

Stakeholder Feedback and IESO Response

Medium-Term RFP & Long-Term RFP – October 21, 2021 Webinar

Following the October 21, 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:

- Atlantic Power
- Voltus Energy Canada
- Energy Storage Canada
- Northland Power Inc.
- Ontario Clean Air Alliance
- Rodan Energy Solutions
- 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.

Medium-Term RFP

Feedback	IESO Response
<p>Commitment Term & Bridging:</p> <ul style="list-style-type: none">Stakeholders suggested that the IESO consider making the 3+2-year commitment term more flexible by allowing generators to commence the commitment period upon the expiration of their existing contract, if the resource is capable of providing capacity before 2026.Stakeholders suggested that the IESO should extend the optional 2-year extension to 3 years. Doing so will ensure that, regardless of whether the extension is exercised, the end of the resource's commitment period will coincide with the start of the next three-year commitment period.	<p>The IESO appreciates the feedback provided. To help address concerns regarding the bridging years prior to the initial commencement date of May 1, 2026, the IESO has changed the commitment term from 3+2 years commencing in 2026, to a 5-year commitment term with proponents having the choice to commence their contract term on May 1, 2024, May 1, 2025 or May 1, 2026.</p> <p>This proposed approach may be applied to future acquisition mechanisms (MT RFPs, Long-Term (LT) RFPs) as a way to establish a cadenced approach to procurements, while ensuring reliability needs in core years are met and aligning contract expiry dates to ensure greater competition.</p>
<p>Stakeholders put forward a recommendation to shorten timelines for the Medium-Term RFP since limited development time is needed for existing resources.</p>	<p>The schedule for the MT RFP is outlined in Section 3.1 of the draft MT RFP, which was developed based on feedback obtained through the Resource Adequacy engagement and the needs outlined in the AAR. When designing the schedule, the IESO considered when the stated capacity needs start to emerge and stakeholder feedback.</p>
<p>Stakeholders requested that the IESO commit to publishing the award prices for each successful participant in the MT RFP.</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.</p>

Resource Eligibility:

- Stakeholders suggested that the IESO should expand eligibility requirements for the MT RFP to allow new or upgraded energy storage resources to participate.
- Stakeholders expressed strong opposition to the IESO’s proposal to exclude Quebec water power, new wind and solar energy and energy efficiency and demand response resources from the RFP. Excluding these zero carbon resources from the RFP unfairly protects the profits gas-fired power producers.
- Stakeholders requested that Demand Response resources be allowed to participate the MT RFP.

The IESO will not be expanding eligibility for this first MT RFP, as previously outlined in the [IESO Response](#) under Resource Eligibility, in response to feedback from the August 26, 2021, engagement session. The IESO recognizes that the limited eligibility is driven by the transitional nature of this first procurement.

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.

Procurement Target:

- Stakeholders asked what the criteria is by which the IESO will assess whether the target capacity ought to be adjusted to ensure competition?
- Stakeholders asked, since the 750 MW procured through the MT RFP is part of a larger integrated Resource Adequacy framework, how does procuring less than that targeted capacity impact the IESO’s broader adequacy picture?

The Registration stage will provide the IESO with an early indication of the level of competition it can expect ahead of finalization of the RFP

Based on the volume of registration, the IESO may adjust the Target Capacity accordingly in order to ensure competition. The IESO will provide more communication after the registration phase.

Long-Term RFP

Feedback	IESO Response
<p>Stakeholders suggested that the proposed commitment period of 7-10 years is insufficient to enable new large-scale non-emitting resources, such as nuclear, hydro, and carbon capture.</p> <p>Commitment and forward periods for the LT RFP must be longer to provide a fair and transparent process for all candidate technologies.</p>	<p>The IESO appreciates the feedback provided and plans to continue to engage on the design of the LT RFP, including the term length, during future engagement sessions.</p>
<p>Stakeholders suggested that the target capacity of 1,000 MW should be increased and should include generation requirements needed by 2030 and beyond. The LT RFP should not only be focused on procuring the resources required between 2026 and 2028, but also those that are forecast to be needed 10+ years from now.</p> <p>Some resources may require longer lead times than the proposed 5 years to advance siting, regulatory, and environmental processes, and the associated stakeholder consultations.</p>	<p>The Annual Acquisition Report (AAR) will outline further details on the planned actions to address system needs including the LT RFP, taking into consideration the forecasted length of needs. Engagement on the Resource Adequacy Framework and AAR will continue as part of the Resource Adequacy Engagement.</p>
<p>Stakeholders suggested that resource eligibility for the LT RFP should be expanded to include existing resources to ensure that the RFP cost effectively procures the resources needed for the long term.</p>	<p>The intent of the LT RFP is to secure resources that require longer forward periods or commitment periods. This may include new-build resources, hybrids or existing resources that wish to make larger capital investments requiring longer forward periods or commitment periods.</p> <p>Consistent with the November 10th letter from the Minister of Energy to the IESO, the IESO will provide a pathway through the LT RFP for facilities participating in the MT RFP to make investments in major upgrades or to install a new energy storage facility along with an existing renewable non-dispatchable facility.</p> <p>The IESO will be engaging with stakeholders on the design of the LT RFP, including eligibility considerations over the coming months.</p>

