

Stakeholder Feedback and IESO Response

Expedited Long-Term RFP – October 18, 2022 Webinar

Following the October 18, 2022 Expedited Long-Term RFP (E-LT1 RFP) engagement webinar, the Independent Electricity System Operator (IESO) invited stakeholders to provide feedback on the materials presented.

The IESO received feedback from the following stakeholders:

- [AB Energy Canada](#)
- [BluEarth Renewables - 1](#)
- [BluEarth Renewables - 2](#)
- [Boralex](#)
- [CanREA](#)
- [City of Ottawa](#)
- [Compass Energy Consulting](#)
- [Consortium of Renewable Generators, Energy Storage Providers, the Canadian Renewable Energy Association \(CanREA\) and Energy Storage Canada \(ESC\)](#)
- [EDF Renewables](#)
- [Enbridge](#)
- [Evolugen](#)
- [Northland Power](#)
- [NRStor](#)
- [Powin](#)

This feedback has been posted on the [engagement webpage](#).

Note on Feedback Summary and IESO Response

The IESO appreciates the feedback received from stakeholders. The table below responds to the feedback received and is organized by topic. This document is provided for information purposes only. It does not constitute, nor should it be construed to constitute, legal advice or a guarantee, offer, representation or warranty on behalf of the IESO.

Expedited Long-Term RFP Drafting Changes to draft dated October 17

Timelines

Feedback	IESO Response
<p>Many stakeholders have indicated that the current schedule is challenging, in particular with respect to:</p> <p>Tight turnaround between the Deliverability Test results and proposal submission, in particular the interaction between project sizing information and project financing arrangements.</p> <p>Accounting for the involvement of the Canada Infrastructure Bank (CIB) and allowing CIB to provide additional information on their proposed financing product.</p>	<p>As a result of this feedback and further considerations on the E-LT1 Contract revenue model, the IESO is revising timelines. In particular, the Proposal Submission Deadline is being pushed back from December 20, 2022 to January 24, 2023.</p> <p>The IESO continues to receive feedback on this topic and will continue to consider it. Furthermore, the IESO will continue to engage with CIB to further understand their timelines.</p>

Proposal Security

Feedback	IESO Response
<p>Proponents asked for clarification that the drawing of Proposal Security is the IESO's sole remedy for a failure to execute and deliver the E-LT1 Contract.</p>	<p>In response to this feedback, the IESO has revised this Section 3.7(a)(iv) (Selected Proponents) of the RFP to reflect that disqualification and the drawing of Proposal Security are the IESO's sole remedy for a failure to deliver the E-LT1 Contract.</p>
<p>Stakeholders recommended a reduction in Proposal Security. One stakeholder suggested that the Security should be \$25,000/MW for Large-Scale and Small-Scale projects, as opposed to \$60,000/MW and \$45,000/MW of the Propose Maximum Contract Capacity, respectively. The rationale is that the Security scales with the number of MWs, and as drafted is overly punitive to Large-Scale Projects.</p>	<p>No drafting change: The E-LT1 Proposal Securities have been set at a value that aims safeguard the IESO against Projects less likely to attain Commercial Operation, and contribute to Ontario's reliability needs as early as 2025. The higher Security required for Long Term Reliability Projects is reflective of the additional risk to system reliability if such projects are unable to attain Commercial Operation. Post the Commercial Operation Date (COD), the Security will be the same on a MW basis across Large-Scale and Small-Scale projects, as can be seen in Section 2.2(j)(ii) of the draft E-LT1 RFP.</p>

Outlier Bids

Feedback	IESO Response
<p>a) Concern was raised that the outlier bid thresholds of 30% for the Storage Category and 40% for the Non-Storage Category were too narrow and may restrict participation of Small-Scale projects.</p> <p>b) As an alternative, it was suggested that a small-scale project set aside be included in the procurement.</p>	<p>a) The IESO has modified the percentages for “outlier bids” to 40% for the Storage Category and 50% for the Non-Storage Category, as set out in Section 4.4(b) (Stage 4 – Proposal Price Ranking by Evaluated Proposal Price).</p> <p>b) No drafting change: The IESO will not implement a small-scale project set-aside as it does not align with the reliability-based focus for the E-LT1 RFP. Furthermore, the IESO has been provided with a directive that outlines procurement targets, with no set-aside for small-scale projects.</p>

