Stakeholder Feedback and IESO Response

Medium-Term RFP – August 26, 2021

Following the August 26, 2021 Resource Adequacy 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 on the information guide:

- Advanced Energy Management Alliance
- APPrO
- Atlantic Power
- Capital Power Corporation
- Consortium of Renewable Generators, Energy Storage Providers and the Canadian Renewable Energy Association
- Demand Power Group Inc.
- Energy Storage Canada
- Evolugen by Brookfield Renewable
- Market Surveillance Panel
- Northland Power Inc.
- Ontario Energy Association
- Ontario Power Generation
- Ontario Waterpower Association
- Power Workers' Union

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 each 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.

Resource Eligibility

Feedback	IESO Response
A number of stakeholders provided feedback indicating that the eligibility for the Medium-Term RFP (MT RFP) was too limited and should be expanded to include resources such as: • all existing resources that could meet the requirements • existing demand response assets • new builds • hybrids	The first MT RFP is intended to be transitional, as the IESO begins to implement the Resource Adequacy framework. The focus of the first MT RFP is to secure capacity through existing resources in order to meet emerging system needs. Future MT and LT RFPs are expected to include expanded eligibility. The IESO will engage with stakeholders on eligibility for future procurement initiatives as they continue to be developed.
The procurement design should define the product/service that is required and let the market decide who will participate.	The IESO agrees with this perspective, with the caveats the IESO has noted for this initial, transitional MT RFP.

Contractual Considerations

Feedback	IESO Response
What level of price transparency will be available to market participants and potential investors?	Similar to previous IESO procurements, the IESO will seek to provide some price transparency after contract award while ensuring commercial confidentiality is maintained. The IESO will engage further on this topic in upcoming engagement sessions.

Feedback	IESO Response
A capacity style contract is not commercially appropriate for the first mid-term RFP due to the fact that market participants will not have had an opportunity to observe market performance under MRP.	The MT RFP represents IESO's transition to a product/service based acquisition framework that is centered on meeting reliability needs on a cost-competitive basis. The IESO recognizes that the MT RFP is procuring a product for a commitment period that starts in a post-Market Renewal Program (MRP) world. As outlined in the Annual Acquisition Report (AAR), the IESO sees needs in the second half of the decade centered around capacity. As such the MT RFP provides a competitive and transparent mechanism to acquire capacity from existing resources coming off contract and is integral in meeting our system needs. As outlined in the engagement materials, the IESO proposes that additional revenue opportunities be left with suppliers. This could include energy market or ancillary services revenues and any monetization of other products/attributes (e.g., environmental attributes). The IESO recognizes that there is always future risk in any acquisition mechanism and this risk needs to be split between the procuring authority and the proponent. While the post-MRP market is not yet in place, the current market has been in place since 2002. Similarly, the initial Capacity Auction was successfully run in 2020 and the second will be run in December 2021. As such, the IESO believes that proponents have had an opportunity to observe both energy market and capacity market performance.

Commitment Term

Feedback	IESO Response
A number of stakeholders provided feedback expressing that a longer-term contract or commitment period should be considered for the MT RFP.	The Resource Adequacy framework contemplates that Medium-Term RFPs will offer commitment period lengths of 3-5 years. Based on stakeholder feedback, the IESO proposes an optional 2-year extension to the 3-year commitment term for the MT RFP, i.e., a 3+2-year term; the commitment period would start on May 1, 2026 and, expire on April 30, 2029 or April 30, 2031, if the optional extension is activated. Due to the volume of resources coming off contract in 2029, the commitment period for the second MT RFP will commence on May 1, 2029. Contract holders from the first MT RFP, who participate and are successful in the second MT RFP, will have a seamless transition from the first to the second MT contract and thereby forego the need for the extension. Those who are unsuccessful or choose not participate in the second MT RFP will have the sole right to choose to extend their commitment by 2 years.

Proposal Evaluation & Rated Criteria

Feedback	IESO Response
Request further details and information on the proposed Rated Criteria and bid evaluation methodology.	The IESO will present additional detail on the proposal evaluation methodology in upcoming engagement sessions.

