prices, with a strike price set at a \$/MWh value beyond a capacity payment, or (2) linked to a total revenue requirement \$/MW-month that includes both capacity revenues and energy market revenues?	Capital Power will provide feedback with respect to preference on structure(s) once additional details have been provided to stakeholders. This detail is expected at the IESO's May stakeholder sessions. At this time insufficient detail has been provided to support the establishment of a preference.
How can a bundled CFD be best designed in order to ensure resources adhere to energy market incentives, in exchange for investor certainty?	This question will necessarily be answered through a combination of contract incentives and market rules. This question is also better addressed once the IESO has provided additional and sufficient detail regarding the payment and pricing structures being considered.

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	<p>Ontario's market structure is unique in that a substantial portion of supply has no exposure market prices. It is preferred that contracts not frustrate efficient market operations but given Ontario's structure and the nature of the resources needed for decarbonization (i.e., high CAPEX, low OPEX) real time energy market incentives should not be the overriding design consideration, particularly in advance of market redesign.</p>

LT1 Design Considerations: Mandatory requirements

Topic	Feedback
<p>Do stakeholders have any feedback on the examples of mandatory requirements on slide 63?</p>	<p>Municipal Council Support Resolutions should not be made a mandatory criterion for reasons noted above.</p>
<p>Are stakeholders supportive of the Indigenous and Municipal mandatory requirements proposed for the LT1 RFP and Expedited procurement on slide 64?</p>	<p>See comments above.</p>

LT1 Design Considerations: Rated criteria

Topic	Feedback
<p>Are stakeholders supportive of the rated criteria approach that is proposed for the LT1 RFP and Expedited procurement?</p>	<p>The IESO should clearly articulate the weighting of each aspect of the criteria so that potential proponents can assess their individual competitiveness and positioning with respect to what the IESO will value in the procurement process.</p> <p>With respect to the inclusion of location in the rated criteria, Capital Power believes that the weighting assigned to location(s) should be clearly articulated by the IESO as</p>

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	soon as possible. This transparency is necessary for facilitating the efficient allocation of capital to projects in locations where supply is needed by the IESO.
Are stakeholders supportive of the Indigenous participation rated criteria proposed on slide 66?	Capital Power is supportive of inclusion as part of rated criteria in processes generally but has concerns with respect to the timing of inclusion in the Expedited Process, particularly when considering the IESO's targeted COD.

General Comments/Feedback

Capital Power appreciates the opportunity to provide feedback once again to the IESO with respect to its procurement efforts. Considerable progress has been made, and Capital Power strongly supports continued efforts to advance the procurement process with a view to executing contracts for 2025 delivery by the end of Q3 2022.

Capital Power would like to note that of the IESO processes presented, no mechanism appears well-suited to renewable facilities that may be candidates for repowering. It is recognized that repowering is not "New Build" as the IESO has defined it, but we are concerned that without eligibility for participation in the various processes being run by the IESO, renewable facilities on developed sites with expiring contracts will be forced to retire early, and at a time when Ontario may need all of its available MWs. We strongly encourage the IESO to consider how repowering of existing renewables may be accommodated in the various processes, and we would be happy to discuss this further at future stakeholder meetings.

It is appreciated that the IESO will be providing more detail regarding the proposed CFD/hedge structures during the May 2022 meeting. We look forward to receiving this detail and providing relevant feedback. Based on the detail provided to date, it will be challenging for the IESO to develop one contract structure that will work in a technology agnostic procurement. Capital Power recommends the IESO carefully consider whether its proposed structures will work for all competing technologies. By remaining flexible with respect to considering tailored design features that respect the commercial constraints, economics, and cost structures of technologies expected to be competitive, the IESO's procurements are likely to be more successful at attracting investment from developers of those technologies which are needed to provide capacity and energy while also facilitating the energy transition.