

Stakeholder Feedback and IESO Response

Expedited Long-Term RFP – November 7, 2022 Webinar

Following the November 7, 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:

- [APPrO \(Nov 21\)](#)
- [Atura Power – 1 \(Nov 21\)](#)
- [Atura Power – 2 \(Nov 21\)](#)
- [Bedrock Energy](#)
- [BluEarth Renewables](#)
- [Boralex](#)
- [Canadian Renewable Energy Association \(CanREA\)](#)
- [Capital Power](#)
- [Capital Power \(Nov 21\)](#)
- [City of Ottawa \(Nov 21\)](#)
- [Consortium of Renewable Generators, Energy Storage Providers, the Canadian Renewable Energy Association \(CanREA\) and Energy Storage Canada \(ESC\)](#)
- [Convergent Energy and Power](#)
- [EDF Renewables](#)
- [Enbridge](#)
- [Energy Storage Canada \(ESC\)](#)
- [Evolugen by Brookfield Renewable](#)
- [Evolugen by Brookfield Renewable \(Nov 21\)](#)

- [Northland Power](#)
- [NRStor](#)
- [Potentia Renewables](#)
- [SWEB Development \(Nov 21\)](#)

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 Feedback

Proposal Security

Feedback	IESO Response
<p>Stakeholders were supportive of lower Proposal Security thresholds for the E-LT1 RFP.</p>	<p>The IESO has not decreased the Proposal Security any further. As previously mentioned, the amounts of Proposal Security for the E-LT1 RFP are reflective of the importance of the procurement to meeting system reliability needs. However, the IESO may revisit Proposal Security amounts for subsequent procurements, including the LT1 RFP.</p>

Managing Interconnection Cost Risk

Feedback	IESO Response
<p>A stakeholder proposed that Proponents submit their interconnection cost estimates to the IESO as part of their bid submission, with a contractual mechanism to adjust the capacity price upwards or downwards once the true cost is known in the future. Such true cost would also be submitted to IESO and subject to audit etc. Without some form of relief, Proponents will bid in higher capacity prices to reflect the increased risk they are bearing in their E-LT1 submissions.</p>	<p>The IESO has not introduced cost submissions that would have resulted in a more complex evaluation process. Proponents are reminded that the E-LT1 RFP is best suited for parties that are further along in the project development process, and able to carry the increased risk of meeting Commercial Operation with condensed timelines.</p>
<p>A stakeholder expressed that the IESO should consider additional provisions to protect Suppliers from material costs and/or delayed timelines as a result of interconnection related issues. This includes the ability for Suppliers to reduce project sizing in order to reduce the interconnection fee.</p> <p>Another stakeholder conveyed that some relief should be provided in the form of an adjustment to the Fixed Capacity Payment, if actual interconnection costs are materially increased from what Proponents had included in their Fixed Capacity Payment bids. Additionally, the milestone date for Commercial Operation should be extended in line with delays that arise from the interconnection process that are not the responsibility of Suppliers.</p>	<p>The IESO has included contractual provisions, such as the inclusion of the Materials Cost Index Adjustment (MCIA), to reduce the risk profile of Suppliers. In terms of interconnection costs and potential impact on timelines, the IESO believes that it is incumbent on and is reasonably possible for the Supplier to manage this risk and does not contemplate providing any further relief in the E-LT1 Contract.</p>

GHG Abatement

Feedback	IESO Response
<p>A stakeholder expressed that they would support a better defined protection from the impacts of carbon policy in Section 2.5 of the E-LT1 Contract.</p> <p>For example, if net zero legislation is passed, one approach could be to allow Suppliers a one-time opportunity to opt for Safe Standby or CES Decommissioning (applicable at time net zero goes into effect), regardless of the requirement to demonstrate Material Adverse Effect and/or Commercially Reasonable Efforts to mitigate costs. In this instance, monthly payments would continue during the remainder of the term, apart from the fixed Capacity payment which would be reduced to 75%.</p>	<p>The IESO appreciates the feedback provided but has not made any further amendments to Article 2.5 of the E-LT1 Contract.</p>

Rated Criteria

Feedback	IESO Response
<p>A stakeholder suggested that the Rated Criteria for Municipal Council Support be adjusted to include “consultation” not only support.</p>	<p>The IESO appreciates the feedback but has not incorporated this change. The requirements regarding Municipal Support Confirmation reflect the governmental Directive issued to the IESO and is crucial for the success of projects.</p>

