

Stakeholder Feedback and IESO Response

Medium-Term RFP – September 23, 2021 Webinar

Following the September 23, 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 (AEMA)
- Consortium of Renewable Generators, Energy Storage Providers, and Industry Associations
- Energy Storage Canada
- Evolgen by Brookfield Renewable
- Innergex Renewable Energy
- Northland Power
- Ontario Power Generation
- Power Workers Union
- Voltus Energy Canada
- Workbench Energy

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.

Performance Obligations

Feedback	IESO Response
<p>Will the Medium-Term (MT RFP) performance requirement align with the Capacity Auction (CA)?</p> <p>Stakeholders have requested further explanation on the difference between the proposed performance requirements under the RFP compared to the CA.</p>	<p>It is the IESO's intent to substantially align the performance requirements of the MT RFP with the CA where possible, and to the extent applicable.</p> <p>Performance requirements specific to the MT RFP are outlined in the draft RFP, which is now posted to the Medium-Term RFP webpage and will be defined in further detail in the draft MT Capacity Contract to be posted shortly. Webinars on the draft MT RFP and draft MT Capacity Contract will be held to discuss these aspects in further detail in the coming weeks.</p>
<p>Regarding the MT RFP's non-performance charge, does IESO intend to implement the same Availability Assessment True-Up proposed for the Capacity Auction?</p>	<p>An Availability Assessment true-up is not being considered for the MT RFP. The methodology for assessing and calculating the non-performance charge will be set out in the MT Capacity Contract.</p>
<p>How would the proposed 5x16 must offer requirements apply to an energy storage resource?</p>	<p>The 5x16 requirement does not refer to a scheduling or operational requirement but the window during which a Qualified Facility that is a "Must-Offer Facility" has to make their capacity available in the day-ahead market. Facility Capacity Factor (FCF) resources will be subject to the Minimum Capacity Factor (MCF) requirements in lieu of participating in the energy market.</p> <p>More information on the must-offer requirements for Storage will be available in the Qualified Capacity Guidance Document, which will be published in the coming weeks.</p>
<p>How were the non-performance factors derived?</p>	<p>The non-performance factors are based on the same factors used for the Capacity Auction, as referenced in table 6-1 of Market Manual 12.</p>

Feedback	IESO Response
<p>Some stakeholders submitted requests for further information regarding performance obligation charges.</p>	<p>Additional details can be viewed in the draft MT RFP which is now posted to the Medium-Term RFP webpage, as well as the MT Capacity Contract which will be posted before the webinar on November 25. Webinars on the draft MT RFP and draft MT Capacity Contract will be held to discuss these aspects in further detail in the coming weeks.</p>
<p>Stakeholders expressed concern regarding the performance obligation requirements for non-dispatchable resources due to the energy production characteristics of some of those resources.</p>	<p>Facility Capacity Factor (FCF) resources will be subject to Minimum Capacity Factor (MCF) requirements that are derived from the ratio of the UCAP of the Qualified Facility resource (which takes into account limited energy resources) to the Reference Seasonal ICAP of the Facility.</p>
<p>Request further clarity regarding the performance obligations for non-MP resources.</p>	<p>Additional details can be viewed in the draft MT RFP, which is now posted to the Medium-Term RFP webpage. Webinars on the draft MT RFP and draft MT Capacity Contract will be held to discuss these aspects in further detail in the coming weeks.</p>

Feedback	IESO Response
<p>Stakeholders provided recommendations for consideration regarding performance obligations for the MT RFP:</p> <ul style="list-style-type: none"> • A cap for performance charges should be considered. • Given that the post Market Renewal Project (MRP) Day-Ahead (DA) market will create incentives for resources scheduled in DA to participate in Real-Time (RT), post-MRP performance obligations for both the Capacity Auction and MT RFP should be limited to the DA market only. 	<p>The IESO appreciates the feedback provided. Performance charges are meant to balance the need to incent the right behaviour while ensuring efficient participation to ensure we can meet our reliability needs and that ratepayers realize the benefit of the services they are paying for under the MT Capacity Contract. As such, the IESO does not envision introducing a cap on performance charges. The MT Capacity Contract will also contain a Supplier Event of Default for ongoing non-performance.</p> <p>The performance obligations under the MT RFP outlines the window during which Must-Offer Qualified Facilities must make their capacity available in the day-ahead market. Facility Capacity Factor (FCF) resources will be subject to the Minimum Capacity Factor (MCF) requirements in lieu of participating in the energy market.</p> <p>Webinars on the draft MT RFP and draft MT Capacity Contract will be held to discuss these aspects in further detail in the coming weeks.</p>

