



Chuck Farmer
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November 14, 2022

Re: Feedback on the proposed ELT1 Deemed Generation Model

Mr. Farmer,

Enbridge appreciates IESO's ongoing engagement related to the Expedited Long-Term 1 (ELT1) Request for Proposal (RFP) and Contract. IESO's engagement and updates to key provisions have gone a long way toward addressing key financial and technical barriers to participation. Most recently, IESO's proposed changes and clarifications related to limitations on remedies for pre-commercial operation termination, the flexibility on the date of Materials Cost Indexation, the reduction of the Reimbursement Reference Efficiency, and the clarifications in Force Majeure with respect to transmission system delays are all very helpful in mitigating developer risks while still ensuring grid and ratepayer risks are balanced.

IESO has provided, since the first iteration of the ELT1 RFP and Contract drafts were shared, an option for power storage developers to bid on a capacity-only payment model. In the early versions of the RFP, IESO had offered power storage proponents the option of choosing either a capacity-only model or a model that attempted to mitigate market pricing risk for the energy sold into the market. Subsequently, when IESO had established the Spread Adjustment Factor (SAF) model, it offered power storage proponents the option to bid SAF at 0%, which would effectively make the payment mechanism a capacity-only model.

In the months that followed the initial proposed RFP and Contract, developers invested considerable time, resources, and capital to understand and model potential bids based on the option to bid capacity only. This work was undertaken in the context of considerable risk surrounding this RFP for proponents, including unknowns regarding permitting power storage in Ontario and the Market Renewal rules for power storage, the outstanding storage and hybrid frameworks, and Locational Marginal Pricing (LMP) impacts. These risks are on top of larger supply chain and transmission concerns that will impact all developers.



IESO's strong and ongoing engagement with stakeholders over the past several months has significantly mitigated many of the risks related to bidding power storage in the ELT1 RFP, including its provision of a 22-year term, the market rule protections, limitations on remedies for not reaching COD, and changes to allow for flexibility in supply chain management and pricing, in addition to the carveout for power storage under ELT1. All of these key changes represent significant work on IESO's part and have positioned ELT1 well for success.

However, removing the option to bid an unadjusted capacity-only payment model at this late hour re-introduces considerable unknowns and risk into the process. This is particularly true given the lack of time remaining to proponents before bids are due to model and understand not only the pricing impacts but also the operational impacts of the proposed mechanism. And, there is little time for meaningful engagement before IESO must issue the final RFP and Contract. The delivery of those final documents cannot be delayed any further if proponents are going to be able to meet the May 1, 2025 Commercial Operation Date set out in the Contract.

As a result, Enbridge strongly recommends that IESO not adopt the deemed generation model for ELT1, and that it instead use the RFP and Contract as currently drafted, i.e., that **the RFP and Contract include the right for power storage proponents to bid on an unadjusted capacity-only payment model under ELT1**. Our recommendation is consistent with comments from Power Advisory and CanREA's most recent on this topic, and with comments from many other power storage proponents.

We appreciate IESO's work on the ELT1 RFP and Contract and look forward to continuing to participate in the remaining days of the engagement related to these two important documents.

Sincerely,

Denise Heckbert

Strategy & Markets Policy, Enbridge