General

Feedback	IESO Response
<p>A stakeholder suggested that the IESO introduce a standalone procurement for Expansions, potentially alongside the LT1 RFP. This would take into account operational, cost, and reliability benefits to aligning the economic lives of existing generators and their respective Expansions.</p>	<p>The IESO recognizes the benefit that Eligible Expansions can provide in increasing the competition of the E-LT1 RFP, and as such has included them in the Expedited Process. No further revisions to resource eligibility, nor the creation of a stand-alone procurement for Eligible Expansions are expected at this time.</p>
<p>A stakeholder provided feedback on the definition of business day, which in their opinion should be amended to:</p> <p><i>"Business Day" means a day, other than a Saturday or Sunday or statutory holiday in effect as at the Contract Date and as recognized by the Province of Ontario.</i></p>	<p>The IESO has revised the definition of Business Day in the final E-LT1 materials to align with the defined holidays in the Physical and Financial Market Holiday Schedule.</p>

LT1 RFP Deliverability Test Submission Timeline

Feedback	IESO Response
A stakeholder suggested that the IESO delay the Deliverability Testing deadline for the LT1 RFP to after contracts have been awarded under the E-LT1 RFP.	The IESO previously signaled that the LT1 RFP schedule needs to change in light of the delay to the E-LT1 RFP. Further information on the LT1 RFP schedule, including the Deliverability Test window, will be shared in early 2023.

Feedback on the E-LT1 Contract

Revenue Model

Feedback	IESO Response
Stakeholders voiced support for the Capacity based revenue model over the alternative revenue model proposed at the previous stakeholder session. Stakeholders expressed that they and their financiers were comfortable with the Capacity based revenue model, and did not believe an alternative revenue model was worth pursuing, particularly with such short timelines.	The IESO thanks the stakeholder community for their very clear feedback and support for the Capacity based model. This was incorporated in the final version of the E-LT1 Contract.

Market Rule Protection

Feedback	IESO Response
Stakeholders have appreciated the IESO's drafting changes to Article 1.6 (Market Rules and Statutes) but some have suggested that the adjustment to the Fixed Capacity Payment should be uncapped.	The IESO did not uncapped the adjustment to the Fixed Capacity Payment as this would have created an open-ended risk for future ratepayers. However, the IESO has increased the current 10% cap to the adjustment to 15%.
A stakeholder provided the following additional recommended changes to Section 1.6(c): <ul style="list-style-type: none"> That the Contract allows for a charging and discharging profile in 	The IESO notes that previous amendments to Article 1.6 of the E-LT1 Contract already offer protection to a Supplier where there is a Market Rule change that results in the Supplier, despite operating in accordance with Good Engineering

<p>accordance with good engineering and operating practices and the Must Offer Obligation</p> <ul style="list-style-type: none"> • That the Fixed Capacity Payment increase would be effective from the date of the Market Rule change and not, as currently drafted, from the date of the calculation of the Storage Disincentive Lost Net Revenue. Suppliers would be losing revenue right from the date of the Market Rule change, which this provision is to protect against. • That the IESO clarify under Section 1.6(c)(ii) that the compensation determined by the Storage Disincentive Lost Net Revenue would address the aggregated revenue lost and not just restore Suppliers to a breakeven point. 	<p>and Operating Practices, being unable to Withdraw Electricity outside of Qualifying Hours and to Deliver Electricity during Qualifying Hours such that revenues are not anticipated to be sufficient to cover costs.</p>
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Multiple Price and Contract Capacity Pairs

Feedback	IESO Response
<p>A stakeholder suggested that IESO consider allowing submission of more than one project size/bid price variant as long as the total combined number of proposals is 10 or less. They believe that this would allow both the IESO and the Proponents to better fit the potential proposed project sizes into the maximum capacity that IESO will consider awarding for each category of projects.</p>	<p>The IESO has not incorporated this change as it would have added complexity and time to the Proposal Evaluation Process. The IESO will consider the applicability of this feedback for subsequent procurement opportunities.</p>

Canada Infrastructure Bank (CIB) Involvement and Investment Tax Credit (ITC) Considerations

Feedback	IESO Response
<p>Stakeholders have asked that the IESO include the option to bid in two Proposal Prices, one that assumes the inclusion of the CIB product and one that assumes it is not available. Alternatively, an off-ramp has been suggested should CIB financing not be available.</p>	<p>The IESO did not introduce allowing two separate, contingent Proposal Prices to be bid into the Expedited RFP, as that would complicate and prolong the evaluation process. In addition, the IESO at this time does not believe that introducing a contractual off-ramp for CIB financing is consistent with the importance of these projects for meeting system reliability needs.</p>

