

Feedback Form

Long-Term RFP – June 9, 2022

Feedback Provided by:

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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>The proposal for the same-technology expansion is not clear. The IESO appears to separate same-technology expansion as a different process; however, the procurement mechanism, its timelines, and the proposed contract structure are not explained. The IESO suggests that upgrades and expansions within the same-technology expansion will be treated differently and also suggests that there may be some linkages to the expedited and LT1 RFP processes but it is unclear what types of same technology expansion, i.e., upgrades or expansions and or small scale or large scale, are linked to which proposed procurement process or aspect thereof.</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>TransAlta would like more explanation of how the evaluated proposal price will be adjusted based upon rated criteria score. TransAlta request further detail on how the rated criteria will be translated to a discount on the evaluated proposal price (including the total maximum discount that will be available, the weighting assigned to each rated criteria, and how much of a discount one rate criteria point translates to).</p> <p>We understand that location and duration of service can be assigned values based upon their benefit to the system; however, we would like to better understand how the IESO will apply to the rated criteria of Indigenous participation since project ownership and Indigenous community participation do not change the electricity service characteristics of a proposed project.</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>	<p>TransAlta agrees that the capacity payment adjustment mechanism can provide some benefit in terms of mitigating some risk associated with energy prices and the future change to locational based prices. TransAlta also agrees that the use of the proposed mechanism is voluntary – that a proponent can propose no % adjustment to their fixed payment which would result in the capacity payment being fixed. TransAlta would like more information on how Capacity Payment Adjustments will be factored into capacity payment proposal and how they will be evaluated by the IESO in the selection of successful projects.</p> <p>The design of the capacity payment adjustment mechanism appears to be based on an average price concept. This reduces the benefit of the hedge as a means to mitigate energy price forecasting risk associated with market renewal program. The illustrative example of the hedge appears to require the proponent to submit in floor and cap as a percentage of average price, which still requires the proponent to guess at what the future average locational base prices might be for its project. Instead of this design, the IESO should design the hedge such that the proponent offers in the floor and cap price as fixed energy price levels (not percentages relative to an average price).</p>

LT1 RFP and Expedited Process: Proposed Term Lengths

Topic	Feedback
Please provide any feedback on the term length considerations proposed in addition to the incentive mechanism for the Expedited Process.	There is uncertainty about how greenhouse gas regulation could impact the amount or length of time that certain facilities, such as gas-fired generation, could operate. Provisions should be built into the contracts that would allow any gas-fired generation that is successful in the procurement to terminate the contract at a future date due to new regulatory requirements that may be imposed upon contracted projects. For example, certain project proponents may prefer to have a shorter contract length, which aligned better with the IESO's earlier proposal for a 7-10 year contract term. We recommend that the IESO provide a mechanism that would allow a proponent to propose a shorter-term contract or otherwise terminate a contract after a 10 year term.

Deliverability Assessment

Topic	Feedback
Please provide feedback on the IESO's proposed process for deliverability testing and timelines.	<p>TransAlta requests further clarify about how deliverability tests will be applied for same-technology expansions. Our understanding from the presentation is that same-technology expansions do not require a request for qualification but will require a deliverability test on the same timelines as the expedited process.</p> <p>TransAlta requests immediate clarification of this understanding as we are interested in the process for same technology expansion but the process for same-technology expansions has been marked as subject to further review and consultation despite the fact that deliverability testing for expedited projects are proposed to begin as early as July 27, 2022.</p>

Additional Acquisition Mechanisms: Same Technology Expansions

Topic	Feedback
Are the descriptions of the different kinds of upgrades/expansions clear and reflective of the options?	TransAlta generally understands the distinction the IESO is attempting to draw between upgrade and expansions.

Topic	Feedback
What are the interdependencies between the existing contract, any upgrades and on-site expansions that need to be considered?	Yes, generally upgrades and expansions are likely to share infrastructure. Upgrades and expansions are likely to be integrated and operated in conjunction with the existing facility such that they may be operated from a shared control room and other costs including operations and maintenance may be shared between the existing facility and the upgrade and/or expansion.
Are any interdependencies missing/not fully captured?	We are not clear whether an expansion that is dependent on the operations of the existing plant with respect to operating resources such as staff, equipment and costs ought to be treated as separate from the existing plant.
What are the considerations for participating in the Expedited Process or LT1 RFP?	We understand that the main consideration for the expedited versus LT1 process is the time to bring the new upgrade or new build on-line. Expedited projects are projects that are shovel ready and can achieve an 2025 in-service date, whereas LT1 projects may require development work and may achieve an in-service date between 2025 and 2027.
What other key considerations/risks need to be included to help ensure this initiative is successful?	Project proponents need a reasonable timeline and lead time to participate in this initiative. We are concerned that the timelines that the IESO is seeking to qualify proponents is too short and occurring concurrently with the development of the program. This is very rushed, confusing, and serves to increase risk for interested project proponents.

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)	The forward capacity auction is not an attractive procurement mechanism for variable generation or co-located hybrid facilities. The contract length is too short to provide revenue certainty for new investments.

Topic	Feedback
<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>No comments at this time.</p>
<p>Any feedback on potential features that could be considered for the design of the FCA?</p> <p>(Refer to slide 108)</p>	<p>No comments at this time.</p>
<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>Participation in the FCA and ACA for variable generation, self-scheduling or co-located hybrid facilities is not a priority for TransAlta at this time.</p>
<p>Any feedback and suggestions on how the performance assessment framework may need to be modified to reflect FCA design differences?</p>	<p>No comments at this time.</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?</p> <p>(Refer to slide 110)</p>	<p>A performance incentive framework could increase the attractiveness of the FCA and as part of the IESO suite of acquisition mechanisms.</p>

General Comments/Feedback

We are concerned about the lack of flexibility in the timelines. As conveyed above, we are concerned that the programs are still being developed at the same time that the IESO is asking to qualify participants. It is very difficult to make the commitment to qualify as a project proponent when, as a participant, the company is still evaluating whether the procurement programs are attractive enough to spend scarce development resources on.