

Feedback Form

Long-Term RFP – June 29, 2023

Feedback Provided by:

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Following the June 29th public webinar on the Long-Term RFP (LT1 RFP), the Independent Electricity System Operator (IESO) is seeking feedback from participants on design of the LT1 RFP and LT1 Contract.

The referenced presentation can be found on the [Long-Term RFP webpage](#).

Please provide feedback by July 13, 2023 to engagement@ieso.ca.

Please use subject header: **Long-Term RFP**. To promote transparency, this feedback will be posted on the [Long-Term RFP webpage](#) unless otherwise requested by the sender.

The IESO will work to consider and incorporate comments as appropriate and post responses on the webpage.

Thank you for your contribution.

Revised COD of May 1, 2028

Topic	Feedback
Are Proponents supportive of the revised COD date and the introduction of Capacity payment multipliers for early operation?	<p>Yes, CanREA is supportive of the revised COD date of May 1, 2028, with payment incentives for early operation.</p> <p>The IESO may also want to consider providing additional incentives, like extending the Capacity payment multiplier, to encourage some projects to come online for Summer 2026 to align with possible changes in system needs – which have been variable in recent years. There currently exist no incentives for projects to enter operation prior to May 31, 2027, which likely means the IESO will not receive bids for projects coming in-service in advance of that date.</p>

Revised procurement targets

Topic	Feedback
Are Proponents supportive of the revised LT1 procurement targets on slide 15, which has increased the overall procurement target from 2,200MW to 2,505MW? This enables unused MWs in the Non-Storage Category from the E-LT1 RFP to the Non-Storage Category in the LT1 RFP. The IESO continues to reserve the right to accept the marginal bid above the Storage Category procurement target.	<p>The IESO recently announced the results of the expedited procurement (ERFP), in which 882 MW of storage and 295 MW of natural gas were procured. Notably, given the costs and constraints on natural gas use in the future, combined with federal decarbonization incentives for storage, the monthly cost to customers of the storage assets were 20% lower than gas.</p> <p>Despite the above, the IESO has decided with the LT1RFP to increase the procurement target for natural gas while maintaining the same target for storage. This decision will result in higher energy bills for customers to build new GHG emitting resources, rather than lower cost, dispatchable storage.</p> <p>It is unclear to CanREA why the IESO has chosen this path. We therefore strongly recommend the IESO reconsider its procurement targets to select the less expensive capacity solution to meet system needs.</p>

Changes to Rated Criteria

Topic	Feedback
<p>Are Proponents supportive of the revised Rated Criteria approach as laid out on slides 20 and 21? This includes the removal of the duration of service as a Rated Criteria and setting minimum duration requirements as a Mandatory Criteria for Storage Category and Non-Storage Category resources.</p> <p>Remaining Rated Criteria include: Local Governing Body Support, and Indigenous Participation.</p>	<p>CanREA supports the removal of duration as a rated criteria and implementing the minimum 4-hour duration requirement. Priority points alone are insufficient inducements to implement longer duration products.</p> <p>The Indigenous Participation points should be modified to provide a more progressive award for points geared to Indigenous equity interest. The hurdle between 10 percent and 50 percent equity may be too significant to enable participation of some communities and a lack of interim incentives could inadvertently discourage economic participation above 10%. Further, we support maintaining points for local support and Indigenous Participation.</p> <p>Early understanding of the Indigenous Participation requirements/criteria will be important to ensure developers and communities have a clear understanding of expectations. The Ministry of Energy should consider outlining what procedural aspects of consultation would be required of the proponent around Indigenous Consultation prior to bid submission, not after Contract Award. This will allow the greatest flexibility to communicate with impacted communities over the project details and work with stakeholders to address any questions they may have in a respectful, timely manner.</p> <p>Lastly, IESO has previously suggested that proponents who obtain municipal support resolutions in E-LT1 could use the same municipal support resolution a second time to participate in the LT1 RFP. IESO's recent proposal requires that the proponent now receive a new municipal support resolution post February 17, 2023. CanREA disagrees with this date limitation and recommends that municipal support resolutions that meet the procurement requirements outlined in LT1 and received after January 27, 2022 should also be accepted. A two-staged procurement approach, as originally outlined by the IESO, was meant to give</p>

	<p>proponents flexibility in doing project development work, like obtaining municipal support resolutions, over a longer period. The municipalities involved may be quite small, and in some cases, lack the time or resources to duplicate these processes.</p>

Inclusion of the MCIA in the LT1 RFP

Topic

Feedback

Are Proponents supportive of continuing to include MCIA options in the LT1 RFP?