	The IESO did amend the Proposal Submission deadline to February 16, 2023, to better align the Procurement process with the potential CIB investment product.
Some stakeholders have suggested that the IESO should draft contract provisions that address the introduction of the ITC, and allows Proponents to assume its inclusion at Proposal Submission. Suggestions have included a renegotiation of the FCP after the ITC is introduced.	There is still significant uncertainty around the timing and scope of the ITC and the IESO will continue to monitor the issue closely.
One stakeholder has requested that the IESO further delay Proposal Submission by at least a month, or as much as 4 months to gain further clarity on the ITC.	The IESO recognizes the timing challenge between the ITC announcement and the E-LT1 procurement. However, certainty with respect to the ITC is not expected until the 2023 budget, which is anticipated in March 2023. The IESO will continue to monitor the development of the ITC.
A stakeholder requested that the IESO instruct Proponents to exclude the recently announced ITCs from their offers to ensure a level playing field given insufficient details provided on the ITC during the Fall Economic Statement. Another stakeholder noted that uncertainties associated with the ITC are unlikely to subside until 2023 when the Federal Budget is officially released.	The IESO will continue to monitor the developments of the ITC, however, the IESO will not be instructing Proponents on whether or not to include outside funding/tax credits in their bid submissions. Other funding programs have existed (and been subject to uncertainty) alongside IESO contract procurements historically.
A stakeholder highlighted that the ITC introduces a risk that First Nations, as non-taxable entities, are locked-out of meaningful participation in project ownership if the IESO does not allow lease financing.	The IESO will continue to monitor the developments of the ITC and consider its implications for the E-LT1 and subsequent procurements. IESO has a strong preference to ensure its contractual counterparties own the projects being procured.

Contractual Off-Ramps

Feedback	IESO Response
Some stakeholders have once again suggested that the IESO introduce additional contractual off-ramps to deal with risk such as interconnection and supply chains. Another stakeholder highlighted that Project off-ramping could also take the form of mechanisms that allow Proponents to adjust project size, project cost (e.g., interconnection costs), project timeline.	The IESO has not introduced contractual off-ramps for supply chain or interconnection risks. These are risks that are best managed by the developer through early project development work that underpins their Proposal. As stated before, the Expedited process is crucial for maintaining reliability and has been designed for advanced projects and sophisticated developers, who have certainty in their ability to attain Commercial

	<p>Operation within stringent timelines in order to be able to meet near term reliability needs.</p> <p>Potential Proponents with more complex connection configurations that require additional due diligence or those projects that are less advanced in their development and due diligence should look towards the LT1 and LT2 RFPs, given lengthier forward periods.</p>
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Capacity Check Test

Feedback	IESO Response
<p>A stakeholder commented that a capacity Check Test described should be limited at 12 hours, not 8, given that rated criteria points are being provided for projects with a duration of >12hrs</p>	<p>The IESO has made amendments to the Capacity Check Test provisions in the E-LT1 Contract to clarify that a Capacity Check Test will be conducted to either (A) the Duration Capability, or (B) a shorter period as the Buyer may determine, in its discretion and which is set out by the Buyer in the Capacity Check Test Notice. For resources with durations greater than 8 hours, this could result in a Capacity Check test that aligns with their Duration Capability.</p>

Non-Performance Charge

Feedback	IESO Response
<p>A stakeholder noted that the Non-Performance Charge construct is onerous in relation to the treatment of Planned Outages and the amount of clawback.</p> <p>It was explained that if the availability of the Facility is less than 75% over a two-year period, it will constitute an Event of Default under Section 10.1(k). Given the clawback feature of the Contract pricing, this Event of Default further adds to the onerous nature of the risk profile.</p> <p>Additionally, a separate Event of Default in Section 10.1(i), in the event that a Capacity Check Test results in a Capacity Reduction Factor (which reduces the Monthly Payment) of more than 15% can be generated by the Facility.</p> <p>As a result, the penalties are duplicative and overlapping, unnecessarily adding to the risk profile of suppliers.</p>	<p>The IESO has not introduced drafting changes that pertain to Non-Performance Charges and the treatment of Planned Outages. The E-LT1 RFP is focused on acquiring Capacity from resources to meet emerging reliability and system needs. As such, the IESO needs to be able to rely on the entire Capacity procured to be available when it is needed, through the Contract Term. In addition to the 5% allowance for Planned Outages monthly, there is the ability to do maintenance outside of Qualifying Hours, which will reduce any impact on potential Non-Performance Charges.</p> <p>Proponents are able to select their own Contract Capacity relative to Nameplate Capacity (up to a maximum of 95%) that takes into account the Must-Offer Obligations in the E-LT1 Contract and associated Non-Performance Charges. Proponents should therefore select a Contract Capacity that they are able to provide in accordance with those provisions.</p>

