

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>While TransAlta appreciates that the IESO views the imposition of requirements such as site control, evidence of supply chain and financing, municipal council support or indigenous community support resolutions and higher security requirements as way to vet out projects that are sufficiently advanced, these requirements do not take into account that project development has been impacted for over two years by the Covid-19 pandemic and the IESO has only recently indicated any interest in acquiring new resources. Even under ideal conditions, expediting new-build to meet the aggressive in-service timeline of 2025 is extremely challenging and imposing onerous obligations on prospective participants will only serve to discourage participation or otherwise drive a greater need to make the pricing and terms of the contract opportunity more attractive.</p> <p>TransAlta further notes that there is significant regulatory risk for new-build development including greenhouse gas emission regulation (i.e., Clean Electricity Standard) and the terms of the contract need to provide flexibility to the market participant to manage this risk. We encourage the IESO to develop a contract that can be customizable (rather than a one-size fits all solution) such as trading off higher pricing for shorter term as some developers may be amenable to develop a project that pays back invested capital more quickly to manage long term regulatory uncertainty.</p>

Topic	Feedback
<p>What evidence can proponents include in the proposal to show the advanced stages of project development?</p>	<p>The IESO should consider brownfield development on existing sites as project development that can occur more quickly than greenfield development. These could largely occur with amendments to existing permits and licences. The IESO should accept any evidence including: secured equipment, permit and licence provisions that contemplate expansion (including a filed application that has not yet receive permit and licence), evidence of previous engineering work for an expansion, and any records of previous public consultation on expansion as evidence of advanced stages of project development.</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>The IESO should preferentially expedite projects that participate in the expedited procurement with respect to interconnection and registration.</p>

Topic	Feedback
<p>Are the proposed timelines acceptable to proponents? (slide 23 of April 20 presentation)</p>	<p>The expedited procurement timelines are very aggressive given that the procurement is for new and not existing facilities (unlike the Medium-Term Request for Proposal (RFP)). It is very difficult to evaluate the reasonableness of this schedule given that we don't have the qualification requirements or any details about what the IESO is planning to propose for the RFP or contract. The IESO should expect that participants will require more time to determine their interest in the process and more time to complete the requirements if the list of qualification requirements is very stringent and if the contract including its performance requirements is complicated. TransAlta asks the IESO to carefully consider and strike a reasonable balance in what it requires of proponents. The IESO's approaches to recent contract designs have been overly complex and have not taken into account the numerous changes including Market Renewal Program (MRP) that make new investment into Ontario risky for development.</p>
<p>Do the timelines for the Expedited procurement offer sufficient time for proposal preparation? (slide 23 of April 20 presentation)</p>	<p>It is difficult to assess the timeline without further detail but the timeline for proposal preparation appears too short – it appears to be modeled on the medium-term RFP which related to existing assets. The IESO should be mindful that proposals for new assets including brownfield development generally take more time than for an asset that is fully operating and simply need a contract to provide certainty for ongoing operations.</p>

Topic	Feedback
Any further general comments on the Expedited procurement?	<p>TransAlta reiterates that imposing onerous evidentiary requirements to show advanced stage project development is likely to discourage participation of projects that could otherwise meet the expedited timelines. As noted above, the signals that Ontario has provided to the Independent Power Producer (IPP) community in the recent past is that the province has limited generating investment opportunity – that the market has been in surplus due to previous over-procurement. IPPs work best under stable and predictable regulatory frameworks that allow suppliers to manage their portfolio risks including the risk that their existing assets could be stranded as a consequence if the IESO over-procures new capacity.</p> <p>Furthermore, this recent change in procurement interest is difficult to assess as the IESO has proposed so many different views about procurements and contract types and structure that it is hard to evaluate the attractiveness of the opportunity – let alone deploying internal resources to pursue development.</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?	The forward period to meet a 2025 in-service date is highly ambitious as currently proposed (2-3 years). Contract execution is needed as soon as possible to devote the significant resources needed to meet the expedited timeline.

