

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?	Convergent supports both the revised COD date and the introduction of Capacity payment multipliers for early operation.

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.	Convergent recommends that the additional capacity be shifted to other procurements to minimize the potential for negative consequences and to optimize the attributes that are required by the system in the future. Convergent is recommending a procurement roadmap (see general comments below) that starts to integrate the many different areas and types where energy storage resources can offer value to a decarbonized Ontario electricity system including regional power system needs, transmission system optimization, and enhanced capabilities of expanded or re-powered existing facilities.

Changes to Rated Criteria

Topic	Feedback
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. Remaining Rated Criteria include: Local Governing Body Support, and Indigenous Participation.	Convergent is supportive of the Rated Criteria changes. Convergent believes that the IESO should consider an Indigenous Community price adder as part of the LT1 Contract as this option offers a more manageable path for many Indigenous Communities to commit equity into the project. Finally, Convergent requests the IESO consider points for equity participation from Indigenous communities where the project is located on traditional territory to support local ownership of energy storage projects.

Inclusion of the MCIA in the LT1 RFP

Topic	Feedback
Are Proponents supportive of continuing to include MCIA options in the LT1 RFP?	Convergent supports continued inclusion of the MCIA on the condition that the values ascribed in the MCIA mechanism are modified align with the Raw Materials Indices provided by BESS suppliers. Specifically, the MCIA is over-exposed to lithium pricing, resulting in significant risk and uncertainty. Convergent would be happy to provide more information to the IESO via direct, private communication on this issue.

Changes to Proponent Group Award Limit

Topic	Feedback
Are Proponents supportive of increasing the Group Award Limit for Storage Category resources from 600 MW to 900 MW? Additionally, the IESO invites Proponents to provide Group Award Limit feedback with regards to the Non-Storage Category.	Convergent supports this increasing of the Group Award Limit for Storage Category.

Other or General Comments/Feedback:

Convergent has the following general comments and feedback for the IESO:

1. Market Rule Change protection in LT1 Contract Section 1.6 (c)

Convergent does not believe the current IESO Market Rule change protection outlined in Section 1.6 of the draft LT1 Contract is adequate for the length of the contract and investment required. The current contractual provision only safeguards Suppliers from incurring additional costs related to Must-Offer Obligation compliance resulting from an IESO Market Rule amendment. While we appreciate the inclusion of subsection 1.6(c), which addresses Storage Market Rule Disincentives, Convergent strongly believes that any adjustment to the Fixed Capacity Payment should not be subject to a cap (i.e., 15% increase to Fixed Capacity Payment) when the impact of IESO Market Rule changes can be much larger; particularly when considering the anticipated market design changes needed under a decarbonized electricity sector.

The inadequate level of market rule protection presents a significant risk for Suppliers, despite the fact that the IESO is compensating for capacity rather than energy. For instance, the IESO has stated that the integration of all energy storage technologies into the power system's network model via participation models will not be addressed until after the scheduled implementation of the Market Renewal Program (MRP) in May 2025. Proponents developing different storage technologies are

uncertain about how future changes to the network model in addition to other related amendments from MRP will affect the scheduling, commitment, and dispatch of energy storage resources. Specifically, the future operating profile (e.g., number of annual cycles, depth of cycles, charge hold period, etc.) impacts both the Operating & Maintenance (O&M) and sustainment Capital Expenditures (CapEx) that directly influence a project's financial model and ultimately bid price in a Proposal. If future Market Rule changes result in a significant departure of the assumed operating profile (e.g., due to State of Charge management by the IESO), an energy storage resources Supplier's economics would be harmed. Further, Market Power Mitigation (MPM) restrictions could magnify the issue and result in greater harm to the Supplier's economics.

Convergent recommends that the IESO remove the cap on Market Rule change protection and instead ensure there is a clear process for determining if Supplier's Economic have been harmed and what may be required to demonstrate the magnitude of the impact.

2. Municipal Support Resolution as Rated Criterion

In Convergent's view, making the Municipal Support Resolution (MSR) a mandatory requirement in Stage 2 of the evaluation process has the potential to negatively impact relations with local communities both on an individual project and broader procurement basis. By making the MSR a mandatory requirement, the IESO is forcing municipalities to accelerate a decision process that they may not be comfortable with or worse may not fully understand. Instead, Convergent recommends that the original approach used in the E-LT RFP should be used where the MSR is used as a Rated Criterion in the Stage 3 evaluation process.

The MSR does not supersede local community permitting and approval process and therefore provides limited demonstration of the ability of the project to successful obtain approvals to build. Instead, a proponent with an MSR prior to bid submission demonstrates enhanced support by the municipality which should be rewarded through evaluated pricing process in the LT1 RFP.

3. Remove Exclusivity of Contract Capacity to IESO in Section 2.12

The LT1 Contract logic is based around a must-offer provision in the IESO-Administered Market under the Day-Ahead Commitment Process (and subsequent Day-Ahead Market). This structure should incentivize participants to seek out the most profitable services during real-time operation while ensure the IESO receives capacity in the day-ahead process during qualifying hours. Convergent is concerned the language in Section 2.12 severely restricts the ability of LT1 Suppliers to seek out additional markets and services in real-time due to the "exclusively" language in Section 2.12. Convergent recommends the IESO consider revenue sharing (e.g., 50/50) or reasonable granting of additional services with the contract capacity that may be able to serve both purposes. For example, co-optimization of energy storage resources to both provincial capacity and regional capacity needs is an incredible value proposition in the future, particularly as the overall power system evolves and communities grow at different rates.