UCAP Approach

Feedback	IESO Response
<p>Regarding capacity qualification during registration, will proponents have the opportunity to provide input regarding the reasonableness of the UCAP value that is provided?</p> <p>What dispute resolution process may be contemplated for organizations that don't agree with the UCAP values they are assigned?</p>	<p>The IESO is considering a process in which Proponents may communicate any errors in the UCAP value they are provided based on the UCAP formulas that have been, and continue to be stakeholdered.</p> <p>The IESO will be publishing a Medium-Term RFP Qualified Capacity Guidance Document to provide stakeholders with an overview of the proposed Qualified Capacity approach for the MT RFP.</p>

Feedback	IESO Response
<p>MT RFP UCAP should be comparable to the Capacity Auction.</p>	<p>The MT RFP will leverage UCAP methodologies developed and stakeholdered for the Capacity Auction through the Resource Adequacy engagement and documented in the 2022 Capacity Auction Enhancements. While the UCAP approach is similar across mechanisms, the methodologies may vary slightly, given the different procurement frameworks and forward periods.</p> <p>The IESO will be publishing a Medium-Term RFP Qualified Capacity Guidance Document to provide stakeholders with an overview of the proposed Qualified Capacity approach for the MT RFP, including how those methodologies may differ from methodologies developed for the Capacity Auction.</p>
<p>The proposal for UCAP limits the measurement of dispatchable loads to the top 200 hours. Is there a way for dispatchable loads to get measured in more hours such that it would be comparable with the must-offer requirement of the MT RFP?</p>	<p>Dispatchable loads are not eligible for the initial MT RFP.</p> <p>Future procurements are anticipated to have expanded eligibility to drive greater competition. The IESO will engage with stakeholders on future procurement initiatives.</p>
<p>Stakeholders have expressed concern regarding the proposed methodology to calculate UCAP for energy storage.</p>	<p>The MT RFP will leverage UCAP methodologies developed and stakeholdered for the Capacity Auction through the Resource Adequacy engagement and documented in the 2022 Capacity Auction Enhancements.</p>

Feedback	IESO Response
<p>Recommend that seasonal UCAP values be utilized against the 750 MW procurement target in order to accurately reflect the generating patterns of renewable resources.</p>	<p>The MT RFP is procuring capacity on a seasonal UCAP basis (summer and winter) that will be fixed over the term of the MT Capacity Contract.</p> <p>During the initial registration phase of the MT RFP, proponents will be invited to indicate the portion of the nameplate capacity of their Qualified Facility (QF) for both the summer and winter that will constitute the QF's reference seasonal ICAP. The IESO will determine the portion of a QF's reference seasonal ICAP that will be eligible to constitute UCAP based on IESO's established UCAP methodologies and which will be eligible to be the subject of any MT Capacity Contract.</p> <p>Only summer UCAP values procured from each QF will be accredited towards the procurement target of up to 750 MW for this MT RFP. This is reflective of the IESO's summer peaking capacity needs in the 2026-2029 timeframe.</p>
<p>The IESO should consider a 3rd UCAP to represent the shoulder month capacity, given the significant impact of ambient conditions on natural gas generation operable capacity.</p>	<p>It is the responsibility of the proponent to determine the most appropriate Reference Seasonal ICAP values (Summer and Winter) based on the guidance provided in the Medium-Term Qualified Capacity Guidance Document, which will be published in the coming weeks. The IESO will determine the portion of a Qualified Facility's Reference Seasonal ICAP that will be eligible to constitute UCAP.</p>
<p>The proposed UCAP approach for dispatchable hydroelectric decreases the capacity available to the system and increases costs for the ratepayer as the IESO would need to procure additional capacity to reach their resource adequacy requirements to maintain a reliable system. An alternative approach would be to use offers or to use scheduled energy plus scheduled OR.</p>	<p>As outlined in the IESO Response under Dispatchable Hydro Feedback (Page 7), the IESO enhanced its methodologies based on the stakeholder feedback and UCAP will be determined using a combination of energy production and scheduled Operating Reserve data from the top 200 hours of highest Ontario demand from each relevant season over the most recent five years of historical data for dispatchable Hydro.</p>

Contract Design Considerations

Feedback	IESO Response
Will the IESO embed an escalation variable in the contract that addresses inflation?	Payments will not be adjusted for inflation during the term of the contract.
Resources should be able to bid both price and term within the RFP. To ensure the availability of resources coming off contract, the IESO should consider offering medium-term commitments with flexible start dates and contract lengths, including earlier start-dates and longer contract lengths for resources that can provide capacity in a timelier manner.	Stakeholders have submitted a number of comments on the contract term and bridging considerations the IESO has presented thus far. The IESO will be engaging on bridging and the proposed cadenced approach outlined in the Resource Adequacy Framework in future engagement sessions and webinars.
Why has the IESO chosen a pay-as-bid RFP structure over a structure in which all selected resources receive the market clearing price?	The IESO has previously received feedback under the ICA engagement that a price-as-bid approach provides greater certainty and that it is a preferred approach in the context of the objectives of this MT RFP.