Materials Cost Index Adjustment (MCIA)

Feedback	IESO Response
<p>On the MCIA provisions, stakeholder feedback continues to be mixed with many supportive of where the IESO has landed and others advocating for further flexibility and customization (i.e., lithium only, currently proposed formula, non-lithium, no adjustment).</p> <p>One stakeholder continues to advocate for an approach to MCIA where Proponents can choose what they want indexed and to what amount. They disagree with the IESO notion that this would open up gaming possibilities.</p> <p>One stakeholder further requested that the IESO increase the MCIA timelines to 24-months post Contract Date or COD.</p>	<p>The IESO has not introduced an approach that enables Proponents to choose their own categories and weightings for the MCIA. This would have led to a number of challenges that creates a potential for a non-level playing field for different Proponents.</p> <p>The IESO received support from multiple stakeholders on the 25% lithium weighting option for storage projects. The 25% is further supported by recent analysis conducted by our external consultants, which confirmed that 25% is reflective of costs incurred by a wide swathe of lithium energy storage facilities.</p> <p>Furthermore, the IESO has not increased the MCIA timelines from the maximum of 18-months to 24-months post Contract Date, or COD. The adjustments to timelines in the MCIA provision were based on broad stakeholder feedback and agreement.</p>

Battery Degradation

Feedback	IESO Response
<p>A number of stakeholders appreciated the introduction of a one-time adjustment for battery degradation but requested that the IESO increase the adjustment approach for restating contract capacity due to battery degradation to every 5 years</p>	<p>The IESO notes the importance to future planning and procurement processes for resources to maintain their committed Capacity.</p> <p>In light of this feedback, IESO has amended the Contract to allow Electricity Storage Suppliers to reduce their Contract Capacity a maximum of 3 times for an aggregate maximum of 21%, starting in the third Contract Year. The Supplier may elect to reduce the Summer Contract Capacity and/or Winter Contract Capacity on no more than three (3) occasions during the Term of the Contract, provided the Supplier provides a minimum of 1-year advance notice. The Contract Capacity reduction can be up to 7% on each occasion.</p>

Completion and Performance Security

Feedback	IESO Response
<p>A stakeholder noted that Proponents first require a contract from the IESO in order to secure financing. They suggested that the IESO allow a grace period of 120 to 180 days between the Contract Date and the date on which the Completion and Performance Security is furnished on a non-recourse basis.</p>	<p>The current approach is standard practice for IESO procurements and as such the IESO has not incorporated this change. The initial Completion and Performance Security under the E-LT1 Contract is the same (in both quantum and form of Letter of Credit) as that required for Proposal Security under the E-LT1 RFP, which enables a conversion of the Proposal Security into Completion and Performance Security, as was successfully implemented in the MT I RFP in summer 2022.</p>

Increase to Contract Capacity

Feedback	IESO Response
<p>A stakeholder recommended that the IESO consider a mechanism for operators to optionally increase its contracted capacity (i.e., enable uprates) at contract pricing, to allow ratepayers to benefit from future project optimization and economies of scale.</p>	<p>The IESO has not incorporated this change for the E-LT1 Contract. Subsequent acquisition mechanisms will provide opportunities for Proponents to participate and may include opportunities for uprates. The Same Technology Upgrades Solicitation is an example of such opportunity.</p>

Insurance

Feedback	IESO Response
<p>A stakeholder recommended the minor edits below (underlined> in provision 2.8(a):</p> <ul style="list-style-type: none"> The Supplier shall put in effect and maintain, or cause its contractors, where appropriate, to maintain, from the commencement of the construction of the Facility to the expiry of the Term, at its own cost and expense, all the necessary and appropriate insurance that a prudent Person in the business of developing, constructing, financing and operating the Facility would maintain including policies for "all-risk" property insurance covering not less than the full replacement value of the Facility, "all-risk" equipment breakdown insurance, 	<p>The IESO appreciates the feedback but has not made any further amendments to Article 2.8. The provisions outlined in 2.8 reflect internal due diligence and best practices gleaned from past procurements and financed projects. The IESO has moved its insurance language to be less prescriptive than the insurance provisions have appeared historically. However, the definition of "Environmental Incidents" has been specifically developed with insurance advisors to the IESO in the past, and is consistent with IESO's most recent contracts on this issue.</p> <p>The requirement under this provision is qualified, in that it applies to insurance that is "required and appropriate". There is no need to further qualify by adding "to the extent applicable".</p>

