

Stakeholder Feedback and IESO Response

Long-Term RFP (LT1 RFP) – March 28, 2023

Following the March 28, 2023 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:

- [2G Energy](#)
- [Ameresco](#)
- [Aypa Power](#)
- [BluEarth Renewables](#)
- [CanREA](#)
- [Capital Power](#)
- [Capstone Infrastructure](#)
- [Compass Renewable Energy Consulting](#)
- [Consortium of renewable generators, energy storage providers, and the Canadian Renewable Energy Association \(CanREA\)](#)
- [Convergent Energy and Power](#)
- [EDF Renewables Canada](#)
- [EDP Renewables North America](#)
- [Energy Storage Canada](#)
- [Evergreen Energy](#)
- [Evolugen by Brookfield Renewable](#)

- [Innergex Renewable Energy](#)
- [Martin Energy Group](#)
- [Municipality of Chatham-Kent](#)
- [Northland Power](#)
- [NRStor](#)
- [Potentia Renewables](#)
- [RES Group](#)
- [Soave Hydroponics](#)
- [Solarbank](#)
- [SWEB Development](#)
- [The Atmospheric Fund](#)
- [The Corporation of the City of Windsor](#)
- [Wind Concerns Ontario](#)

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 relevant 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.

Municipal Support Resolution

Most stakeholder feedback submissions indicated a strong preference to keep Municipal Support Resolutions as Rated Criteria, with a Contractual obligation to obtain support (as in the E-LT1 RFP) rather than as a Mandatory Requirement prior to the Proposal Submission Deadline. The feedback points primarily centered on concerns around timing. Some of the supporting points and suggestions included in the feedback submissions are summarized in the table below.

Feedback	IESO Response
<p>Timeline concerns</p> <p>Stakeholders expressed support for the inclusion of Municipal Support Resolutions as part of the LT1 RFP process. However, the vast majority of stakeholder feedback received indicated a preference to maintain the existing E-LT1 RFP Municipal Support Resolution provisions, which entail evidencing support within 60-days of the 18-month anniversary of the Contract date.</p> <p>Several stakeholders noted that the proposed LT1 RFP timeline only allows for one month between the Deliverability Test results and Proposal Submission Deadline, whereas the E-LT1 RFP allowed for two-and-a-half months.</p>	<p>The IESO recognizes stakeholder concerns on the limited time available for municipal outreach between Deliverability Test results and the Proposal Submission Deadline, as well as the potential burden on municipalities due to numerous support resolution requests. The IESO will consider this feedback as it continues to engage with Municipalities and the Ministry of Energy prior to finalizing the LT1 RFP and Contract. Additionally, the IESO has revised the LT1 RFP procurement timeline by expediting the deliverability process, providing stakeholders with more time to engage with municipalities. The revised timelines will finalize Deliverability Test results by September; providing Proponents with over a month of additional time to complete relevant engagement. Further details on this revised timeline can be found in the materials for the IESO's May 4, 2023 engagement.</p>

Feedback

IESO Response

Other feedback:

1. Not requiring municipal approvals until post Contract award reduces the risk of overwhelming municipalities where there is or will be significant interest in projects. Additionally, this allows projects that are successful more time to work with municipalities and attain their support post Contract award.
2. Stakeholders expressed a preference to continue to include Municipal Support Resolutions as part of the Rated Criteria in the LT1 RFP process.
3. A recommendation that the IESO maintain the post-Contract provision, but suggested the timeline to obtain the support resolution could be reduced from 18-months to 12-months from the Contract award date.
4. Concerns that mandatory Municipal Support Resolutions grant undue power to municipalities over development in their jurisdictions.

The following IESO responses correspond to the numbering of stakeholder comments in the left-hand column of this document.