Rated Criteria

Feedback	IESO Response
<p>A stakeholder asked the IESO to consider adding additional Rated Criteria points for projects connected to the distribution system, on the basis that in many cases, distributed connected resources can avoid grid infrastructure investments, which the IESO should recognize as a benefit in its selection of projects.</p>	<p>No drafting change: The IESO will not differentiate between transmission connected and distribution connected resources, as this would not serve further the goal of meeting Ontario’s global reliability needs.</p>

Feedback	IESO Response
<p>A stakeholder recommended that the IESO modify the Indigenous economic interest from providing rated criteria points during the selection process to providing a price adder after contract award. This will enable Indigenous partners to focus only on projects that actually have contracts and will enable fulsome financial and structural decisions, to ensure lasting partnerships that work for all parties can be established.</p> <p>In the event that the IESO would prefer to maintain the rated criteria approach, the stakeholder recommends that the IESO require proponents to submit a signed Letter of Intent with one or more Indigenous groups for any project where they are claiming the rated criteria points (i.e., instead of a securities registry and organizational structure).</p>	<p>No drafting change: The IESO will award rated criteria points for Indigenous Communities having an Economic Interest in the Proponent, which will act as an important weighting in the evaluation process, alongside other rated criteria.</p> <p>The condensed timelines of E-LT1 RFP are suited for projects further along in their development, and as such, a letter of intent does not demonstrate sufficient progress towards Indigenous Community Participation in a Project. The IESO requests securities registers and organizational charts as evidence of an Indigenous Communities' Economic Interest in a Proponent.</p>

Maximum Number of Projects

Feedback	IESO Response
<p>Stakeholders suggested that the IESO consider allowing a Proponent to submit more than one project size/bid price variant for a Long-Term Reliability Project in a single Proposal, as long as the total combined number of Proposals submitted by the Proponent (or Persons Controlled by the Proponent) is 10 or less.</p>	<p>No drafting change: The IESO's Deliverability Test Process already allows for up to three project variations for a given project with regards to connection point and Capacity (MW). Proponents must sequence these project variations in terms of preference, and projects deemed "Deliverable" or "Deliverable but Competing" will have the opportunity to submit a Proposal. At the Proposal stage, Proponents are expected to put their best foot forward and submit a single Proposal Price that corresponds with the project submitted. This also helps reduce any additional complexity in the evaluation process by evaluating a single Proposal, rather than evaluating different project combinations, which would increase timelines.</p>

Evaluation

Feedback	IESO Response
<p>In response to questions from some stakeholders, the IESO identified the need to further refine Stage 5 of the Project evaluation. Additional clarity was sought on the interplay of the Deliverability Assessment Process and the evaluated Proposal Price stacking for Storage and Non-Storage Projects.</p>	<p>The IESO has made a number of revisions to Section 4.5 of the RFP (Stage 5 – Deliverability Test Results Assessment), to clarify the interplay between the Deliverability Test Results in the project stacking for both Storage and Non-Storage Projects.</p> <p>The revised draft E-LT1 RFP provides additional clarity on Stage 5 of the Proposal Evaluation. The section speaks to the subsequent deliverability test that is conducted at Stage 5 and takes into consideration the Non-Storage category, first, followed by the Storage category.</p> <p>The IESO has clarified that Proposals deemed “Deliverable but Competing” will be subject to a subsequent deliverability test, which takes into consideration all projects already added to the offer list, following which a Proposal will either be found to be “Deliverable” and added to the Offer List, or “Not Deliverable”, and not processed further.</p>
<p>Some concern was raised regarding projects in the Non-Storage Category taking precedent over Storage Category Projects in the Evaluation process. It was expressed that the Deliverability Test should be evaluated on a regional, project vs. project, and technologically neutral basis.</p>	<p>No drafting change: In order to meet system reliability needs, in reviewing Deliverability Test results, the IESO will review results for projects on the Non-Storage Preliminary List first, followed by results for projects on the Storage Preliminary List.</p> <p>This is aligned with the Ministerial Directive issued to the IESO on October 7, 2022, which notes the prioritization of “energy producing resources” to meet reliability needs.</p>

