

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.

Topic: Changes to Rated Criteria

IESO Question:

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.

SNGRDC Response / Comments:

1. Sliding Scale

All points for Indigenous Participation should be awarded on a sliding scale between 10%-50% economic interest ("Sliding Scale").

- <10%: While all Indigenous Communities are unique, in general, it may be fair to say that below 10% economic interest would not provide meaningful and substantial economic benefits.
- >50%: At this level, the qualified applicant (private sector developer) may find it challenging to maintain control and/or meet financial return requirements. Further, it may be fair to say that the vast majority of Ontario Indigenous Communities would not have the financial resources to be a majority owner in these large capital projects.

2. Six (6) Total Indigenous Points

A total of 6 points for Indigenous Participation should be used for the Sliding Scale comprised of 4 current points and 2 additional points, as outlined below.

- 4 Current Points- These 4 points combine and replace the current draft IESO proposal that suggests various specific criteria including: 1 point for Indigenous economic interest between 10% and < 50%; 2 points for Indigenous economic interest greater or equal to 50%; and 1 point for the project being situation on Indigenous Lands.
- 2 Additional Points- There continues to be challenges with the points structure of Municipal Community Support gaining the equivalent points as Indigenous Community Equity Participation. The effort required for Indigenous Communities and Proponents to establish partnerships and structure equity participation and financing arrangements is significantly more material than securing a Municipal Support Resolution ("MSR"), and such effort is not sufficiently incentivized. To compensate for this relatively higher level of effort by Indigenous Communities to undertake the needed effort and obtain a BCR vs. a Municipality obtaining and MSR, we suggest its fair to provide 2 additional points for Indigenous Participation.

3. Price Adder

The IESO should include an Indigenous Participation Price Adder as part of the LT1 Contract. This structure has historically been used by the IESO and can transparently enable increased Indigenous participation across projects without impacting the competitiveness of bids. The Price Adder should be available to projects through to COD, such that Indigenous Communities can take the time needed to make investment decisions according to their own processes and potentially enter successful projects post-Contract award if desired. The Price Adder can be expressed in \$/MW-month multiplied by the Indigenous ownership percentage in order to scale the size of the adder to the amount of participation and size of project.

4. Clarify % Economic Interest = % Share of Project Distributions

The LT1 Contract defines Economic Interest as:

"Economic Interest" means, with respect to any Person other than a natural Person, the right to receive or the opportunity to participate in any payments arising out of or return from, and an exposure to a loss or a risk of loss by, the business activities of such Person, by means, directly or indirectly, of an equity interest in a corporation, limited partnership interest in a limited partnership, partnership interest in a partnership, units or interests in a trust, membership in a co-op, or, in the sole and absolute discretion of the Buyer, other similar ownership interest.

Private sector Developers and Indigenous Communities should have the flexibility to structure transactions that provide mutual benefit. That said, we believe that to comply with the intent of above Economic Interest definition, the Indigenous Economic Interest level percentage (i.e., 10% to 50%) should directly relate to the forecasted project level after-tax cash distributions available to equity owners ("Project Distributions"). This direct relationship of the % Economic Interest to the % of the Project Distributions will help ensure that Indigenous Communities that support a project actually receive their pro-rata share of the Project Distributions.

5. CIB Equity Loans to Indigenous Communities

We acknowledge that CIB's role is outside the remit of the IESO. That said, the availability of equity loans to Indigenous Communities as cited in the last budget, for projects in which CIB is providing funding, is a significant factor in Indigenous Communities being able to fully participate in taking meaningful equity stakes in LTI projects.

6. Duty to Consult

In order to encourage early engagement with Indigenous communities across projects, we suggest that the IESO and Ministry of Energy provide clear guidance requiring Proponents

to materially commence the Duty to Consult (“DTC”) prior to project bids being submitted and contracts being awarded. We acknowledge that the DTC can not be completed before contract award, but there is concern that beginning the DTC process only after contracts are signed is not in keeping with the principles of free, prior and informed consent. An additional negative consequence of commencing the DTC process only after contract award is that it may not sufficiently provide local Indigenous communities with the opportunity to provide feedback and explore potential opportunities to participate in projects, which is a desired objective of the LT1 process.

Summary

We strongly recommend the IESO adopt the above measures, which send a strong message to Proponents and the wider community of the importance of Indigenous participation:

- The Sliding Scale, 6 Indigenous points, and Price Adder (items #1-#3) provide strong financial incentive to Proponents to initiate discussions early and partner with Indigenous Communities. This also accomplishes the objective of commencing the DTC before contract award (item #6 above)
- Clarifying that % Economic Interest = % Share of Project Distributions ensures that Indigenous Communities actually receive their fair economic share of annual Project Distributions (item #4). These annual Project Distributions are the main security the Indigenous Communities would provide to CIB to obtain the Equity Loans (item #5)