

Feedback Form

Long-Term RFP – April 20, 2022

Feedback Provided by:

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Date: May 2, 2022

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>Developers looking to meet the IESO’s 2025 in-service date face many challenges beyond their control, including permitting, interconnection assessment, supply chain constraints, commodity market volatility, etc. These circumstances may construe to delay projects, despite developers’ best efforts.</p> <p>To incent developers to meet the May 1, 2025 COD deadline, the IESO referenced a “carrot and stick” approach. While certain remedial actions may be warranted to ensure developers meet reasonable milestones, overly punitive “sticks” may prove counter-productive in achieving the IESO’s goal of bringing new capacity online as soon as possible. Put simply, incentives that promote project economics will be more successful than incentives that endanger them.</p> <p>This extends to the security amounts proposed by the IESO, which are excessive and out-of-step with industry norms.</p> <p>At which point during the process will the IESO require the posting of these securities? RFQ qualification? RFP submission? Contract signing?</p> <p>In terms of incentives, term length should commence from the in-service date and run to 2027 plus 15 or more years. Failing to meet the May 1, 2025 in-service date should not endanger term beyond the in-service date (missing the in-service date by a week should not cost developers all 2025 term, or something to that effect). To incent resources to be in-service, the IESO could offer price adders, based on date “cliffs”. If</p>

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	<p>the project is in service by May 1, 2025, the contract adder will be \$X, if that date is missed, but some future date is made, say Nov 1, 2025, some lesser adder is awarded. These cliffs continue up until May 1, 2027, at which point no adder is available.</p> <p>Supply chain constraints and commodity risk pose potentially intractable problems for developers. Lithium prices – which have skyrocketed in recent months – serve as a cautionary tale for developers competing for materials in a global marketplace that is simultaneously moving towards decarbonization. Cancelled or delayed turbine and panel orders are increasingly frequent. While developers may be better situated to mitigate these risks relative to the IESO, developers are increasingly at the mercy of these global forces, with little recourse. To the extent the IESO designs an RFP that imposes the entirety of these risks on the developer, bid prices will necessarily reflect that significant risk. Furthermore, the procurement timelines sought by the IESO have left developers with little to no time to mitigate the aforementioned risks. Given the circumstances, it's appropriate to have the IESO share in the risks they've contributed to amplifying. The IESO should consider a contract design in which the developer and the IESO share in commodity risk via a partial pass-through mechanism. Additionally, Force Majeure events should be sufficiently broad enough to recognize the risks and challenges of developing and constructing on such a constrained timeline.</p>
<p>What evidence can proponents include in the proposal to show the advanced stages of project development?</p>	

Topic	Feedback
<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>Are the proposed timelines acceptable to proponents? (slide 23 of April 20 presentation)</p>	
<p>Do the timelines for the Expedited procurement offer sufficient time for proposal preparation? (slide 23 of April 20 presentation)</p>	<p>No. Requiring site control, evidence of having supply chain and financing lined up, and a Municipal Council Support Resolution or an Indigenous Community Support Resolution by November 1, 2022 will not be feasible for the vast majority of proponents. Little to no development has taken place in Ontario over the past decade, and the readiness of the processes that support these requirements reflect that reality.</p> <p>Requiring financing prior to bid submission is particularly problematic. Financial institutions have little to no experience financing large projects in Ontario over the past 10 years, and now they're being asked to back a project that has no contract, and if it gets one, will be for a shorter term and lesser proportion of overall revenues than has historically been the case in Ontario. Furthermore, financiers only have a couple months to get comfortable with these risks.</p> <p>Community support is critical to project success, but the IESO's timelines won't allow for sufficient time to engender that support.</p> <p>If the IESO is to impose such requirements on projects at the time of bid submission, it should ensure that the requirements are sufficiently flexible and permissive so as to not unfairly constrain participation from developers making best efforts to meet the IESO's tight timelines.</p>

Topic	Feedback
Any further general comments on the Expedited procurement?	<p>The IESO has indicated that it intends to conduct the deliverability assessment following the RFQ process, but well before the RFP bid submission deadline.</p> <p>Recognizing that project design will not be substantively finalized until bid submission, how will this timing impact the IESO's deliverability assessment? What project information will the IESO require before bid submission to conduct its deliverability assessment? Is the info to be submitted for the RFQ via the Long-Term Project Description prescribed form sufficient? Info provided for the RFQ is informational, will the IESO reassess deliverability if project details significantly change before RFP bids are due?</p> <p>Slide 30 states that the Expedited Procurement is "targeted at global need", whereas the LT RFP has a "strong preference" for resources in the West and East of FETT. Will the expedited process have rated criteria based on location?</p>

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
<p>Are stakeholders supportive of the concept of a bundled CFD style approach?</p>	<p>A bundled CfD contract structure is an effective way for the IESO to reduce investment risk and the cost of capital, while providing developers and ratepayers with certainty.</p> <p>If the IESO adopted a CfD structure as contemplated in bullet one on slide 54, would proponents bid in their own energy volumes to the RFP? How would the IESO evaluate the value/cost of that hedge relative to other bids? Would the IESO need to take a view on future market prices to compare bids with differing energy hedge bid prices and volumes? Would that not effectively mean the IESO is no longer procuring based solely on capacity value?</p> <p>Would the contract structure under bullet 2 require a deeming mechanism, similar to what's contained in the CES contracts? How would that function in a technology agnostic procurement where competitors may have vastly different cost structures across technologies (zero marginal cost resources vs. positive marginal cost resources vs. opportunity cost resources)? How would the IESO make an apples-to-apples comparison of the cost/value of the capacity its procuring under those circumstances?</p>
<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>How can a bundled CFD be best designed in order to ensure resources adhere to energy market incentives, in exchange for investor certainty?</p>	

LT1 Design Considerations: Mandatory requirements

Topic	Feedback
Do stakeholders have any feedback on the examples of mandatory requirements on slide 63?	
Are stakeholders supportive of the Indigenous and Municipal mandatory requirements proposed for the LT1 RFP and Expedited procurement on slide 64?	

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?	
Are stakeholders supportive of the Indigenous participation rated criteria proposed on slide 66?	

General Comments/Feedback

Prior procurement documents and presentations made reference to UCAP megawatts, whereas this presentation primarily references "effective capacity". Can the IESO please explain the difference between the two concepts, and why the switch was made. Can the IESO please provide the effective capacity the IESO will apply for all resource types, including clarifying the methodology it intends on using.

From slide 77, the IESO will only determine deliverability based on the existing system with network upgrades that have been fully committed to. Bids requiring additional upgrades won't be considered. Has the IESO conducted an assessment to ensure the current and committed system can accommodate the 8+ GW of new effective capacity that needs to join the system by the end of the decade? Has the IESO assessed how limiting its view to the current and committed system will limit competition?