BEDROCK ENERGY CORP.
100 Arisaig Drive
Vaughan, Ontario, Canada
L6A 1V7

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Bedrock Energy Corp. Stakeholder Draft E-LT1 RFP Response

The following are our comments regarding the E-LT1 RFP ("RFP").

The RFP remains in draft form and is subject to further changes by the IESO. We anticipate that most of the updates made in the RFP will be carried forward to the (non-expedited) LT1 standard contract (which has not yet been released), in accordance with the Summary of Differences published by the IESO on August 25, 2022.

1.2(f) Purpose and Background of the E-LT1 RFP

…and expiring on [April 30, 2047] (the "Commitment Period").

We believe that this term does not adequately reflect the lifetime of the facilities being proposed by the majority (weighted by deliverable capacity in MW) of the respondents. Effectively the RFP is biased towards battery technologies and will ultimately drive higher costs to the Ontario ratepayers.

2.2(d)(i) Overview of the E-LT1 Contract - Monthly Payment

Twenty percent (20%) of the FCP will be adjusted for inflation.

Based on our initial modeling and the need for CapEx reinvestment in addition to regular operating costs, we believe that thirty five percent (35%) is a more appropriate percentage adjustment.

2.2(d)(iii)

On the first (1st) anniversary of the Contract Date, there will be a one time adjustment to the FCP.

We strongly reject this measure. The project will not be financeable until the floor price of the FCP is established. We recognize the risk that the IESO is trying to mitigate, however the only thing that the finance community will tolerate is a mechanism that includes an upside only adjustment to the FCP. In the absence of certainty of the floor FCP, lenders will not be able to determine the loan amortization profile that achieves their minimum debt service coverage ratio. For greater clarity, this is not an issue relating to the cost (interest rate) of debt, it is an issue of availability of debt.

2.2(f)(i) Materials Cost Index Adjustment

The date of MCPm is the 10th, 11th & 12th months following the Contract Date.

The date of MCPm should be tied to the financial close of the facility and the factor should be 1.0 not 0.5. As a builder of the facility we are strongly incentivized to keep our capital expenditures as low as possible. To penalize the facility for broad economic movements ultimately increases costs to the rate payers as the debt and equity providers will price their participation based on the worst possible scenario. To state this another way, with a factor of 1.0 in the MCIA and the longest duration between MCPm and MCPb, the province has the possibility of a lower adjustment. With the factor at less than 1.0 and a shorter duration, the pricing of the FCP will include a premium to compensate for the worst case scenario in materials cost inflation.

2.2(j)(i) Regulatory Charge Credit and Global Adjustment for an Electricity Storage Facility

Electricity Storage Facilities will be eligible for a regulatory charge credit (including a reimbursement for Global Adjustment ("GA")), subject to minimum round-trip efficiency assumption of eighty percent (80%) (where actual efficiency below such level will result in less than one hundred percent (100%) reimbursement of such charges).

By proposing an undefined ***"will result in less than one hundred percent (100%) reimbursement of such charges"*** grind-down scale, it introduces an unquantifiable risk. Ultimately we believe the grind-down scale should not be punitive. As an operator of a facility we are motivated to achieve the highest round trip efficiency and to penalize any facility for falling below that mark, by design or exogenic events, seems counterproductive.

§2.2(k) Completion and Performance Security

The LC or security requirements strongly bias the RFP to large corporations. We understand the IESO's concerns regarding delivery risk and this is reflected in the wording of the RFP as weak given the IESO staff's comments during the information session on September 21st. We suggest that this is the wrong approach as this strategy will shrink the field of respondents, thus discouraging innovation and competition. Moreover, by effectively creating an oligopoly of applicants of large corporations, this element of the RFT will have the effect of driving prices up for the rate payers of Ontario. Our recommendation is that the IESO consider an increase in the security requirements that are driven by milestones or calendar dates:

5% at submission of bid

10% at an interim point

85% at the signing of a contract to enable all parties to participate.

Signed by:

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Evan Tummillo
Director, Research and Vendor Relations