

Feedback Form

Long-Term RFP – June 9, 2022

Feedback Provided by:

Name: Julien Wu

Title: Director – Regulatory Affairs

Organization: Evolgen by Brookfield Renewable

Email: [REDACTED]

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Following the June 9th 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 June 20, 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 Mechanisms: Overview and Linkages

Topic	Feedback
<p>Please provide any feedback on the IESO’s overview of the Additional Mechanisms (Expedited Process, Same-Technology Expansions, FCA) and the linkages between acquisition mechanism (e.g., Expedited Process and LT1 RFP, or LT1 RFP and LT2 RFP)</p>	<p>Please clarify the procurement mechanism for the Same-tech expansions: will this be a competitive process or bilateral discussions? The contract term lengths for expansion projects should also be bridged to 2043.</p> <p>On the FCA, we question how this mechanism will make a material change for eligible resources. The benefit of a 3 years FCA capacity sale versus only 1 year is marginal in our view. Thus, it may not incentivize eligible resources to participate. Also, the risk of delivery needs to be reasonable to incentivize participants to actually take on the obligation. The possibility of adjusting capacity obligations through the delivery period (bilaterally or via re-adjustment auctions) is important.</p> <p>On the linkage between RFPs, we are supportive of the proposal.</p>

LT1 RFP and Expedited Process: Mandatory Requirements and Rated Criteria

Topic	Feedback
<p>Please provide any feedback on the Mandatory Requirements and Rated Criteria proposed for the LT1 RFP and Expedited Process.</p>	<p>On Mandatory Requirements, we support the proposal as is.</p> <p>On Rated Criteria, please further clarify the Duration of Service criteria. As we noted during the June 9th session, the number of hours needs to be adjustable and to prevent overlaps. Also, please provide more details on the mechanism to adjust the offer price by the total Rated Criteria score of a project. Will the price be adjusted down by a ratio of scores obtained, or by the total score? For example, would a project with an offer price of 10\$/kW-month and a 14/14 score be adjusted to UCAP offer of 8.6\$/kW-month? More examples would be welcome.</p>

LT1 RFP and Expedited Process: Proposed Contract Design

Please provide feedback on the proposed contract design for the LT1 RFP and Expedited Process. The IESO welcomes feedback on the proposed approach for qualifying capacity as well as the proposed Capacity Payment Adjustment Mechanism.

Please provide more guidance on how the IESO intends to calculate Qualifying Capacity with examples from different technology types. It would be difficult for participants to enter into the “deliverability test” stage, let alone the actual RFP stage, without a better understanding of this mechanism. A live workshop would be very helpful.

The Adjustment Mechanism introduces unmanageable revenue risks that would jeopardize the value of longer-term contracts in securing financing. For example, the current uncertainty of the energy market (e.g., DAM, LMP, and MPM are not in place as Market Renewal may be delayed) and the general challenge of long-term price forecasting would make financial modeling difficult to prepare for the RFPs. What’s more, the proposal would create new administrative complications and therefore unfamiliar risks (e.g., modifier bands’ revision frequency and approval process, dispute resolution...). Finally, this proposal would not incentivize storage devices—the technology type most likely to meet the 2025 delivery timeframe—to charge when prices are low and discharge when prices are high. Not to mention that the “average pricing” benchmark would be completely mismatched with how storage devices operate and receive revenue in real-time—again, charging when RT prices are low and discharging when RT prices are high.

We recommend again the IESO adopt the simple but proven contract-for-difference (“CFD”) energy pricing mechanism, which has worked well to incentivize hydro facilities—the original storage technology—to optimize their operations in response to real-time market prices. The fixed price used for CFD should be based on the value of HOEP equivalent to the Duration of energy provided by the resources (for example, 4, 8, 16 or 24 hours). For storage resources, the fixed price should be the value of HOEP spread equivalent to the Duration of energy provided. For example, a 4 hour BESS may require to be charged for 5 hours, the CFD fixed price will be set on the HOEP price differential expected between the highest priced 4 hours minus the expected lowest priced 5 hours. The IESO HCI contracts have a similar

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	construct to incentivize resources to generate at the best times.

LT1 RFP and Expedited Process: Proposed Term Lengths

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Please provide any feedback on the term length considerations proposed in addition to the incentive mechanism for the Expedited Process.