Rated Criteria

Feedback	IESO Response
Some stakeholders expressed disagreement with the use of Rated Criteria as it introduces value for other attributes of a product that is procured solely for its capacity.	The IESO has proposed rated criteria 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.

Feedback	IESO Response
<p>Stakeholders expressed the need for further information and transparency regarding the weighting and scoring of Rated Criteria points, as well as how those points will be used to calculate a price reduction modifier for evaluation</p> <ul style="list-style-type: none"> • Will the IESO’s Rated Criteria for Location include preferential rated criteria for resources located east of FETT? • The IESO should delineate between resources that can provide 10-minute reserve products, and those that can only provide 30-minute reserve products. • Will IESO consider including off-peak energy capability as an element of rated criteria? 	<p>This information is available in the draft MT RFP. More detailed webinars on the draft MT RFP and draft MT Capacity Contract will be held in the coming weeks. A copy of the current draft MT RFP can be found on the Medium-Term RFP webpage.</p>
<p>Would hybrid resources be considered dispatchable resources?</p>	<p>Hybrid resources are not eligible for the first MT RFP.</p> <p>Future procurements are anticipated to have expanded eligibility to drive greater competition. The IESO will engage with stakeholders on future procurement initiatives as they continue to be developed.</p>
<p>The IESO’s procurement framework and Rated Criteria should take into account attributes that renewable generation resources provide.</p>	<p>The IESO has proposed rated criteria to evaluate attributes that provide higher value from a system and operational perspective.</p> <p>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).</p>

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<p>Is IESO assessing based on facility or based on resource?</p> <p>If a facility is non-quick start but has a resource that is quick start, how does the rated criteria apply?</p>	<p>Rated criteria will be assessed on a facility basis.</p> <p>As defined in the Market Rules, “quick start facility” means a generation facility or an electricity storage facility whose electrical energy output can be provided to the IESO-controlled grid within 5 minutes of the IESO’s request and is provided by equipment not synchronized to the IESO-controlled grid when the request to start providing energy is made.</p>

General

Feedback	IESO Response
<p>The IESO should conduct a dedicated engagement session with Indigenous nations with an interest in generating facilities in Ontario.</p>	<p>A high-level information session was held as part of the 2021 First Nations Energy Symposium on November 4, 2021. Detailed Indigenous community engagement sessions will be held as part of the LT RFP engagement.</p> <p>The initial MT RFP is limited to existing facilities. Language is included in the RFP to remind proponents of the essential role that engagement with local communities, including Indigenous communities may play in the successful operation of a Qualified Facility. However, it is up to the proponent to undertake engagement, as appropriate.</p>

Feedback	IESO Response
<p>Resource Eligibility:</p> <ul style="list-style-type: none"> Eligibility for the MT RFP should be expanded to include all resource types and new build storage Request clarification regarding the criteria “Operates as a merchant facility, but has previously been registered with the IESO as a Registered Facility under the Market Rules”. Is this referring to embedded generation? 	<ul style="list-style-type: none"> The IESO will not be expanding eligibility for this first MT RFP, as outlined in the IESO Response under Resource Eligibility in response to feedback from the August 26, 2021 engagement session. “Operates as a merchant facility, but has previously been registered with the IESO as a Registered Facility under the Market Rules” is referring to resources that were once, but no longer are, a Registered Facility under the Market Rules, and are currently operating as a Merchant Facility. As outlined in the draft RFP posted to the Medium-Term RFP webpage, a Qualified Facility may include a connected facility, embedded generation facility, embedded electricity storage facility, or an embedded non-market participant facility.
<p>Timelines and Milestones:</p> <ul style="list-style-type: none"> The IESO should allow time for stakeholder feedback between the release of draft design documents and design documents publication 	<p>The IESO will be engaging with stakeholders on the draft MT RFP and contract beginning in November 2021 prior to the posting of the final documents in January 2022.</p>

