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Annual Acquisition Report

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Agenda

- Status of the 2021 Annual Acquisition Report (AAR) planned actions
- Key feedback themes
- Next steps



Status of 2021 AAR Planned Actions

Status of 2021 Planned Actions

Planned Action	Status
Capacity Auction	<ul style="list-style-type: none">• 2021 pre-auction report for December 2021 auction published• Active engagement with stakeholders on enhancements (e.g. transition to qualifying capacity on a UCAP basis) for the 2022 capacity auction in progress.<ul style="list-style-type: none">• Draft design document published for stakeholder review
Medium-Term RFP	<ul style="list-style-type: none">• Engaged stakeholders on the procurement design and draft procurement documents• Draft RFP published for stakeholder review on November 2
Long-Term RFP	<ul style="list-style-type: none">• Engagement on the LT RFP has commenced to discuss key parameters to inform the development of the RFQ and RFP documents
Bilateral Negotiations	<ul style="list-style-type: none">• Negotiations underway for the transitional contracts to meet immediate supply needs West of London and east of the FETT interface<ul style="list-style-type: none">• West of London Bulk Report published in September 2021 detailing system needs in the area• Richview x Trafalgar upgrade assessment posted on July 16, 2021

Recent Updates to Resource Adequacy Outlook

- On November 10, the Minister of Energy issued a letter affirming the Government's support of the resource acquisition plans identified in the 2021 AAR.
- It also requested that the IESO report back on a number of additional initiatives, including a program to re-contract small hydroelectric facilities, re-contracting biomass facilities, and advancing other studies
- The Resource Adequacy Framework incorporates government policy, and works in conjunction with any prescribed programs.
- These additional policies will be factored into the determination of planned actions in the next AAR.

Interaction of the AAR and Other IESO Activities

- The **Forecasting and Planning** engagement focuses on identifying future needs. The AAR takes into consideration all needs identified in this stream of effort that are best satisfied using an acquisition. For example, the West of London Bulk Plan identified the need to initiate bilateral negotiations with Brighton Beach.
- The **Annual Acquisition Report** describes the activities the IESO plans to undertake to address needs at a high level.
- The **Resource Adequacy** engagement focuses on activities to foster greater competition in future acquisitions and to provide specific details for each acquisition activity.

Ongoing Evolution of the AAR

- Over the next decade, the sector is expected to undergo a period of substantial change, including resource mix changes, fleet turnover, electrification and decarbonization.
- The AAR describes discrete planned actions for the upcoming year to address these needs, recognizing that forecasts of needs may change over time. Some needs identified in an APO will not be addressed immediately – by using annual, iterative process, actions will be recommended when there is confidence that needs will materialize.
- Given the anticipated transformation of the grid, the IESO looks to continue to evolve the AAR to address a wider range of reliability needs

Interaction Between the Resource Adequacy Framework and Markets

- The Resource Adequacy Framework is intended to complement the IESO-Administered Markets, which provide the incentives for the services (energy, operating reserve) purchased in these markets.
- Future acquisition mechanisms and their associated contracts are intended to incent services that do not exist in today's markets.
- For example, procurements initiated this year will be for capacity style contracts.



Initial Stakeholder Feedback – Key Themes

Understanding the Resource Adequacy Framework

What elements of the Resource Adequacy Framework should be evolved or enhanced?

Stakeholder Feedback

- Stakeholder questions related primarily to specifics on the medium-term RFP design, such as bridging, term lengths, forward/notice periods, and eligibility

Preliminary Thoughts

- Through the Resource Adequacy Engagement, stakeholders have learned details on the implementation of each mechanism of the Resource Adequacy Framework
- Looking ahead, we would like to understand stakeholder insights on specific learnings or suggestions to improve the high-level framework

Future Topic Areas to Consider

What topics should be prioritized and assessed by the IESO to better facilitate acquisition recommendations?

Stakeholder Feedback

- Stakeholders proposed additional topic areas for consideration in the AAR, including decarbonisation considerations and linkages to planned actions, pricing impacts of planned actions and additional reliability needs beyond resource adequacy.

Preliminary Thoughts

- Now that we are engaging stakeholders for feedback, we would like to gather all suggestions so that we can develop a realistic work plan that considers all potential topics and prioritizes future analyses accordingly.

Publishing Data

What additional supporting information should be provided by the IESO in the AAR?

Stakeholder Feedback

- Stakeholders requested that the IESO publish additional information on locational needs, data related to existing and future price formation to give suppliers greater certainty on future revenues (e.g. forecasts post Market Renewal), and resource specific data for contracted resources (e.g. UCAP)

Publishing Data cont'd

Preliminary Considerations

- The IESO agrees that transparency and information sharing is integral to the success of acquisitions.
- For information that is currently perceived as confidential, such as UCAP, we are interested in understanding whether participants would be willing to consent to sharing their information to facilitate greater transparency.
- It is difficult to predict future market conditions and market participant behaviour, as such the IESO does not conduct modelling to support future price formation.



Next Steps

Stakeholder Feedback Requested

- The IESO is requesting stakeholder feedback on the 2021 AAR by **December 14, 2021** in the feedback form provided on the following areas of focus:
 - How can the IESO evolve the Resource Adequacy Framework to enhance it?
 - What sections of the 2021 AAR were most helpful?
 - Are there specific topic areas the IESO should focus on in upcoming AARs?
 - What additional data would be most helpful to be included as supplemental information in future AARs?
- Stakeholders are invited to submit feedback to engagement@ieso.ca via the feedback form. IESO will review feedback and provide a written response to all stakeholder feedback in January 2022.

2022 AAR

- IESO has begun planning the 2022 AAR within an immediate first step of seeking and integrating stakeholder feedback received on the 2021 AAR
- Over the remainder of the year and into Q1 IESO will engage stakeholders on:
 - Feedback received on the 2021 AAR and how it will be considered for the 2022 AAR
 - An outline of the topic areas for the 2022 AAR
 - Other topic areas informed by stakeholder feedback
- The IESO will keep stakeholders apprised of the release date for the 2022 AAR

Thank You

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