While we appreciate the revised contract lengths published by the IESO, we wish to reiterate that the procurement landscape across Canada and the world remains extremely competitive due to concurrent resource adequacy needs, efforts to reduce GHG emissions and meet net-zero, as well as supply chain constraints. Developers targeting Ontario's procurement processes need to compete for capital, materials, and other resources in an unprecedented manner. In this context, lengthier contracts would help developers to secure the necessary approval, financing, and supplier-contracts to successfully prepare offers for the IESO. As mentioned in previous comments, the current wind RFP taking place in the neighbor province of Quebec, also targeting delivery in 2026, is offering 30-year contracts: nudging developers facing the aforementioned challenges to focus on that market instead. We once again recommend the IESO reconsider its contract lengths—ultimately, lengthier contracts allow better optimization and lower offer prices for rate-payers.

LT FRP 2 may include longer term contracts to support projects with longer life, like large hydro with storage or pumped storage hydro.

In addition, we recommend the IESO align its contract lengths between procurement tracks (e.g., Exp-RFP is tentatively 22 years whereas LT-RFP is 20 years). A uniform and longer contract length would encourage developers to offer projects as soon as ready, and remove the uncertainty as to "which" procurement process would be more advantageous.

Deliverability Assessment

Topic	Feedback
Please provide feedback on the IESO's proposed process for deliverability testing and timelines.	Given the extremely short time between the RFQ's results and the Exp-RFP's (and LT-RFP's) submission deadline, we recommend the IESO better clarify the deliverability test (with examples) as soon as possible, and preferably in the next few weeks to allow developers to start preparing for the Exp- and LT-RFPs. Given the multitude of upcoming RFPs with extremely close delivery dates (e.g., projects are expected to be delivered annually 2025 on), please clarify how the IESO would prioritize and organize <u>awarded</u> projects that compete for the same interconnection room and face the same transmission bottlenecks. In the same vein, if a project cannot be energized by its delivery date due to transmission and planning constraints as managed by Hydro One and the IESO (and therefore out of the developer's control), we recommend that the IESO not penalize its developer for failure to deliver.

Additional Acquisition Mechanisms: Same Technology Expansions

Topic	Feedback
Are the descriptions of the different kinds of upgrades/expansions clear and reflective of the options?	
What are the interdependencies between the existing contract, any upgrades and on-site expansions that need to be considered?	We recommend the IESO include uprates with storage (e.g., existing wind + new storage, as a hybrid integrated facility to increase the wind facility's capacity factor) in this procurement track. Allowing this setup would help the IESO exact more value (capacity, energy, and ancillary) out of existing assets with a proven operational record without the risk of new builds. For asset owners, the addition of storage provides a possible option to justify the repowering of an existing asset.
Are any interdependencies missing/not fully captured?	

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What are the considerations for participating in the Expedited Process or LT1 RFP?	
What other key considerations/risks need to be included to help ensure this initiative is successful?	As the IESO put forward an “early delivery” performance incentive for Exp- and LT-RFPs, the same incentive should also be provided to assets capable of successful uprates and/or expansions by 2025. With this incentive, the Same Technology Expansion procurement track could be a reliable venue for the IESO to create immediate capacity with minimal delivery, interconnection, permitting, and construction risk.

Additional Acquisition Mechanisms: Forward Capacity Auction

Topic	Feedback
Is expanding eligibility to variable generation, self-scheduling and co-located hybrid facilities in the FCA and ACA a priority for stakeholders? (Refer to slide 99)	Not a priority in our view as an FCA will not have a significant impact on decisions for these types of resources.
Any feedback and suggestions on how the performance assessment framework may need to be modified to reflect the design differences? (Refer to slide 106)	Performance assessment framework should treat all resources in an equivalent way. We are not supportive of these rules to be specific in contracts.
Any feedback on potential features that could be considered for the design of the FCA? (Refer to slide 108)	
Is expanding eligibility to variable generation, self-scheduling and co-located hybrid facilities in the FCA and ACA a priority for stakeholders?	

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<p>Any feedback and suggestions on how the performance assessment framework may need to be modified to reflect FCA design differences?</p>	
<p>What other design features should be considered to increase the attractiveness of a Forward Capacity Auction as part of IESO's suite of acquisition mechanisms? (Refer to slide 110)</p>	<p>Reconfiguration or balancing auctions are a must to allow resources to adjust their performance assessment risk and amount of capacity sold versus their level of qualified capacity.</p>

General Comments/Feedback