<p>“wrap-up” liability insurance <u>to the extent applicable</u> and “commercial general liability” insurance with a rider to extend coverage to <u>include sudden and accidental</u> Environmental Incidents.</p>	
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Monthly Average Offer Quantity (MAOQ)

Feedback	IESO Response
<p>A stakeholder recommended to increase the MAOQ to 80% over a 36-month period to be in line with current Availability provisions in certain gas contracts (e.g., CES).</p>	<p>The IESO appreciates the feedback but has not incorporated this change to the Events of Default by the Supplier provisions in Article 10.1(k) of the E-LT1 Contract. Setting the ratio of the Monthly Average Offered Quantity at 75% of the Adjusted Monthly Contract Capacity over a rolling 24-month period during the Term of the contract (starting after the end of the 3rd Contract Year) should provide Suppliers with flexibility, while providing the IESO with assurances that the Capacity Procured will be present when required. While this value may have been higher and assessed over a longer period of time in past contracts (e.g., CES), it should be considered in a holistic manner and paired with other provisions in the E-LT1 Contract. For example, the 75% ratio, paired with the 5% allowance for Planned Outages in a given Settlement Month, along with the ability for Proponents to select their own Contract Capacity, effectively manages Suppliers’ risks, while ensuring that the IESO is able to count on the capacity product procured. The IESO has also introduced a Sole Annual Planned Maintenance Month and Split Annual Planned Maintenance Month for Non-Electricity Storage Facilities. This is in alignment with the planned maintenance provisions used in the MT I RFP.</p>

Milestone Date for Commercial Operation Date (COD)

Feedback	IESO Response
<p>Several stakeholders expressed concern with the delay in the Procurement process, and asked whether provisions in the Contract would take this delay into account.</p>	<p>The IESO has revised Early COD Payment Multipliers for September 1, 2025 to December 31, 2025 to 1.4 and January 1, 2026 to April 30, 2026 to 1.2, in addition to change to date at which Delay Liquidated Damages apply from 60 days after Milestone Date for Commercial Operation (MCOD) to 90 days post MCOB.</p>

Exhibit E1 – Planned Outage Capacity Reduction Factor (“POCRF”) and Monthly Non-Performance Factors

Feedback	IESO Response
<p>Stakeholders expressed that the Planned Outage Capacity Reduction Factor (POCRF) is unduly restrictive for gas-fired generation, and should mirror the design adopted by the IESO in the MT I Contract. Gas will often require several weeks of a planned outage to complete major maintenance, therefore the PCRFR will never be less than 0.95</p> <p>The stakeholder also expressed that the IESO “preferred” outage window (months of April, May, October and November) is too narrow and will create challenges for Suppliers, and potentially the IESO as many resources try to fit in their planned maintenance during these months. Their recommendation is that Suppliers should not be penalized through the non-performance charge if it is essentially forced by the IESO to take a planned outage in a month outside of April, May, October or November, because the IESO could not support an outage in the preferred month due to grid reliability issues.</p>	<p>The IESO appreciates this feedback from stakeholders with regards to the Non-Electricity Storage Category, specifically for gas-fired generation.</p> <p>In light of this feedback, the IESO has introduced new provisions for Sole Annual Planned Maintenance Month and Split Annual Planned Maintenance Month for Non-Electricity Storage facilities, which mirrors the approach taken in the MT I RFP.</p>
<p>A stakeholder noted that temperature ranges in which a resource can be called upon for a Capacity Check Test, should be reduced from the existing -20C and +35C to -10C and 30C.</p>	<p>The IESO will not be making this change, as these temperature ranges were stakeholdered previously under the MT I RFP and accepted by Proponents.</p>

Exhibit R – Determination of Regulatory Charge Credit for an Electricity Storage Facility

Feedback	IESO Response
<p>One stakeholder suggested that the RRE be further reduced from the current 0.75. In their view 0.75 still does not give adequate consideration to parasitic load, losses, and day-to-day discharge variability.</p>	<p>The IESO has taken stakeholder feedback into consideration and reduced the round-trip efficiency from 0.8 to 0.75. The IESO has not further reduced this level, as Proponents should be able to maintain an average round-trip efficiency of at least 0.75 over a rolling 3-month average. The IESO wants to ensure that Proponents select efficient battery technologies and maintain these resources to meet the IESO's system reliability needs.</p>
<p>A stakeholder recommended that the IESO clarify, within Exhibit R, that the 3-month rolling average does not begin until the third settlement month.</p>	<p>The IESO acknowledges this feedback and will further include this question in its public FAQ document and confirm that the rolling average does not begin until the third settlement month.</p>