The development of the Materials Cost Index Adjustment (MCIA) in the ELT1 RFP was a positive recognition by the IESO that current global supply chains are under unprecedented strain, resulting in supply shortages and sudden price fluctuations. The MCIA protects the IESO against the risk of project failure due to this variability and protects ratepayers against higher than necessary bid prices. While additional tools may be considered (such as a collar), we support providing proponents with this option as a part of their bid submission.

We further support maintaining the right for Proponents to opt out of the MCIA completely, as was available under ELT1.

Changes to Proponent Group Award Limit

Topic	Feedback
<p>Are Proponents supportive of increasing the Group Award Limit for Storage Category resources from 600 MW to 900 MW?</p> <p>Additionally, the IESO invites Proponents to provide Group Award Limit feedback with regards to the Non-Storage Category.</p>	<p>In our understanding, the purpose of the Group Award Limit is to diversify contract awards away from one successful proponent to reduce risk for the IESO on project delivery. In our opinion, the RFQ was the mechanism to ensure only qualified proponents are able to participate in the procurement, which also means selecting companies with the experience and means to deliver on all MWs bid.</p> <p>Given that the procurement target in the LT1RFP is larger than in the ERF and given the potential for several larger projects to be proposed, CanREA supports increasing the limit from 600MW to 900MW.</p>

Other or General Comments/Feedback:

In addition to the comments above, CanREA would like to make the following additional suggestions:

1. **Transparency:** As outlined in our letter to the IESO dated June 19, 2023 the ERF process was far from being optimal from a deliverability perspective. Proponents are developing projects largely in the dark, without access to information from the IESO or Hydro One on system availability or optimal connection points. This has led to several unintended consequences, including wasted time and money on projects that are undeliverable, confusion amongst municipalities and the public about how many projects would be approved in their area, and frustration amongst developers who are making best efforts to develop quality projects for procurements with limited information.

This process is bound to repeat itself in this procurement, unless the IESO releases additional information about system capacity. We respectfully request the IESO release the results of the deliverability assessments from ERF, as well as any other helpful information that could help developers situate their projects in locations that can be delivered.

Finally, given the pricing results of the ERF and the lack of explanation from the IESO on why targets for gas are increasing in this procurement, CanREA requests the IESO not prioritize the connection of natural gas projects over storage projects in the LT1RFP, as the latter have been demonstrated to be less costly for ratepayers.

2. **Eligible Expansions:** CanREA believes the IESO would receive more, lower cost bids if they would enable project expansions of different technologies. Enabling multi-technology expansions would secure lower cost bids as projects utilize existing infrastructure.
3. **Connection Costs:** The IESO has advised proponents against applying for SIAs and CIAs prior to bid. With limited available information about system requirements, proponents are left to estimate connection costs in their bids. Should proponents underestimate costs, the IESO risks project failure due to economics. Should proponents overestimate these costs, ratepayers are left paying higher than necessary prices. The IESO should therefore include a mechanism to adjust contract pricing based on connection costs that were higher than anticipated. Consideration could be given to using a similar approach or test as that outlined in the force majeure.
4. **Market Rule Protection:** On slide 11 of the IESO's webinar presentation, it was indicated that the topic of market rule protection was a closed design item as it was significantly stakeholdered in the ERFP. With respect, we believe that an overwhelming majority of proponents still strongly believe that the IESO should fully protect supplier economics through the upcoming market rule changes. Risks are appropriately borne by those entities best in control of managing those risks. In this case, the IESO is proposing a major market overhaul and has not released several key rules specific to battery power storage, and is the entity in charge of the changes it will implement. In this way, the IESO should keep suppliers whole as the economic impacts of the market rule changes are unknowable to proponents at this time.
5. **Investment Tax Credit:** Section 2.16 of the LT1RFP Contract entitles the IESO to 50% of any direct government funding. Meanwhile, a Q&A from the ELT1 process states The IESO will not be instructing Proponents on whether or not to include tax credits in the pricing assumptions in their Proposals. For clarity Section 2.16 of the E-LT1 Contract outlining claw-back of funding from Additional Sources of Government Support does not apply to the Investment Tax Credit (ITC).

CanREA therefore requests the IESO clarify in the contract language that Additional Sources of Government Support will exclude funding from the ITC.

6. **Bid Date Extension:** The IESO pushed back the mandatory COD by one year to 2028 at the recent webinar. In line with this change, some developers are interested in exploring whether there is value in extending the LT1 RFP bid date accordingly (akin to the ELT1 bid date). This may be an area the IESO should explore and seek input from stakeholders at its next engagement meeting.