

# Feedback Form

## Long-Term RFP – June 9, 2022

### Feedback Provided by:

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Date: 20 June 2022

Following the June 9<sup>th</sup> 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](mailto: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**

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)

Significant ramp up in near-term demand is expected due to the widespread electrification of the transportation and building sectors, so it is therefore critical that the LT1 RFP and the Expedited Process (and other related acquisition mechanisms) fully consider practical risks and technological limitations associated with various resource options. Given the aggressive timelines, it is critical that the assessment criteria used to qualify potential projects fully account for the likelihood of projects being built and operational on schedule. Issues around local support or opposition, supply chain risks, and installation times should all be key considerations for this criterion. Natural gas-fired generation is not a solution to Ontario's looming capacity gap for several reasons.

First, it will be very hard to site such facilities. The province has had to relocate two natural gas-fired generation stations in the past because of the absence of a willing host. These facilities also require a long time to permit and build, and considering the pressing need for capacity, they will not be able to fill the capacity gap in a timely fashion.

Additionally, resource scalability and flexibility need to be considered, especially given the uncertainty of the extent of electrification in the near- and mid-term and its impact on overall demand. Given that the LT1/Expedited Process feeds directly into other procurement efforts, it is important not to disadvantage options that could continue to scale at a rapid rate and help meet the needs from LT1 into LT2. The IESO's overall resource acquisition strategy must also consider provincial and federal low-carbon mandates. It would be highly problematic (and costly) to procure and rely on a significant long-term resource in LT1 only for it to come online late and then be forced offline in 2035 due to expected and foreseeable regulations and requirements.

Natural gas-fired facilities acquired in the LT1 RFP would essentially be "throw away" generation that would need to be replaced in the short-term. The IESO needs to be focused on long-term solutions.

## 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>It is TAF's view that missing in the Mandatory Requirements and Rated Criteria is a carbon intensity target or requirement. Both the Province of Ontario and the Government of Canada have climate goals and commitments that directly impact this process. The Government of Canada is currently developing a <a href="#">Clean Electricity Standard</a> to meet its mandate of net-zero emissions electricity by 2035. The Province of Ontario has directed IESO to explore a moratorium on new natural gas generating stations, and to develop a plan to achieve <a href="#">zero emissions electricity in Ontario</a>. In this context, it is concerning that the proposed procurement framework does not take carbon emissions into account. Procuring new natural gas generating capacity would expose Ontario to significant and foreseeable risks, including forthcoming federal and provincial policy that would render contracted generation projects unsustainable and uneconomic. A fossil fuel electricity generator could receive a contract meant to last until 2047 but be forced to be taken offline by 2035. This is a practical concern that needs to be addressed directly. It exposes ratepayers to additional costs because investors will need to recoup their investments and earn a return over a much shorter timeframe. There is also a high risk that forthcoming changes to federal and provincial carbon pricing regulations would expose natural gas generators to a significantly higher effective carbon price. In view of these risks, the procurement process should incorporate either a mandatory requirement or rated criterion for carbon emissions intensity.</p>

## LT1 RFP and Expedited Process: Proposed Contract Design

Topic	Feedback
<p>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.</p>	

## LT1 RFP and Expedited Process: Proposed Term Lengths

Topic	Feedback
<p>Please provide any feedback on the term length considerations proposed in addition to the incentive mechanism for the Expedited Process.</p>	<p>While we acknowledge the benefits associated with the certainty offered by a longer-term length, this procurement must be designed with an eye towards the evolving federal and provincial policy and regulatory landscape.</p> <p>Any new long-term contract with a carbon-emitting generator introduces significant risk that the IESO will be left with a stranded asset in 2035, a cost that will ultimately be borne by electricity rate payers. If the IESO ultimately pursues a 20-year term length, it is critical that the design of this procurement reflect this reality.</p>

## Deliverability Assessment

Topic	Feedback
<p>Please provide feedback on the IESO's proposed process for deliverability testing and timelines.</p>	