Feedback	IESO Response
Caution the use of rated criteria in the MT RFP evaluation process as the procurement exclusively targets existing assets, and offers a very limited term over which to recover any investments. The operating characteristics that will be assessed are already largely fixed for these facilities.	Recognizing that the start of the MT RFP commitment period will be in a post-MRP world and that the renewed market will provide price signals and incentives to stakeholders that are not yet fully quantifiable, the IESO intends to design the MT RFP to evaluate attributes that provide higher value from a system and operational perspective. The proposed rated criteria in the MT RFP reward characteristics that provide system value in an attempt to mimic the post-MRP market drivers. The IESO will work with stakeholders to clearly outline the weighting of the proposed Rated Criteria through the draft RFP process.
If a resource has more than 4 hours then that resource should get additional value for the extra time. The rating criteria for 4+ hours of energy should be on a sliding scale of 4, 5, and 6 hours of energy. Some assets have more than 4 hours of energy and should be compensated accordingly. Additionally, the IESO needs to specify the seasonal interpretation of the 4 hours. Are the hours consecutive?	The rated criteria category for Duration of Energy will be on a sliding scale based on range of duration capabilities, from resources with an unlimited energy duration to those with a duration of greater than 4 hours but not unlimited, to variable generation – details will be outlined in the draft procurement materials. With respect to the second question, the 4 hours are consecutive.

Contract Bridging

Feedback	IESO Response
A number of stakeholders provided feedback on the proposed Contract Bridging options for the MT RFP. Feedback included concerns regarding: • Revenue uncertainty and risk for resources relying on the CA during the bridging years • Commercial reasonableness of opting to exit a contract early • Options to have flexible contract start dates	The IESO appreciates stakeholder feedback on this topic and will be engaging with stakeholders in future engagement sessions on bridging considerations.

UCAP Approach

Feedback	IESO Response
The current proposal for UCAP calculation reduces the capability and value of hydroelectric units. An alternative approach would be to use offers or to use scheduled energy plus scheduled OR.	UCAP methodologies will be aligned across the CA and MT RFP. Based on feedback from hydroelectric resources, the UCAP methodology for those resources will evaluate scheduled energy plus scheduled OR. The UCAP formula for dispatchable hydro is: UCAP (MW) = ICAP (MW) x Availability De-Rating Factor =ICAP (MW) x Average of [(AQEI (MWh)+Scheduled Operating Reserve (MWh))/ICAP (MW)] in Top 200 hours of Ontario demand for the last 5 years
UCAP is not satisfactory for wind resources. ELCC is more accurate measure of effective capacity that can be delivered from renewable resources, and therefore their capacity value. ELCC should be developed and adopted as the measure of capacity value for all renewables.	Similar to hydroelectric resources, UCAP for wind resources will take into consideration the ICAP multiplied by energy injected in the top 200 hours of energy demand over the last 5 years. The use of UCAP aligns with the methodology used by the IESO's planners. At a later point in time the IESO may further consider a transition to ELCC or other capacity factor analysis to qualify variable resources, however this is out of scope for the first MT RFP.

Feedback	IESO Response
Capacity procurement via the capacity market or RFPs should not be measured by the UCAP methodology. Qualifying capacity with the ICAP methodology combined with an IESO-controlled performance evaluation is more consistent with industry practice and would deliver to the IAM more reliable capacity offers and supply.	As previously stated, the IESO has embarked upon a change away from policy-based procurements to acquiring products and services needed for meeting our operational and system needs. This change is driven by the IESO's lessons learned about the lack of flexibility and adaptability in our supply mix to changing needs. Furthermore, in order to procure effectively in a technology-agnostic manner, using a common methodology such as UCAP is crucial to create a level playing field for the procurements. Furthermore, UCAP is considered a best practice among system operators today which accounts for the probability that a resource will be available to serve load, taking into account forced outages/historic availability. ICAP takes into account the theoretical maximum MW output of a resource adjusted for ambient conditions over the course of a year, however it does not adjust for forced outages or other practical limitations which may impact a resource's ability to meet a dispatch instruction during peak hours. For that reason, UCAP is considered a best practice in ensuring the system has sufficient capacity to meet resource adequacy needs as and when they arise.
Request confirmation that the top 200 hours of Ontario demand measure accounts for exports.	The proposed UCAP approach is accounting for the top 200 hours of Ontario demand. Ontario demand represents the total energy that was supplied from the IESO-administered market for the sake of supplying load within Ontario. It is also equal to the sum of all loads within Ontario which is supplied from the market, plus all line losses incurred on the IESO-controlled grid.

