October 28, 2022

Submitted to LT.RFP@ieso.ca & engagement@ieso.ca

Subject: Feedback on the draft E-LT1 Contract

Powin is a global leader in the design and manufacture of safe and scalable energy storage solutions. Our innovative and cost-effective hardware and software are revolutionizing the way energy is generated, transmitted, and distributed, enabling the decarbonization of today's energy systems. Powin has delivered over 2,500 MWh of BESS in over 8 different countries and has a contracted pipeline to supply over 10,000 MWh of energy storage systems globally over the next three years. Powin welcomes the opportunity to provide feedback on the Materials Cost Indexation Adjustment (MCIA) mechanism proposed in the draft E-LT1 Contract (dated Oct 17, 2022).

POWIN, as a global Energy Storage Systems solution provider with clients actively participating in the upcoming RFP, urge the IESO to adopt a flexible "menu" approach, where the IESO establishes a number of parameters for developers to select—based on developers' organizational, project, and financing circumstances. This approach would allow the IESO to verify and control the general soundness of the MCIA mechanism, while allowing a) the RFP to remain technologically neutral, b) the process to be fair and transparent, and c) developers the flexibility to "match" their cost risks independently.

For example,

- Instead of *fixed* ratios in the Storage MCIA formula, developers would choose the ratios that best fit their unique projects. Alternatively, a ratio of: 100% Lithium and 0% broad materials index and CPI would best reflect our analysis of current market conditions.
- Developers would be afforded the freedom to choose what Lithium index to apply, in this case, the Shanghai Metals Market Lithium Carbonate index would serve as a good industry benchmark for (Lithium Carbonate and LFP Electrolyte.
- (https://www.metal.com/Chemical-Compound/201102250059?type=1%20Month)
- Developers would choose what % of the MICA weighting to apply—with the proposed 100% as the maximum cap. Alternatively, a 10% hedge would best reflect our analysis of current market conditions.

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- Developers would choose the duration and the timing of the MCIA Calculation period to apply—with the proposed 18-month period as the maximum cap.

Each developer has their unique risk tolerance, project specifications, project procurement and execution timelines, and financial models. As a Storage Energy Systems solution provider, we note that developers, including our clients and partners, have vastly different preferences. As a result, a *fixed* MCIA mechanism would not hedge cost risks on an individual basis: a generalized and *fixed* MCIA mechanism simply cannot be a good fit for all. What's more, as the MCIA parameters are mutually dependent, it is difficult to determine a developer's preference for a *particular* fixed parameter without considering other parameters at the same time. For example, if the proposed *fixed* MCIA ratios poorly match a developer's model, said developer might not accept a *100%* hedged MCIA (again, the fact that the 100% figure is fixed as currently proposed contributes to the challenge), thus rendering the MCIA mechanism irrelevant. These issues can be simply addressed if: a) the IESO establish the parameters and their caps, and b) allows developers to select the most appropriate ratios and inputs themselves—within the ranges defined by the IESO.

In this context, the IESO would: a) retain control of the adjusted contract prices' floor and ceiling (i.e., this flexible approach would not create unexpected variations in the final prices in comparison to the *fixed* method), and b) allow developers to appropriately de-risk thus improving project economics.

In sum, we suggest the IESO adopt a flexible "menu" approach to allow all Storage Energy providers and their clients and partners the ability to best fit MCIA to their project and contractual characteristics, and thus minimize material cost risks from the RFP's outcome.

Thank you,

Mike Wietecki
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