

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
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)?	
What evidence can proponents include in the proposal to show the advanced stages of project development?	
Is there any other external support (e.g., from the IESO) that would be needed to help proponents meet expedited development timelines?	
Are the proposed timelines acceptable to proponents? (slide 23 of April 20 presentation)	
Do the timelines for the Expedited procurement offer sufficient time for proposal preparation? (slide 23 of April 20 presentation)	
Any further general comments on the Expedited procurement?	

Additional Acquisition Mechanisms: Same Technology Expansions

Topic	Feedback
What milestones (i.e., contract execution) and forward period would be required to support a 2025 in-service date?	
What considerations regarding the existing contracts does the IESO need to take into account in the design of the process?	
Is there any other external support (i.e.,, from the IESO) that would be needed to help proponents meet expedited development timelines?	
Any further general comments on the same technology expansions?	

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?	
Do stakeholders have any comments on expanded participation and eligibility for resources?	
Do stakeholders have any comments on demand curve parameters?	
Do stakeholders have any comments on interactions with the annual capacity auction including target capacities?	
Do stakeholders have any input to provide into the design of longer forward and commitment period?	
Do stakeholders have any further comments on other business/stakeholder considerations associated with longer forward periods?	
Any further general comments on the forward capacity auction?	

LT1 Design Considerations: Revenue Streams

Topic	Feedback
Are stakeholders supportive of the concept of a bundled CFD style approach?	A bundled CFD style approach is supported by Hydrostor. The inclusion of both the energy and capacity revenue streams will minimize merchant risk thus making the financing of the projects much simpler and more cost-effective. This will lead to overall lower costs for Ontario ratepayers.

Topic	Feedback
<p>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?</p>	<p>Option (2) is preferred which is linked to a total revenue requirement - \$/MW-Month that includes both capacity revenues and energy market revenues. The uncertainty of the capacity revenue streams in the future will make financing and modeling of projects challenging with option (1). Since MRP is still underway, the uncertainty regarding future revenue streams will make any merchant revenue stream difficult to forecast.</p>
<p>How can a bundled CFD be best designed in order to ensure resources adhere to energy market incentives, in exchange for investor certainty?</p>	<p>The operator of the facility can be required to submit an operating plan on an annual basis which can be audited by the IESO to ensure the system operator is maximizing revenue from the energy markets in exchange for the long-term investor certainty.</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>Hydrostor would recommend increasing the 4-hours of continuous energy injection to 8-hours to better meet the needs of reliability needs of the province as stated in the Annual Acquisition report. Over 50% of risk events as stated in the AAR report are expected to be greater than 8-hours.</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>Hydrostor is supportive of the requirements stated on slide 64.</p>

LT1 Design Considerations: Rated criteria

Topic	Feedback
Are stakeholders supportive of the rated criteria approach that is proposed for the LT1 RFP and Expedited procurement?	Hydrostor is supportive of the rated criteria with respect to location, duration of service, and indigenous participation. In addition, the IESO should consider rated criteria that evaluate the environmental impact of the various technologies through their entire lifecycle. The IESO should ensure that the supply chain used to deploy any technology is environmentally sustainable and meets global anti-slavery laws. This is a key aspect of the procurement conducted by the New South Wales government for similar services.
Are stakeholders supportive of the Indigenous participation rated criteria proposed on slide 66?	Hydrostor is in support of the rated criteria.

General Comments/Feedback

On slide 41 of the presentation, the security deposits have been provided for the LT 1 RFP and expedited procurement. While Hydrostor appreciates that the IESO wants to ensure the deliverability of the projects and a large security deposit will ensure that proponents only submit serious bids, we recommend that the IESO follow the procurement methodologies set out in California and New South Wales. Within those jurisdictions, the security deposits are broken into two parts with one security deposit due when a project is short-listed (Hydrostor recommends \$3,000/MW similar to California long-duration procurements) and a larger amount due when a contract is finalized with the IESO (Hydrostor recommends \$15,000/MW). The current security deposits proposed at \$30,000/MW and \$45,000/MW are cost-prohibitive and will increase the cost to Ontario ratepayers due to higher financing costs for the projects.