## Additional Acquisition Mechanisms: Same Technology Expansions

Topic	Feedback
<p>Are the descriptions of the different kinds of upgrades/expansions clear and reflective of the options?</p>	
<p>What are the interdependencies between the existing contract, any upgrades and on-site expansions that need to be considered?</p>	
<p>Are any interdependencies missing/not fully captured?</p>	

Topic	Feedback
<p>What are the considerations for participating in the Expedited Process or LT1 RFP?</p>	
<p>What other key considerations/risks need to be included to help ensure this initiative is successful?</p>	<p>The current proposal outlined for this initiative is limited to upgrades or expansions to existing resources that provide firm capacity to the system. Only existing gas-fired generators would likely qualify based on this limitation. Such an expansion would run counter to the Minister of Energy’s directive to explore a moratorium on new natural gas generation, and federal and provincial climate goals more broadly.</p> <p>At minimum, if pursued, any efforts targeted at expanding capacity at existing facilities should not be restricted to firm capacity to ensure that multiple resources can participate in this initiative.</p>

## Additional Acquisition Mechanisms: Forward Capacity Auction

Topic	Feedback
<p>Is expanding eligibility to variable generation, self-scheduling and co-located hybrid facilities in the FCA and ACA a priority for stakeholders?</p> <p>(Refer to slide 99)</p>	
<p>Any feedback and suggestions on how the performance assessment framework may need to be modified to reflect the design differences?</p> <p>(Refer to slide 106)</p>	
<p>Any feedback on potential features that could be considered for the design of the FCA?</p> <p>(Refer to slide 108)</p>	

Topic	Feedback
Is expanding eligibility to variable generation, self-scheduling and co-located hybrid facilities in the FCA and ACA a priority for stakeholders?	
Any feedback and suggestions on how the performance assessment framework may need to be modified to reflect FCA design differences?	
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)	

## General Comments/Feedback

Thank you for providing the opportunity to provide feedback on this important process. The Atmospheric Fund's comments are centered on the following three primary points:

- 1) Procuring new/expanded natural gas generation capacity will expose Ontario and ratepayers to significant risks including regulatory, schedule, supply chain, and social license risks.

This process is looking at both short-term needs and long-term requirements to build in capacity for the shift towards electrification. As mentioned above, the LT1/Expedited Process must take into account issues relating to both the speed of installation and the ability to scale those solutions in the medium and long term. It is important for stability and price control that these decisions do not commit to energy sources with limited life cycle timeframes that would further complicate longer-term energy capacity development. Electricity resources associated with feasibility and predictability concerns, and those that take years to develop or augment, should be less desirable (and scored accordingly) than solutions that can be built on shorter timelines and scaled more effectively. Future procurement decisions should consider total energy production, as well as provincial and federal carbon requirements. Alignment with provincial and federal requirements must be considered alongside adherence to technology neutrality.

- 2) [Provincial](#) and [federal requirements](#) for low carbon objectives need to be accounted for.

This process governs the acquisition of new electricity resources under contract with the IESO up until 2047; it is critical that the provincial and federal requirements for low-carbon electricity and the limitations of the proposed Federal Clean Electricity Standard be considered. As such, this procurement process should prioritize options that have low-carbon intensities and life cycle emissions, as well as implementation timelines that are in line with this RFP. Technology neutrality should be pursued in parallel with considerations of stability, predictability, and expected requirements and regulations.

- 3) Carbon Intensity Targets for electricity production should be an explicit component of any medium- or long-term resource acquisition procurement.

Assigning Carbon Intensity Targets, such as those being included with the federal Clean Fuel Standard, or efficiency requirements per unit of energy created, can be an effective way of ensuring compliance with current and future climate objectives. Building low-carbon intensity requirements into the process will help support and encourage bidders to participate in this process and will signal a desire for additional low-carbon energy producers to look to Ontario for investment. Including mandatory or rated criteria for carbon intensity is compatible with technology neutrality, as it would allow multiple technologies to compete and be evaluated against objective and verifiable criteria and requirements.