Timelines and Milestones

Feedback	IESO Response
Concern that the Timelines and Milestones set out by the IESO are not achievable. Significant issues with the proposed mid-term RFP need to be resolved, and sufficient time and resources need to be allocated to the effort.	The proposed MT RFP timelines are consistent with what has been presented in the past through the Resource Adequacy framework and the AAR. In setting the timelines, the IESO considered (1) the fact that the capacity needs start to emerge mid-decade and (2) previous stakeholder feedback for near-term desire for certainty as resources are coming up to the end of their contracts. The IESO will continue to engage with stakeholders on the draft MT RFP materials.

Resource Adequacy Framework & Annual Acquisition Report (AAR)

Feedback	IESO Response
The IESO received feedback from a number of stakeholders regarding the Resource Adequacy Framework. Feedback included: • Concerns regarding the sufficiency of the proposed framework for supporting necessary project investement and development • Request for further information and consultation on how all of the procurement mechanisms will be administered in parallel, and how future needs will be allocated to each of the competitive procurement processes • Clarification on how terminated contracts will be integrated into the Resource Adequacy framework • Request for further analysis regarding the contracting term lengths for medium-term and long-term procurements	The IESO appreciates the feedback put forward by stakeholders and will continue to engage on the implementation of the RA framework and AAR later this year.

Feedback	IESO Response
Requests that the IESO provide the analysis that it conducted to establish its target procurement of 750 MW of UCAP.	Details on the up to 750 MW UCAP target for the MT RFP can be found in the July 2021 AAR. There are approximately 1000 MW UCAP of contracts expiring that may be eligible to participate in the MT RFP. In order to foster competition and drive value for ratepayers, a target amount that is lower than the amount of supply available is prudent. The IESO has proposed a registration phase in Q1 2022 for prospective proponents to express interest in participating in the MT RFP and for the IESO to provide them with their Qualified Capacity (in UCAP). The registration stage will also provide the IESO with an early indication of the level of competition it can expect in the MT RFP and thus whether or not the target capacity needs to be adjusted, in order to foster competition.
Request clarification on whether the figures presented in the AAR are expressed on a UCAP or ICAP basis?	The values presented in the figures in the AAR are on an expected UCAP basis, except where specifically noted otherwise.

General

Feedback	IESO Response
The IESO should re-define its MT RFP approach to: • separately procure peaking, intermediate and baseload supply capacity to meet the associated system needs; • include procurement criteria that incorporate societal benefits; and, • identify the timelines associated with Ontario's forecast capacity needs. Any forecast sustained need that persists beyond 3 years should be procured via long-term contracts.	The MT RFP is being designed to meet the needs identified in the AAR, while taking into account the feedback received through the Resource Adequacy engagement. See previous IESO response related to term length.
The IESO should aim to value renewable attributes via market mechanisms or product offerings. For example, a green tariff, or a special tariff rate allowing customers to voluntarily source their electricity from renewable resources, could be considered by the IESO.	The MT RFP represents IESO's transition to a product/service-based acquisition framework that is centered on meeting system reliability needs, as further outlined in the Resource Adequacy framework and the AAR. As previously presented, the MT RFP will leave additional revenue opportunities from operational output of generators with the supplier. In the case of renewable generators, this could include other products/attributes (e.g., energy and environmental attributes).
Does the IESO expect new resources to be eligible for the long-term RFP, and if so then (i) how does the IESO measure deliverability risk in that context and (ii) how can deliverability risk can be tolerated for long-term contacted resources but not mid-term contracted resources when both have the same or near similar in-service date?	New resources will be eligible for the LT RFP. The IESO expects to begin engagement on the LT RFP over the coming months where further discussion on how procurement design will take into account deliverability risk can occur.

Feedback	IESO Response
Recommends that the IESO make public sufficient data relating to key drivers that influence the formulation of existing wholesale (e.g. HOEP, MCP, OR) prices that will influence the formulation of future wholesale prices (e.g. LMP, OR). Robust data and information will help potential RFP participants to model merchant exposure and risks.	Publicly available data can be found in the reports published in the IESO Data Directory https://www.ieso.ca/en/Power-Data/Data-Directory
Requests that the IESO publicly release a list of all IESO and OEFC contracted resources due to expire by April 30, 2027, along with the UCAP ratings of each resource.	A list of IESO contracted active generation resources is publicly available at https://www.ieso.ca/-/media/Files/IESO/Document-Library/power-data/supply/IESO-Active-Contracted-Generation-List.ashx. The IESO does not intend to publish UCAP values for those resources at this stage but may make that data available as the procurement progresses.