Expedited Long-Term Contract Drafting Changes to draft dated October 17

IESO Market Rules

Feedback	IESO Response
<p>A number of stakeholders have requested that the IESO modify its Market Rule provisions in Article 1.6 in order to account for changes to Market Rules, specifically given the introduction of MRP, that may negatively impact the ability of storage to participate effectively in the energy market.</p>	<p>The IESO has proposed language in the revised draft (Section 1.6, IESO Market Rules and Statutes) to address specific situations where changes in Market Rules prevent an Electricity Storage Facility from charging outside of Qualifying Hours and discharging during Qualifying Hours within a 24-hour period, such that the facility is not reasonably anticipated to recover its operating costs and the cost of withdrawn for such cycle.</p> <p>The IESO's drafting changes assume that the IESO cannot backstop any specific level of anticipated market revenues, but is willing to consider whether changes in Market Rules impact the ability of a storage facility to operate rationally on a daily basis, consistent with the framework reflected in the Must-Offer Obligation.</p> <p>The IESO continues to receive feedback on this topic and will continue to consider it.</p>

Materials Cost Index Adjustment (MCIA)

Feedback	IESO Response
<p>Stakeholders asked for additional flexibility to lock-in the MCIA earlier than 18 months, should Engineering, Procurement and Construction (EPC) or equipment supply agreements be executed earlier.</p>	<p>A modification has been made to MCIA provisions (Section 2.13, Materials Cost Index Adjustment) to introduce optionality in the date at which indices are fixed and applied, as the one-time adjustment to the Fixed Capacity Payment.</p> <p>This date will be the earlier of 18-months after the Contract Date and a date selected by the Supplier based on the date that storage or generating equipment purchase agreements are executed and non-refundable deposits have been paid.</p>

Feedback	IESO Response
<p>Some stakeholders have indicated their support for the methodology and weighting of the different indices, while others have requested that the IESO adjust the weightings, or allow for Proponents to pick their own weightings and indexing categories, or the introduction of a “collar” for the MCIA that would allow the Supplier or Buyer to terminate the Contract if the lower or higher bound of that collar is hit.</p>	<p>No drafting change: An approach that allows for Proponents to pick different categories/weightings opens up the procurement to gaming opportunities. A collar approach would also provide challenges from a reliability perspective and as such the IESO is not entertaining including a collar.</p> <p>The IESO continues to receive feedback on this topic and will continue to consider it.</p>
<p>Many stakeholders recommended using the Shanghai Metals Market (https://www.metal.com/Chemical-Compound/201102250059) in response to the IESO’s request for an index to reference Lithium in the MCIA.</p>	<p>The E-LT1 Contract has been updated to include the Shanghai Metals Market index in the MCIA calculation for Electricity Storage Facilities (s. 2.13 Materials Cost Index Adjustment).</p>
<p>There was stakeholder support for the inclusion of CAD / USD Foreign Exchange indexing, to account for fluctuations between the two currencies.</p>	<p>Section. 2.13 Materials Cost Index Adjustment has been updated to convert US dollars referenced in the Shanghai Metals Market index into Canadian dollars (Dollars) using the end-of-day closing spot rate published by the Bank of Canada.</p>

Degradation of Batteries

Feedback	IESO Response
<p>Stakeholders requested that the IESO considers a declining Contract Capacity through the life of the Contract to account for battery degradation.</p>	<p>The E-LT1 Contract requires that Suppliers maintain their facility such that the capacity product procured by the IESO is available through the life of the contract so that reliability needs can be met.</p> <p>However, taking into account stakeholder feedback, IESO has introduced an option for Suppliers, at any time prior to the 7th anniversary of the COD, to elect to reduce the Summer and/or Winter Contract Capacity of an Electricity Storage Facility to a lower amount, no less than 80% of the initial Contract Capacity, which would take effect on the 10th anniversary of COD (Section 4.3, Electricity Storage Facility Option to Reduce Contract Capacity). Such a reduction would lead to a commensurate reduction to the Monthly Payment (via reduction in Contract Capacity).</p>

Remedies of the Buyer

Feedback	IESO Response
<p>Concern that the IESO has not limited liability to Completion and Performance Security for Pre-COD Events of Default.</p>	<p>The IESO has modified the language of the E-LT1 Contract to identify that the Completion and Performance Security is the sole remedy for a pre-COD Event of Default (Section 10.2(d), Remedies of the Buyer).</p>

