



NOVEMBER 23, 2021

Resource Adequacy Engagement

Long-Term RFP Overview

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Agenda

- Emerging Needs and Background
- LT RFP – Meeting Emerging Needs, Timing and Objectives
- Considerations for RFQ Criteria / RFQ Design and Stakeholder Feedback
- A look ahead: Q1 2022 Engagement
- RFP Design Considerations
- LT RFP Interdependencies and Engagement Considerations
- RA Framework Cadence and Bridging
- Next Steps

Purpose

The purpose of this meeting is to provide an overview of the Long-Term RFP, identify linkages to other IESO initiatives and outline key considerations for stakeholder engagement.

Resource Acquisition Plans

- The IESO's resource acquisition plans are further outlined in a [letter](#) from the Minister of Energy, Hon. Todd Smith to the IESO, issued on November 10
- The letter reinforces support for the IESO's resource acquisition plans, outlining a number of next steps in operationalizing those plans
- The IESO remains committed to ensuring that resources are acquired in a way that provides value to ratepayers, maintains reliability and balances risk appropriately between ratepayers and generators

Background on Long-Term RFP

- The 2021 Annual Acquisition Report (AAR) signalled the need for new incremental capacity starting in 2026
- As outlined, the IESO will be launching a Long-Term RFP (LT RFP) for at least 1,000 MW in Unforced Capacity (UCAP)
- The procurement process will consist of two stages:
 - 1) Request for Qualifications (RFQ) and 2) Request for Proposals (RFP)
- The LT RFP will target new and incremental capacity (including facility expansions and hybrid storage-generation resources) from resources that can enter service in between 2026-2028
- The LT RFP will offer longer commitments to provide investors with a higher level of certainty around investments in new and incremental capacity

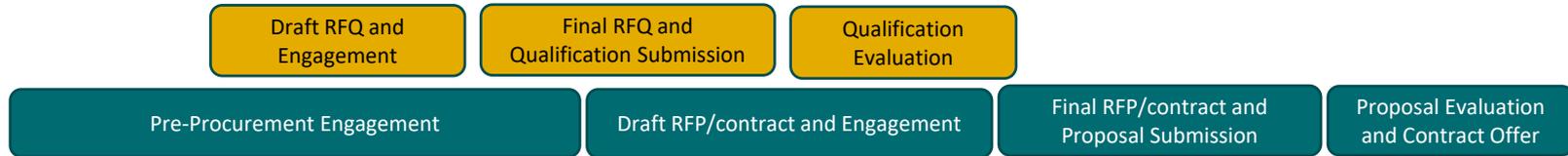
LT RFP – Meeting Emerging Needs

The LT RFP will account for emerging needs in a number of ways:

- Expedience in the procurement process to address the urgency of needs that are emerging, while taking into account development timelines for new-builds and expansions
- Locational considerations to meet both system and regional needs (i.e., Toronto, West of London)

Procurement Timing

- When considering the timing of the emerging needs within the context of the development timelines for new capacity, the IESO will be launching the **RFQ** process early in 2022
- The **RFP** process will commence in Q3-2022 and is expected to conclude before the end of 2023
- The IESO will be providing a detailed schedule prior to the January 2022 Engagement Days that includes an overview of the topics and timing for the engagement



Start of
2022

Late
2023

Objectives of the LT RFQ and RFP

The objective of the RFQ is to ensure that there are interested parties with the capability to undertake project development

- The RFQ will focus on evaluating proponents based on their **technical and/or development capability and financial wherewithal**
- The RFQ will be a **binding** stage of the procurement, meaning that only those deemed to be Qualified Applicants under the RFQ will be eligible to participate in the RFP stage

The objective of the RFP is to solicit proposals from projects that meet the needs identified in the AAR – both globally and regionally

- The RFP will build upon the MT RFP with a continued focus on **acquiring products and services** from resources that provide high system value
- The IESO will work with stakeholders in order to identify pathways for those resources successful in the MT RFP that wish to make additional investments in upgrades to participate in the LT RFP

Considerations for the RFQ Criteria

Financial Criteria

- Financial criteria typically assess the financial capacity and capability of the RFQ applicant to develop the project
- The evaluation process typically considers the current financial and market standing of the RFQ Applicant, their ability to arrange the capital to fund the project, and their ability to provide financial security to carry out the project to completion