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<p>Contract Bridging:</p> <ul style="list-style-type: none"> • More clarification is required on how the bridging is going to be conducted • Under the proposed bridging mechanism, it may not be financially advantageous for a contract owner to cancel a contract early. Contract owners may not be able to recoup all of their costs in the CA • Resources with existing contracts ending during the term of the first Mid-Term RFP should be allowed to honor their contracts until the end; their newly rewarded contracts under the Mid-Term RFP should only begin once the previous contracts have ended. 	<p>The IESO will be engaging with stakeholders in future engagement sessions on bridging considerations.</p> <p>Under the initial proposed bridging considerations, it would be up to the contract holder to determine the commercial reasonableness of early contract termination.</p>
<p>Procurement Target:</p> <ul style="list-style-type: none"> • The IESO should clearly communicate to stakeholders what resources could be eligible to participate in the MT RFP and be compared directly to the 750 MW target capacity in the MT RFP. If the values of the expected capacity of resources coming off contract and the target capacity are similar the procurement process could limit competition and result in market power. • Stakeholders have expressed concerns regarding the MT RFP target being “up to” 750 MW. The IESO should commit to procure 750 MW in its entirety as announced. 	<p>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 publically publish UCAP values for those resources at this stage but may make that data available as the procurement progresses.</p> <p>Based on the volume of facilities that register for the MT RFP, the IESO may adjust the Target Capacity accordingly in order to ensure competition.</p>

Feedback	IESO Response
<p>Uprates:</p> <ul style="list-style-type: none"> Request more detail regarding the definition of uprates and their qualification. Recommends that IESO permit uprates in the form of additional energy storage to existing generating facilities. 	<p>The Medium-Term RFP is limited to <u>existing</u> and <u>operating</u> generation or storage facilities that were either the subject of a prior contract with the IESO, OPA or OEFC or that are registered under the IESO Market Rules at the time of the RFP submission. All permits and connection agreements for the subject facility must be in place at the time of the proposal submission. Any increases in capacity or changes to technology relative to a facility’s prior history must either already be completed or must be allowed under the existing terms and conditions of the facility’s regulatory permits and connection agreement as of the time of the proposal submission. For clarity, the Medium-Term RFP is not intended for development and construction of new or hybrid electricity resources.</p>
<p>How much transparency will there be on the results of the RFP (e.g., pay-as-bid details and rated criteria)?</p> <p>Will the evaluated bid price of specific proponents be made public?</p>	<p>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.</p>

Feedback	IESO Response
<p>The IESO should evaluate other approaches to mitigate the supply risk in 2026, including:</p> <ul style="list-style-type: none"> • Expand the MT RFP to allow other resources to compete over and above the existing expiring contracts which amount to about 750MW on a UCAP basis • Advance the 1000 MW Long-Term (LT) RFP forward to possibly Q1 of 2022 with an in-service date in 2024 instead of 2026 / 2027 • In order to address the transition with expiring contracts and the LT RFP the IESO should consider either extending existing contracts to the proposed in-service date for the LT RFP or blend and extend existing contracts. This may result in elimination of the first proposed MT RFP. 	<p>As indicated above, the IESO will not be expanding eligibility for the first MT RFP.</p> <p>The IESO is planning to begin more detailed engagement on the LT RFP, including timelines, over the next month.</p> <p>Plans to address future supply needs will be outlined in the Annual Acquisition Report (AAR). Engagement on the RA framework and AAR will continue during the November RA engagement session, scheduled for November 23, 2021.</p>

Feedback	IESO Response
<p>Stakeholders have requested further detail and clarification with regards to future procurements:</p> <ul style="list-style-type: none"> • What products are expected to be procured in subsequent procurements? • Will UCAP be procured in subsequent procurements? • How will resources secured through the MT and LT RFPs be able to participate in subsequent MT and LT procurements? • Why are multiple RFPs required to meet the forecasted supply needs? 	<p>The IESO will be looking to secure capacity in future procurements. Specific product details will be discussed during the early design engagements for future procurements.</p> <p>The IESO has committed to transitioning to a UCAP approach to qualify resources to meet resource adequacy needs. It is intended that UCAP will be the basis of future capacity procurements.</p> <p>In the design of the MT and LT RFPs and contracts, the IESO will be looking to ensure there is the ability for resources to transition between subsequent procurements if such resources are successful in subsequent procurements.</p> <p>The proposed multiple procurement approach will provide flexibility to adapt to changing conditions and help facilitate participation from new technologies in the years ahead. For further information, please see the IESO’s July 2021 Annual Acquisition Report. Plans to address future supply needs will be outlined in the 2022 AAR. Engagement on the RA framework and AAR will continue during the November RA engagement session, scheduled for November 23, 2021.</p>
<p>Does the Multi-Area Reliability Simulation Software (MARS) model use UCAP for the Supply Outlook and if not is the plan to align these approaches?</p>	<p>GE-MARS is a probabilistic model that is used to calculate reliability assessment for ensuring system adequacy. The methodology on how MARS model each resource type is provided here in section 4 of the document. A UCAP represents the amount of capacity that a resource can be expected to provide on average during periods of system need. A UCAP representation of a resource can be determined by several methodologies. The IESO’s assignment of UCAP will depend on the application of the value (e.g. what it is used for, the purpose of the value) and so</p>

Feedback	IESO Response
	the methodology of capacity value does not necessarily need to be identical.