Events of Default by the Supplier

Feedback	IESO Response
<p>Stakeholders requested to extend the monthly rolling average for the calculation of default as a result of a reduction in the Monthly Average Offered Quantity, from 24 months to 36 months. This would provide greater opportunity for Proponents to maintain their compliance requirement of offering at least 75% of their Contract Capacity over that time period.</p>	<p>In light of the importance of the Must Offer Obligation, the IESO decided to keep the 24-month rolling average, but extended the commencement of this provision until after the completion of the 3rd Contract Year (rather than after the 2nd Contract Year) (Section 10.1(k), Events of Default by the Supplier).</p>

Feedback	IESO Response
<p>A stakeholder recommended that the IESO’s remedy for a pre-COD Supplier event of default in Section 10.2(d) of the E-LT1 Contract be limited to termination of the Contract and forfeiture of the Suppliers Completion and Performance Security only.</p>	<p>In response to this feedback, the IESO has revised this Section 10.2(d) (Remedies of the Buyer) of the E-LT1 Contract to reflect that the IESO’s remedy for termination of the Contract prior to COD is limited to the amount of the Completion and Performance Security.</p>

Force Majeure

Feedback	IESO Response
<p>A stakeholder expressed that they do not have the ability to control the speed at which the interconnection process moves, and that a day-for-day extension of the COD should be included in the Force Majeure provisions to account for interconnection delays.</p>	<p>No drafting change: The IESO acknowledges that there are a number of factors, including interconnection delays, that can impact Project timelines. Delays or disruptions in the construction of interconnections were already included in the definition of Force Majeure (Section 11.3(e) (Definition of Force Majeure)), and under the current drafting, an event of Force Majeure may extend the Milestone Date for Commercial Operation and Longstop Date for a reasonable period (Section 11.1(a)). No further amendment will be made, as the E-LT1 RFP was designed as an Expedited Process for those projects confident they can meet 2025/26 Commercial Operation Dates.</p>

Change of Control

Feedback	IESO Response
<p>Stakeholders indicated that the Change of Control provisions in the E-LT1 Contract were too restrictive and introduced potentially unintended consequences for certain corporate structures.</p>	<p>Revised language is included in Sections 16.6 and 16.7 of the E-LT1 Contract to allow for Changes of Control above the Qualified Applicant level (i.e., corporate transactions) where the entity that is the subject of the change of control is not a “Special Purpose Entity”.</p>

Reimbursement Reference Efficiency

Feedback	IESO Response
Stakeholders have requested that the IESO reduces the Reimbursement Reference Efficiency, based on the technical specifications of their facilities.	The IESO has reduced the Reimbursement Reference Efficiency (see Exhibit R) from 0.8 (80% minimum round trip efficiency) to 0.75, to address potential lower round-trip efficiency for Electricity Storage Facilities (including as a result of degradation).

Contractual Off-Ramps

Feedback	IESO Response
A number of stakeholders requested that the IESO introduces contractual “off-ramps”, similar to those included in some past contracts (e.g., FIT) to account for higher-than-forecast interconnection costs, potential delays in obtaining permits or issues with supply chains.	<p>The IESO understands the concerns raised regarding procurement timelines for the E-LT1 RFP and how those tight timelines interact with the macroeconomic environment.</p> <p>The IESO reminds stakeholders that the E-LT1 RFP was designed as an Expedited Process for those projects confident they can meet 2025/26 commercial operation dates.</p> <p>The cadenced nature of the E-LT1 and LT1 RFPs provides further opportunities for proponents who require additional lead time to complete development work (including work on interconnections) and secure materials.</p> <p>Finally, the E-LT1 and LT1 RFPs are focused on ensuring system reliability needs are met, and unlike some past policy-driven procurements (e.g., FIT), allowing for off-ramps would introduce significant risk to reliability.</p> <p>The IESO continues to receive feedback on this topic and will continue to consider it.</p>

