Long-Term RFP Feedback – October 21, 2022

Removing Barriers and Promoting Diversity in Expedited LT-1 Proposals

Feedback Provided by:

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Compass Renewable Energy Consulting Inc. ("Compass") is pleased to submit this feedback to the IESO on the draft Expedited LT1 RFP, on behalf of Wahgoshig Solar FIT5 LP ("Wahgoshig Solar").

Compass and Wahgoshig Solar appreciate the time and effort that the IESO has committed to consultation on the design of the Expedited Long-Term and Long-Term Capacity procurements. Further, the IESO has demonstrated that it is listening to stakeholders by incorporating changes to the design of these important procurements, targeting 4,000 MW collectively, and representing billions of dollars of new investment.

One of the IESO's most recent change to the RFP, which comes seven months after engaging on this need from this procurement in February 2022, will now effectively exclude Small Scale Projects from Participating**.** We think this is a very late development within the expedited procurement given the time and effort that has been invested by the development community into these projects up to this point in time. Further we have spent many hours engaging with Municipalities and neighbours to now wonder if its worth the additional time and cost to submit a proposal.

Feedback #1	**RFP Section 4.4 Stage 4 – Proposal Price Ranking by Evaluated Proposal Price (b)**
One important change the IESO has made to these procurements is to facilitate participation of Small Scale E-LT1 (i.e. >1 MW to < 5 MW) projects into the Expedited Procurement. Small Scale E-LT1 projects provide several advantages to the electricity system, provided again below for reference, many of which cannot be monetized and therefore won't allow proponents to bid a lower FCP. However, the way that RFP Section 4.4 Stage 4 – Proposal Price Ranking by Evaluation Proposal Price is written it significantly disadvantages Small Scale projects who will have higher per unit installation and operating costs than Large Scale projects. The RFP will exclude storage projects with a Proposal Price that is 30% above the weighted average price of all submitted Storage contracts, regardless of large or small project size, and ignoring the Evaluated Proposal Price. The procurement accounts for	

rated criteria that include non-price factors (in recognition of their importance to identifying the best projects), but this provision is based solely on Proposal Price and pre-empts evaluation of non-price factors. The IESO could be excluding projects that otherwise align with the rated criteria and therefore meet the immediate needs of this procurement. For example, what if this new provision excludes projects West of Chatham, would this be the right outcome for this procurement? Further, in its current form, the RFP could result in as little as 4 projects securing all the capacity from these 1,500 MW. If two of these large projects fails, this would create material contract attrition and worse, would not meet the immediate needs of the Ontario electricity grid.

We are asking the IESO to consider our recommendations before finalizing this RFP to ensure that the participation is wide and diverse.

Recommendations:

1) **Include a Small-Scale Project Target in the E-LT1 -** We have heard that the IESO values diversity in participation and projects and we have been encouraged by it through the last nine months of engagement. If the IESO values diverse participation, we are recommending a capacity target for Small Scale projects as well as Large Scale Projects, so Small Scale Projects would compete with Small Scale Projects and Large-Scale Projects would compete with Large Scale Projects.
2) **Compare Small Scale Storage Projects and Large-Scale Storage projects within their own size categories** for the price comparison contemplated in Section 4.4-Proposal Pricing Ranking by Evaluation Proposal Price (b).
3) **Increase the threshold of price exclusion to 40% for Storage projects.** Currently Storage projects have to be within a 30% threshold of the weighted average price and Non-Storage has to be within 40% of the weighted average. This disparity would allow the IESO to take relative more expensive Non-Storage projects vs. Storage projects.
4) **Provide additional rated Criteria points for being connected to the distribution system.** Small Scale Projects, in particular Storage projects, will provide additional benefits to the IESO controlled grid if and as they are located within the distribution system. In many cases, they can avoid grid infrastructure investments. The IESO should recognize this benefit in its selection of projects.

For Reference: Advantages of Small-Scale Projects

1) **Faster build times** – small scale projects are less complicated to design and build and can achieve commercial operation faster than Large Scale LT1 projects.
2) **Proximity to Load** – small scale projects are going to be much more likely to be connected to the distribution system than the transmission system and therefore located closer to load, reducing the need for transmission system upgrades and providing local power quality benefits.[1]

[1] National Renewable Energy Laboratory, *Greening the Grid*, https://www.nrel.gov/docs/fy19osti/74426.pdf

3) **Lower line losses** – small scale projects located on the distribution system will reduce overall line losses as the power is more likely to be consumed near the project and not have to be transmitted over long distances, where there will be more losses.
4) **Improved reliability / Resiliency** – a portfolio of small-scale projects will have a lower risk of outages or suffering an N-1 event than a single large scale project.

In addition to these technical benefits, Small Scale LT1 projects will facilitate more direct local investment that will benefit Ontarians. Since becoming a Qualified Applicant, Wahgoshig Solar FIT5 LP, has been contacted by several community investment cooperatives with the financial capacity and interest in investing in Small-Scale Battery Storage projects. The smaller capital requirements reduce the barriers that these types of organizations face in actively participating in the infrastructure renewal that is occurring in Ontario.

Currently the IESO has 38,096 MW of transmission connected capacity and 3,549.7 MW of distribution connected generation under contract. The contracted distribution connected generation represents over 9% of the transmission connected generation, but this does not account for any net metered solar or behind the meter natural gas installations.