Topic	Feedback
What considerations regarding the existing contracts does the IESO need to take into account in the design of the process?	The existing contracts were more attractive than the IESO's proposal for the medium-term RFP. If the IESO is interested in new resources, it should consider a bundled energy + capacity contract structure.
Is there any other external support (i.e., from the IESO) that would be needed to help proponents meet expedited development timelines?	Same comment as the expedited procurement above.
Any further general comments on the same technology expansions?	No further comment.

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?	<p>A longer forward periods may encourage greater participation and competition in the request for proposal process. A very short forward period is difficult to meet due to regulatory timelines for approvals and general development timelines for engineering, procurement and construction. TransAlta notes that global supply chains continue to present challenges to timely procurement and cost.</p> <p>With respect to the commitment period, a longer contract terms would generally be more attractive but given the regulatory uncertainty with respect to the Clean Electricity Standard it may also impose long term risk on a proponent given that future regulation could make it difficult to meet the obligations of the contract in the future. TransAlta recommends that the IESO consider adding contract off-ramp, regulatory change and termination provisions that would help a participant to manage this risk.</p>

Topic	Feedback
Do stakeholders have any comments on expanded participation and eligibility for resources?	The capacity auction is not attractive for generation investment. A three-year contract term does not provide a reasonable opportunity to earn a return on and of capital deployed for generation investment.
Do stakeholders have any comments on demand curve parameters?	No comments at this time.
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?	See comment above.
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?	A bundled CFD style contract could be attractive mechanism to address regulatory uncertainty with respect to changes related to MRP.

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>A bundled CFD that is linked to capacity and energy market revenues is less attractive. It creates greater revenue uncertainty for projects that are already exposed to heightened procurement and construction risk.</p> <p>A bundled CFD (linked to energy market prices) could be attractive depending on the design of strike price for the energy component. This may be especially true given that the IESO's MRP creates regulatory risk with respect to the ability of a participant to predict what their energy revenues may be under locational market pricing.</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 CFD component on energy price should be designed to provide an energy price floor to mitigate the uncertainty of locational market pricing. The call option component (the hedge that the IESO receives when prices are above the strike) should consider a different strike price than the price floor otherwise it will increase the price that is required in the capacity component of the contract.</p>

LT1 Design Considerations: Mandatory requirements

Topic	Feedback
Do stakeholders have any feedback on the examples of mandatory requirements on slide 63?	The requirement for a Municipal Council Support Resolution or Indigenous Community Support Resolution is not a reasonable mandatory requirement in the Request for Qualification (RFQ) stage. These requirements take time to complete. Moreover, imposing this requirement on projects at this stage will be bottlenecked by the time that municipalities and Indigenous communities need to consider these requests. As noted above, the pandemic and lack of interest from Ontario for generation development disadvantages IPPs in meeting this requirement in such a short timeframe.
Are stakeholders supportive of the Indigenous and Municipal mandatory requirements proposed for the LT1 RFP and Expedited procurement on slide 64?	No, TransAlta does not support the requirement for Municipal Council Support Resolution or Indigenous Community Support Resolution.

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?	No comments at this time.
Are stakeholders supportive of the Indigenous participation rated criteria proposed on slide 66?	As explained above, the timelines are very short and do not provide reasonable opportunities to finalize Indigenous communities participation in a project. To be clear, we generally support and are not opposed to Indigenous community participation but cannot see a practical manner in which this could occur with such a short timeline.

General Comments/Feedback

TransAlta looks forward to participating further in the development of the IESO's long term RFP and contract. The capacity (and energy) needs that the IESO has identified is not unique as evidenced by

similar announcements made by other provinces including Quebec and neighboring US jurisdictions. We encourage the IESO to consider the proposals for long term contracting opportunities that those provinces and jurisdictions are considering/offering as Ontario is competing for development investment against those opportunities.