Feedback	IESO Response
<p>Stakeholders suggested that RFP objectives and criteria should distinguish peak/reserve capacity needs and capacity needs for intermediate and baseload generation. The LT RFP should explicitly state how much capacity is being sought for each category of need and specify the generation performance requirements to be met for each application.</p>	<p>The MT and LT RFPs will be designed to address the system needs as outlined in the AAR. Planning Outlooks will continue to evolve to assess changes in system needs, and these changes will be incorporated into future AARs and subsequently addressed through acquisitions.</p> <p>Planned actions to address future system needs will be outlined in the AAR. Engagement on the Resource Adequacy Framework and AAR will continue as part of the Resource Adequacy Engagement.</p>

General

Feedback	IESO Response
<p>Stakeholders expressed opposition to the proposal to re-contract with existing gas generators for 5-year terms commencing in 2026. 5-year terms would be inconsistent with the requests of Ontario's municipalities that Ontario achieve a complete gas power phase-out by 2030.</p>	<p>The IESO has embarked upon a technology agnostic procurement framework that is focused on acquiring products and services needed for meeting our operational and system needs, in a manner consistent with government policy. In a letter dated October 7, 2021 the Minister of Energy asked the IESO to evaluate a moratorium on procurements of new natural gas generating stations in Ontario and to develop a pathway to zero emissions in the electricity sector. The IESO is in the early stages of this evaluation and will be engaging on it further.</p> <p>Consistent with this request, the MT RFP is targeted at acquiring existing resources to meet system reliability needs that are emerging mid-decade.</p>

Feedback**IESO Response**

Some stakeholders expressed that the use of market mechanisms like the Capacity Auction will better enable the IESO to drive more affordable rates over the next twenty years and that they would prefer to see the Capacity Auction expanded in place of RFPs.

The IESO has developed a Resource Adequacy Framework to ensure system reliability and competition. The framework outlines multiple procurement mechanisms, as per stakeholder feedback during the Incremental Capacity Auction design phase, that are designed to work together to address system needs that may emerge or continue across multiple planning time frames.

These mechanisms include the Capacity Auction, Medium-Term Commitments (RFPs or enhanced capacity auctions), Long-Term Commitments (RFPs), and bilateral negotiations (in some circumstances).

The IESO sees the Capacity Auction as a key component of its framework and will continue to use it as a short term mechanism to avoid risk of over or under procurement and intends to continue to engage with stakeholders for the foreseeable future on further enhancements to the auction beyond the December 2022 enhancements already proposed. The IESO welcomes stakeholder feedback on enhancements to the capacity auction that can contribute to ratepayer value and reliability as part of those future discussions.

Feedback	IESO Response
<p>Will the IESO be developing a penalty mechanism for the MT and LT RFPs in the event they do not perform during an emergency out of market activation?</p>	<p>The performance obligation and assessment framework proposed within the RFP is primarily related to availability performance against must-offer criteria. Must-offer facilities will also be required to demonstrate their ability to deliver their ICAP capability and may be subject to performance charges pursuant to the contract terms. However, all market participants will continue to be subject to compliance with all Market Rules (which govern scheduling and dispatch) and may be subject to compliance investigations and penalties where they have been found to be in breach of these rules. Nothing in the contract supersedes a participant’s market rule obligations to the IESO Administered Markets.</p> <p>The design of the LT RFP and Contract will build upon the MT RFP but will take into account the specific long-term needs that must be met as well as stakeholder feedback.</p>
<p>Stakeholders requested that the IESO publish their analysis and conclusions for UCAP to support that UCAP is a best practice, as opposed to penalties, claw backs, or pricing adjustments.</p>	<p>The IESO has been engaging with stakeholders on the transition to unforced capacity (UCAP) for capacity procurements throughout the Resource Adequacy engagement. By using UCAP, the IESO will be able to assess the ability of a resource to actually provide capacity when needed, (i.e., its effective contribution towards meeting system needs) and align it with the methodologies used in its planning assessments.</p> <p>The IESO agrees that transparency and information sharing is integral to the success of acquisitions. For this reason, the IESO has taken steps to provide clarity around the calculations by which UCAPs will be determined, in particular in the form of the Medium-Term RFP Qualified Capacity Guidance Document.</p>