1. In the coming months, the IESO will engage with municipalities and consider this feedback prior to finalizing the LT1 RFP and Contract. The IESO will further consider how better to streamline processes that support both Proponents and municipalities.
2. The IESO appreciates stakeholder feedback expressing a preference for maintaining Municipal Support Resolutions within the Rated Criteria for scoring and will consider this feedback prior to finalizing the LT1 RFP and Contract.
3. The IESO appreciates suggestions provided by stakeholders regarding the timeline for obtaining support resolutions post-Contract. The IESO will consider this feedback as it moves towards finalizing the LT1 RFP and Contract and continues to engage with municipalities.
4. Per the Minister of Energy's [letter to the IESO in December, 2022](#), municipal support for any projects successful in the LT1 RFP remains a key policy objective and will be reflected in the LT1 RFP and Contract designs.

Deliverability Process

Further to the general feedback received on the LT1 RFP timelines and the challenges they may pose, many stakeholder feedback submissions included specific recommendations on ways to augment the Deliverability Test process to make the information timelier manner and make it more helpful to potential Proponents. Supporting points are detailed in the table below.

Feedback	IESO Response
<p>Several stakeholder feedback submissions suggested the Deliverability Test process information could be provided in alternate ways, including:</p> <ul style="list-style-type: none">• Shifting the Deliverability Test process approach to provide a heat map of interconnection capacity pre-submission (green/red/amber zones) and allow the final Deliverability Test to occur after Proposal Submission• Include specific guidance on the expected maximum new capacity that could connect at a certain location/zone	<p>Thank you for your feedback. The IESO will continue to use the Deliverability Testing process and format that was utilized in the E-LT1 RFP, but will consider ways to evolve it for future procurement opportunities. The IESO encourages stakeholders to monitor the Long Term RFP procurement webpage for updated documents related to the Deliverability Test process, which will offer additional guidance on location. These documents include an updated Deliverability Guidance Document, and the Deliverability Test Input Data Form. The IESO will consider stakeholder suggestions for potential future improvement to the Deliverability Testing process</p>

Feedback	IESO Response
<p>Additional stakeholder recommendations on the Deliverability Test process include:</p> <ul style="list-style-type: none"> • The IESO providing guidance as soon as possible to the stakeholder community with respect to locational needs and rated criteria points to signal to the market where to prioritize development opportunities. • The IESO should release its base case data to proponents to assess deliverability and evaluate investment needed to remedy any constraints by making minor transmission upgrades which the Proponent could include in their bid. • Where a project connects to a double circuit line, proponents should be able to select both lines or either line. 	<ul style="list-style-type: none"> • The IESO has posted an updated version of the Deliverability Guidance Document onto the Long Term RFP webpage, which includes information on locational considerations for the LT1 RFP. • The IESO does not plan to release base case data specific to the Deliverability Test, however, generic base cases are available upon request. Information on assumptions used in the tests can be found in the Deliverability Guidance Document. Given the expediency of the LT1 RFP, the current Deliverability Test process is unable to account for transmission upgrades, however, the IESO will consider this feedback in future procurement opportunities. • In the E-LT1 RFP, Projects connected to a double circuit line had the option of selecting a combination of lines using the three variations in the test request form. This optionality will also remain in the LT1 RFP Deliverability Test. https://www.ieso.ca/en/Sector-Participants/Resource-Acquisition-and-Contracts/Long-Term-RFP-and-Expedited-Process

LT1 RFP and Contract Provisions

Most stakeholder feedback submissions voiced support for keeping the LT1 RFP and Contract structure the same as with E-LT1 RFP, as well as creating a streamlined process for unsuccessful E-LT1 Proposals to be able to participate in the LT1 RFP. Most stakeholder feedback submissions included additional points to consider with respect to the LT1 RFP and Contract provisions, which are summarized in the table below.