Planned Outages

Feedback	IESO Response
<p>A stakeholder recommended that the allowable Planned Outages limit be changed to at least 15% of Qualifying Hours in a month in the definition of Planned Outage Capacity Reduction Factor in Exhibits E1 and E2 of the Contract (i.e., the Planned Outage Capacity Reduction Factor cap should be lowered from 0.95 to 0.80 in those Exhibits).</p>	<p>No drafting change: The IESO does not intend to reduce the cap on Planned Outages contained in the Planned Outage Capacity Reduction Factor. As clarified in the definition of Planned Outage Capacity Reduction Factor for a Settlement Month, in Exhibits E-1 and E-2, "in no circumstances will $POCRF_m$ be less than 0.95, even if Planned Outages are scheduled for more than five percent (5%) of Qualifying Hours in such Settlement Month".</p> <p>The IESO has received limited feedback on this topic and invites additional feedback if there are other considerations the IESO should be made aware of.</p>

General Feedback

Feedback	IESO Response
<p>Stakeholders highlighted the risk of submitting a binding Proposal that takes into consideration funding provided by the CIB, only for the Proponent to then be denied access to the CIB funding. To mitigate this risk, it was suggested that an off-ramp should be built into the Contract.</p>	<p>The IESO is working closely with the CIB, and has recommended that non-emitting new build projects (that meet the Mandatory Requirements of the E-LT1 and LT1) be eligible for CIB funding. Please refer to the CIB website for more information https://cib-bic.ca/en/</p> <p>The IESO continues to receive feedback on this topic and will continue to consider it.</p>
<p>A stakeholder asked if a Qualified Applicant can form multiple "unique project entities" for multiple project submissions? If so, can these "unique project entities" submit different prices to reflect location specific requirements/costs?</p>	<p>Yes, as long as the Qualified Applicant remains the Controlling party in each project entity. However, each project submitted by the entities Controlled by the same Qualified Applicant would have to meet the Mandatory Requirements of the E-LT1 RFP, and the Qualified Applicant and entities controlled by the Qualified Applicant would be limited to ten (10) project submissions into the E-LT1 RFP, as stated in section 3.6(a) of the E-LT1 RFP.</p>

Feedback	IESO Response
<p>A stakeholder suggested that IESO consider removing the “600MW of Maximum Contract Capacity” cap for storage Proposals from a Qualified Applicant and Persons Controlled by such Qualified Applicant, as long as the combined number of Proposals is 10 or less. However, the stakeholder supports the 600MW limit for contract awards, which we understand is required to ensure supplier diversity.</p>	<p>The IESO will maintain the requirement that the number of Proposals submitted by any single Qualified Applicant or Persons Controlled by such Qualified Applicant, in the aggregate, may not represent more than 600 MW of Maximum Contract Capacity of Proposals in the Storage Category or 400 MW of Maximum Contract Capacity of Proposals in the Non-Storage Category. However, the IESO will clarify in a subsequent version of the E-LT1 RFP how this check against the aggregate value will be conducted in the Proposal evaluation process.</p>
<p>With regards to Section 2.8(c) of the E-LT1 Contract, a stakeholder objected to the requirement to submit a “copy of each insurance policy”, suggesting that most if not all corporations and developers possess corporation wide insurance policies which they are unable to share externally in their entirety. The Stakeholder proposed amending this section to state a single certificate of insurance.</p>	<p>The IESO has removed the requirement provide a copy of each insurance policy, under Section 2.8(c) of the E-LT1 Contract. Proponents will still be required to submit an electronic certificate of each required insurance policy, which confirms the relevant coverage, including endorsements, and that is issued in the name of, or otherwise confirms coverage of, the Supplier and the Facility, as applicable.</p>
<p>A stakeholder noted that given that the IESO’s central objective of this procurement is to deliver firm capacity when the province needs it most, the IESO should require gas generators to have firm commitments for gas supply, as was established in the Natural Gas Electricity Interface Review (NGEIR).</p>	<p>The E-LT1 Contract includes a firm requirement to meet the Must-Offer Obligation, which is intended to ensure that resources are available for reliability purposes. The onus will be on the Supplier to ensure they have sufficient fuel to commit their Contract Capacity (MW) day-ahead during Qualifying Hours throughout the life of the Contract.</p>
<p>A stakeholder voiced concern that the timing related to the stakeholder feedback process for this procurement has been on unmanageable timelines for participants. In order to collect fulsome feedback, time is required for participants to review documents and propose changes, coordinate and meet internally, and conduct analysis.</p>	<p>The IESO appreciates this feedback and acknowledges the condensed timelines of the E-LT1 RFP procurement as we work towards meeting provincial Capacity needs as early as 2025, while taking into account the announced delay in the E-LT1 RFP process.</p>