4. Establish reasonable off-ramps and contract adjustment provisions in LT1 Contract

Development of new resources for connection and participation in the Ontario electricity network face many known and unknown uncertainties. Unknown uncertainties are part of the development risk reward and are rightly borne by proponents are part of their bid and investment commitment for the project. Known uncertainties should be allocated to the entity (i.e., either the IESO or the Supplier)

that is best positioned to manage that risk. If neither entity can fully manage the risk, there should be appropriate off-ramps or contract adjustment provisions to ensure that both parties can achieve their ultimate objectives (i.e., new resources in the system for the IESO and new operating projects for the Supplier). Off-ramps or contract adjustments can include: price adjustments, capacity size changes, contract timeline changes, etc.

There are two key areas where contract adjustment provisions should be included in the LT1 Contract. First, the cost and complexity of interconnection of energy storage resources, particularly large energy storage resources, will be heavily influenced by the findings of the Impact Assessments (i.e., System Impact Assessment (SIA) and Customer Impact Assessment (CIA)). This information cannot be determined prior to bid completion and the analysis outcomes can present opportunities to reduce overall costs to Ontario electricity customers. For example, if through the connection process a transmitter determines the connection may result in the need for additional costs borne by Ontario rate-payers, the LT1 Contract should provide an option for the Supplier and Transmitter to explore alternative arrangements that would reduce costs for Ontario customers. The IESO can retain the right to re-run the Deliverability Assessment Test used during the LT1 proposal evaluation if needed to ensure any changes to connection arrangements are still valid with the procurement assessment process.

Second, engagement with local communities can be enhanced if the design, location and connection of the project can be adjusted after local communities have had a chance to work closely with the proponent. The IESO can maintain the ability to reject potential changes if they believe it would have significantly harmed the fairness of competition in the LT1. However, allowing for more flexibility in the LT1 Contract for Suppliers to work with local communities and ensuring the project's design reflects community desires will result in broader benefit for the entire electricity sector. Communities across Ontario are about to face significant infrastructure building to support a decarbonized economy, the IESO should be working to ensure that experience is not blunt and rigid which could result in public backlash and rejection of needed energy resources. Convergent firmly believes that communities have to be a willing partner in any energy storage resource development and the LT1 Contract should support that objective.

5. Exclude ITC from Section 2.16 Additional Sources of Government Support

The Investment Tax Credit (ITC) offered by the Federal Government has the opportunity to greatly reduce costs for customers. The ITC legislation has not been finalized, so – in the interest of maximizing the potential cost savings to the province - the IESO should: (a) exclude the ITC from Section 2.16 Additional Sources of Government Support so as to maximize customer savings. If the ITC is included in Section 2.16, many proponents may not see a benefit in pursuing the ITC at the detriment of Ontario customers, and (b) provide a bid mechanism that requires proponents to submit bid prices both with and without the ITC.

6. Establish Procurement Roadmap

Electricity markets around the world are entering a period of rapid transition as economies grapple with how best to implement decarbonization. Energy storage resources will play a significant role in many areas of the electricity network. At this time, the LT1 procurement is narrowly focused on southern Ontario capacity needs. There are many other areas where energy storage resources can offer services to the Ontario electricity sector including regional capacity needs, transmission system

optimization and ancillary services. Under Ontario's hybrid market design, long-term contracts are required to recover fixed costs and manage policy and regulatory change risk. A procurement roadmap is an important view on how the IESO intends to manage needs and how they expect different services to compete.

The fluctuating nature of boom/bust cycles in procurement is generally ineffective and can harm the reputation of system planners and the wider electricity sector. Such cycles incentivize developers to hastily engage with communities within a short timeframe to meet a narrow window of opportunity, often disregarding the priorities of those communities and broader provincial policy objectives. A more constructive and sustainable alternative is to commit to consistent and ongoing procurement processes that flexibly adjust the quantities or types of resources procured based on evolving bulk and regional system needs. This approach not only provides long-term support for project development but also fosters meaningful community engagement, leading to mutually beneficial projects.

Furthermore, annual or bi-annual procurements offer the opportunity for competition among a diverse range of resources. This includes continuing the operation of existing resources, expanding their capacity, repowering existing facilities, and developing new projects from scratch. Entities could be allowed to offer different term lengths reflecting various capital commitments and investment horizons. Energy storage resources can enhance many different types of non-emitting generation and should be encouraged to engage with existing facilities as well as new builds.

Consistent procurements also take into account the dynamic changes occurring in the electricity sector, both on the demand and supply sides. By mitigating project attrition, ongoing procurements would enable the IESO to wind down or make necessary changes to projects facing unforeseen and potentially costly challenges. Additionally, ongoing procurements provide valuable insights and information regarding the cost of resources and the capabilities of emerging technologies, contributing to informed decision-making on potential options to address other issues in the power system.

Convergent recommends that the IESO establish a procurement roadmap and incorporate competitive procurements into addressing the many different areas of system needs including regional and local power systems.

7. Opposition to Published Prices

Convergent does not support publishing winning bid prices, as these prices are the outcome of years of proprietary, highly sensitive commercial refinement by proponents. Aggregated data or anonymous data reflecting all winning bids is more than sufficient to provide the level of insight the industry, stakeholders and ratepayers need to provide transparency, promote fairness, and facilitate effective market oversight.