Feedback	IESO Response
<p>Several stakeholders commented that Market Rule Protection should be augmented, and clarified early on.</p>	<p>The IESO acknowledges stakeholder feedback advocating for the preservation and early clarification of Market Rule Protection. As previously mentioned, the IESO has conducted extensive stakeholder engagement on the E-LT1 Contract, which led to the final drafting of Article 1.6(c) of the E-LT1 Contract. While the IESO does not intend to reopen design on this provision but may consider further refinement based on specific feedback.</p>
<p>A stakeholder suggested that the Facility Spread Adjustment Factor (FSAF) in the E-LT1 Contract does not adequately de-risk energy revenues and suggest using a contract for difference (CfD) structure as a more efficient solution.</p> <p>If a CfD is not considered, the stakeholder recommended allowing Proponents to specify the lower and upper threshold of the FSAF to help reduce Proponents' exposure to uncertain energy market prices.</p>	<p>In-line with the E-LT1 RFP, the LT1 RFP will employ a capacity-style Contract to meet specific emerging system reliability needs in the 2027 and beyond timeframe. During the design of the E-LT1 RFP the IESO explored contract mechanisms together with stakeholders, however, it was determined that a capacity-style contract was best suited to meet emerging system needs. Based on feedback from stakeholders, the IESO included the provision of the FSAF for Storage Category facilities, with the intention of addressing stakeholder feedback regarding future energy market prices.</p> <p>The IESO thanks stakeholders for their feedback on the FSAF and will await the outcome of the E-LT1 RFP Proposal evaluation before examining if any changes are required to this provision.</p>

Feedback	IESO Response
<p>Stakeholder feedback was mixed on the approach to the Materials Cost Index Adjustment (MCIA), with the following considerations provided:</p> <ul style="list-style-type: none"> • Some suggested it should better account for foreign exchange rate and interest rate volatility. • A few stakeholders suggested the MCIA should be revised to focus primarily on lithium commodity prices. • One stakeholder suggested that the MCIA is an ineffective mechanism for managing risk, and if included in the LT1 RFP, should remain optional for Proponents. • Another stakeholder suggested that Proponents should be able to submit their own unique commodity adjustment formula. Similarly, it was suggested to better align the MCIA with major equipment supply agreements by allowing Proponents to select from a list of indices and extending the time for price adjustments. 	<p>As engagement on the LT1 RFP moves forward, the IESO will evaluate the outcome of the E-LT1 RFP Proposal evaluation process to assess the effectiveness and utilization of the MCIA by Proponents. The IESO will use the lessons learned from the E-LT1 RFP together with stakeholder feedback to inform potential adjustments to the MCIA approach for the LT1 RFP.</p>
<p>Several stakeholder feedback submissions sought clarity on the eligibility of hybrids in LT1 RFP, and whether they should participate as a storage or non-storage resource.</p>	<p>The LT1 RFP is a reliability based, technology-agnostic procurement that accommodates New Build and Eligible Expansion Facilities in both the Storage Category and Non-Storage Category.</p> <p>For clarity, a New Build facility consisting of a new generator and Electricity Storage Facility that is behind the same meter on the same Project Site, is eligible to participate in the Non-Storage Category.</p> <p>A New Build Electricity Storage Facility added to the Project Site of an existing generator must be separately metered from the existing generator. In this scenario, the Electricity Storage Facility would be eligible to compete for its own Contract under the Storage Category.</p>

Feedback	IESO Response
<p>Many stakeholder feedback submissions noted the importance of Indigenous community support of, and participation in, LT1 RFP projects, and included the following points for consideration:</p> <ul style="list-style-type: none"> • Consider awarding points for things other than economic interest, such as other avenues for economic benefits like royalties, employment, etc. • Consider a price adder for Indigenous participation. • Examine structure to ensure it doesn't allow for "gaming of the system". 	<p>The IESO acknowledges the important role that effective engagement with Indigenous communities may play in the successful planning, development and operation of their Electricity resources. The IESO will continue to engage with Indigenous communities in the coming months to seek feedback and lessons learned from the E-LT1 RFP.</p>

General Comments/Feedback

Stakeholder feedback submissions included other general comments for consideration, which are detailed in the table below.

