

Feedback Form

Long-Term RFP – July 21, 2022

Feedback Provided by:

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Following the July 21st public webinar on the Long-Term RFP, the Independent Electricity System Operator (IESO) is seeking feedback from participants on: Municipal Council Support Resolution, Contract Design, Revised Timelines, and the Deliverability Test Guidance Document.

The referenced presentation can be found on the [Long-Term RFP webpage](#).

Please provide feedback by August 4, 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.

Municipal Council Support Resolution

Topic	Feedback
<p>Please provide any feedback on the IESO's proposal to change the Municipal Council Support Resolution from a mandatory requirement to a rated criteria.</p>	<p>Capital Power is supportive of IESO's proposal to change the Municipal Council Support Resolution from a mandatory requirement to a rated criterion but continues to have concerns with respect to timing challenges arising from the schedule of procurement activities and municipal elections. Capital Power encourages the IESO to consider alternatives to assessing developer readiness and engagement with its community partners to ensure that otherwise competitive projects are not overly penalized should the municipal election schedule preclude timely obtainment of a support resolution.</p> <p>If the IESO proceeds with having a Municipal Support Resolution included as part of the rated criteria, Capital Power would appreciate clarification with respect to the value of the points system and how points will be awarded for both the obtainment of a Municipal Support Resolution and other community engagement activities.</p>

Proposed Contract Design

Topic	Feedback
<p>Please provide any feedback on the potential use of indexing in the contracts and what indices (if any) may be best suited for these procurements.</p>	<p>Commodity Indexing</p> <p>Capital Power strongly <u>opposes</u> the inclusion and use of commodity indexing in the contract where indexing is intended to offset potential increases in commodity costs between the time of bid submission and COD. Assuming the RFP process has been undertaken according to a schedule that respects industry and commercial practices, the risk of rising input costs during this period should be the developer's risk to bear, and not a risk allocated to ratepayers. Exceptions to this allocation of risk may arise under limited circumstances, such as where the IESO extends/protracts the process timelines.</p> <p>As opposed to inflation which reflects broad economic conditions subject to change over the term of the agreement and outside the control of the proponent, risks</p>

related to development CapEx can and should be managed by the developer. A competent and experienced developer must have the capability to fix and/or manage its procurement costs impacting development CapEx. The proposal to adopt a design principle that would broadly insulate the developer from this risk, thus transferring it to the ratepayer is not only not commercial, but it also risks incorporating perverse incentives that attract bids from developers unable to secure supply chains and manage development risk. Competition serves the ratepayer because it attracts competitive capital and competent developers capable of managing risk and minimizing costs. If the process adopted insulates developers from these risks, the benefits of competitive tension are foregone.

To attract competitive capital from sophisticated, experienced, and capable developers with a healthy balance sheet, the IESO should instead focus on running a timely process where timelines are driven by industry standards and commercial realities. The IESO should be aware of how long supplier quotes can be relied upon and commit to processes and bid evaluation timelines that facilitate developer execution of supply agreements. If a developer chooses to not obtain a binding quote, or not rely on it, then the developer is choosing to include the cost of commodity price volatility in their binding RFP bid. To then shift this risk to the IESO and the ratepayer - entities and customers without commercial relationships to manage, leverage, or optimize - removes important and appropriate incentives and shifts commercial and development risks to the IESO and the ratepayer. Capital Power considers such a shift inappropriate and entirely unnecessary.

In the rare event it could be shown that commodity indexing is both commercial and necessary for attracting competitive capital from competent developers, the IESO will need to establish the following:

- Evidence that commercial and binding quotes could not have been obtained prior to bid submission
- If publicly available commodity indexes are used to establish measurable price increases, the IESO will

need to satisfy itself that the selected commodity index is reflective of increases to the costs directly passed onto all developers. For example, if spot market prices are used for indexing purposes, then there must be evidence that spot market prices are directly reflective of unavoidable incremental costs passed onto the developer.

Further, if adopted, commodity indexing should be optional for developers submitting bids into the RFP process, and bids that include commodity indexing should incur a heavy penalty in the bid evaluation process. The penalty should, at the very least, reflect the cost of the risk transfer from the developer to the IESO/ratepayer. In Capital Power's view, these questions and challenges readily identify the impracticality and non-commercial nature of standard contract terms that would insulate developers against these costs and highlight the importance of timely processes that attract sophisticated, competent developers. The necessary foundation for any robust competitive process ensures that those who bid are qualified and have the demonstrated ability to develop, construct, fund and operate projects in accordance with contractual commitments which, if breached, are subject to liquated damages. The market has and can deliver the required supply without unnecessarily burdening the ratepayers with risk that a competent private sector developer must take and manage.

Inflation Indexing

Capital Power supports the inclusion of terms that provide for indexing payments over the term of the contract, where indexing is tied to broad economic indicators that are generally accepted to reflect macroeconomic conditions, and that would impact the cost of fixed and variable operations and maintenance, as well as the cost of debt. Neither the IESO nor the developer are uniquely positioned to manage or mitigate inflation risk over the term of the agreement, and since forecast risk with respect to economy-wide inflation has the potential to materially impact project economics (and accordingly, bids) Capital

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	Power supports providing appropriate protection in the contract. The Consumer Price Index (“CPI”) has been used in previous IESO/OPA contracts and Capital Power supports inflation indexing based on CPI in the upcoming contracts under the LTRFP process.

LT1 RFP and Expedited Process: Revised Timelines

Topic	Feedback
Please provide feedback on the proposed revised timelines and whether these seem appropriate.	It is critical that developers be able to rely on timelines communicated and Capital Power strongly encourages the IESO to adhere to the timelines communicated.

Deliverability Test Guidance Document

Topic	Feedback
Please provide any feedback on the Deliverability Test Guidance Document and associated form.	<p>Capital Power is concerned that the IESO’s proposed approach will (i) unnecessarily burden the LTRFP process and risk key process milestones, and (ii) fail to effectively identify deliverability information required by proponents considering different projects, technologies, and processes included in the IESO’s broad resource procurement process. Please see comments below.</p> <ul style="list-style-type: none"> • Terms such as “nameplate capacity” are not defined in the market rules, nor the RFQ document. Capital Power suggests the IESO review its documents and forms for clarity and draft defined terms to ensure clarity. • Capital Power recommends the IESO test deliverability by assessing overall capacity at the substation level so that proponents understand the volume available for their entire site and allow them to develop projects and combinations of projects that optimize available transmission. This approach has the added benefit of materially reducing the number of submissions the IESO will have to evaluate as part of this process. In addition, this flexibility will allow

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	<p>developers to continue to optimize their project solutions until the bid due date, rather than being limited to the end of August. This is particularly important with items such as ongoing environmental work that may impact the final project design.</p> <ul style="list-style-type: none"> • With respect to the proposed requirement that proponents who are not participating in the Expedited RFP rescind CIA-DX requests, Capital Power recommends an alternative approach that instead prioritizes those projects competing in the Expedited Process/Same Technology Expansion. This eliminates the possibility that projects not rescinded interfere with the assessment process and allows the IESO and LDCs to control the process, rather than relying on parties to rescind submissions. • Capital Power recommends that the IESO incorporate the known performance factors of resources, the impact of both transient high ambient temperatures, and multi-day sustained heat events on thermal and nuclear facilities.

General Comments/Feedback

We strongly encourage the IESO to proceed with a transparent and competitive process for procuring supply resources required in Ontario. This process should facilitate participation from competent developers who can manage commercial risk associated with project development. Developers with strong balance sheets and proven development, construction, and operation experience will deliver projects and resources required.