Feedback	IESO Response
<p>Several stakeholders expressed concerns about the expediency of the LT1 RFP process, particularly with regards to providing Proponents with sufficient time to embark on key development milestones, and ensure Projects are able to meet COD.</p>	<p>The May 1, 2027 COD previously communicated is driven by emerging system reliability needs emerging in that timeframe. However, the IESO recognizes stakeholder concerns with procurement timelines and is committed to running this procurement in an expeditious manner so that system needs are met.</p> <p>Further to this, the IESO will continue to examine contractual provisions related to COD, based on the outcomes of the E-LT1 RFP and clarity regarding government policy.</p>
<p>A few stakeholders suggested the IESO carve out a portion of the RFP for Small-Scale LT1 Projects.</p>	<p>The LT1 RFP is designed to address Ontario's emerging system reliability needs. As such, the IESO does not currently view a carve-out for Small-Scale LT1 Projects as an approach that would guarantee meeting our reliability needs but will await the outcome of the E-LT1 RFP process to examine this issue further.</p>

Feedback	IESO Response
<p>Several stakeholders suggested the LT1 RFP should give priority to non-emitting resources, including Rated Criteria that rewards resources with non-emitting attributes.</p>	<p>The primary objective of the LT1 RFP is to competitively procure Capacity from resources to address emerging system reliability needs. To achieve this, the IESO has implemented a bifurcated approach to procure Storage Category and Non-Storage Category resources, both of which contribute to ensuring system reliability.</p> <p>Further guidance was provided in the IESO’s Resource Eligibility Interim Report published in October 2022. In this report it was mentioned that the LT1 RFP would be open to a diverse portfolio of supply options, including electricity storage (battery storage and other sources), contributions from non-emitting resources such as hybrids and biofuels, and natural gas.</p> <p>It’s important to note that the Government has directed a maximum procurement limit of 1,500 MW for gas resources across the Same Technology Upgrade Solicitation, E-LT1 RFP, and LT1 RFP. As such, the IESO’s procurements are designed in a manner that takes this Policy direction into account.</p>
<p>Many stakeholders noted concerns with the timing of the Canada Infrastructure Bank (CIB) proposal within the E-LT1 RFP and suggested clarifying the process prior to the Proposal Submission Deadline for the LT1 RFP.</p>	<p>The IESO understands the concerns raised by stakeholders regarding the timing of the Canada Infrastructure Bank (CIB) Proposal within the E-LT1 RFP and acknowledge the suggestion to clarify the process before the LT1 RFP Proposal Submission Deadline.</p> <p>The IESO continues to engage with the CIB following the completion of the E-LT1 RFP process, with the intention of providing greater clarity early in the LT1 RFP process. This will help ensure that all stakeholders have the necessary information to effectively participate in the procurement.</p>

Feedback	IESO Response
<p>A number of stakeholders have sought clarity on how – if at all - the LT1 RFP will take into consideration the ITC, particularly as further details on the ITC are expected to be made clearer by the end of 2024.</p>	<p>The IESO will proceed with the LT1 RFP procurement timelines to meet emerging reliability needs in the 2027 timeframe. Nevertheless, the IESO will continue to monitor the development of the Clean Technology Investment Tax Credit (ITC) and take into account any considerations that emerge with respect to the LT1 RFP.</p>
<p>One stakeholder suggested the IESO should better communicate up-front the engagement plan and what each meeting will entail, and therefore who needs to be in attendance.</p>	<p>The IESO appreciates the suggestion to improve communication regarding the engagement plan and meeting details for stakeholder engagements. The IESO is committed to enhancing transparency and ensuring all stakeholders have the necessary information to participate effectively.</p> <p>In response to this feedback, the IESO will explore opportunities to provide stakeholders with a more forward looking overview of design items and topics to be discussed at future LT1 RFP stakeholder engagement meetings.</p>
<p>A stakeholder expressed concern regarding the potential impact of new GHG regulations on supplier costs.</p> <p>A recommendation was made to include an explicit provision in the Contract allowing for amendments to the fixed Capacity payment if new laws and regulations materially increase a supplier's costs and restrict cost recovery from the market.</p>	<p>The E-LT1 Contract included specific provisions, extensively stakeholdered and informed by government directive, outlining Suppliers' recourse in the event of future laws limiting GHG emissions (Article 2.15 "GHG Abatement Plans") and certain other changes in law (Article 13 "Discriminatory Action"). The LT1 Contract will retain these provisions.</p>