Technical Criteria

- Technical Criteria typically assess the RFQ Applicant's track record in developing and/or operating projects that are similar in size and technology to the project being procured including:
 - **Development Experience** – assurance that the corporate entity has development experience with similar
 - **Team Member Experience** – assurance that team members have a minimum level of experience

RFQ Design and Stakeholder Feedback

- In order to design an RFQ that encourages participation from serious applicants in a timely manner, the IESO encourages stakeholder feedback on the following:
 - Feedback based on participation in past IESO RFQs/ procurements
 - Best practices from other jurisdictions to inform RFQ design
 - Applicability of financial and technical criteria at the RFQ stage
 - Feedback on timing and milestones

Summary of Q1-2022 Engagement

- The IESO will be engaging with stakeholders on the core RFQ design elements and criteria in the first quarter of 2022
 - The IESO will provide stakeholders with information to define the need in the same period
 - The IESO will finalize the RFQ in the Spring (2022), incorporating the latest information available at that time
- Furthermore, in parallel, the IESO will also be starting discussions on key considerations that will impact the RFP and Contract design, as well as providing greater clarity on the cadence of the RA framework and associated bridging needs

RFP Design Considerations for Engagement

- In early 2022, the IESO will be engaging on a number of key considerations, including the following:
 - Eligibility – project types and investment threshold for incremental capacity from existing resources
 - Need and product definition – type of need and attributes, locational requirements
 - Connection and deliverability requirements
 - Municipal and Indigenous community engagement
 - Commercial operation date and term length
 - RFP criteria and evaluation process
 - Key contractual parameters
 - Interdependencies to other IESO initiatives (Enabling Resources and MRP)

LT RFP Interdependencies

- The following ongoing initiatives have linkages to the LT RFP design, as such stakeholders are encouraged to participate where appropriate:
- **MT RFP** lays the foundation for the implementation of the Resource Adequacy framework
 - Draft procurement documents have been posted on the MT RFP Webpage for stakeholder review
 - IESO will work with MT RFP proponents to provide clarity on the pathways for participation in the LT RFP and subsequent MT RFPs
- **The APO and AAR** will identify needs to be met via the LT RFP and other mechanisms, while including operability and locational requirements to be met
 - Next year's AAR will further specify the procurement target, discrete planned actions for the upcoming year to address these needs
 - The MT RFP provides some guidance on the attributes and locations that the IESO values

LT RFP Interdependencies - continued

- **The Enabling Resources Program and Hybrid Integration Project** will provide clarity on the hybrid participation models for resources that might be interested to participate in the LT RFQ and RFP
 - The hybrid participation models will influence the contracting considerations under the LT RFP
- Given that the start of both the MT and LT RFP commitment periods will be in a post-MRP world, familiarity with the **Market Renewal Program** will be crucial
 - Market-related considerations from the MT RFP will likely be reflected in the LT RFP as well

Managing LT RFP Interdependencies

- The IESO recognizes that some key design elements for the LT RFP are linked and reliant on the outcomes of the interdependent IESO initiatives
- Given the urgency of emerging system needs and necessity for expedience on the LT RFP, the IESO will need to manage these initiatives in parallel and ensure information is being actively shared
- Stakeholder feedback gathered through these initiatives will help guide the design of the LT RFQ and RFP
- As the IESO refines the schedule for the LT RFP, it will take into account the interdependencies identified in this presentation and stakeholder feedback

Engagement Considerations

- In advance of the next LT RFP engagement session, the IESO will provide more details around a schedule and overall engagement plan based on stakeholder feedback requested at this November session.
- In early 2022, the IESO will begin engaging with stakeholders on the design elements and RFQ criteria, RFP design considerations and other initiative interdependencies mentioned earlier in this presentation.
- The IESO will seek to better understand commercial factors including financing considerations, supply chain considerations, project development timelines which will help inform the development and drafting of the RFQ and RFP documents
- Given the role of the LT RFP in meeting both system and regional needs, the IESO will undertake targeted outreach to communities in areas with additional volumes of project development

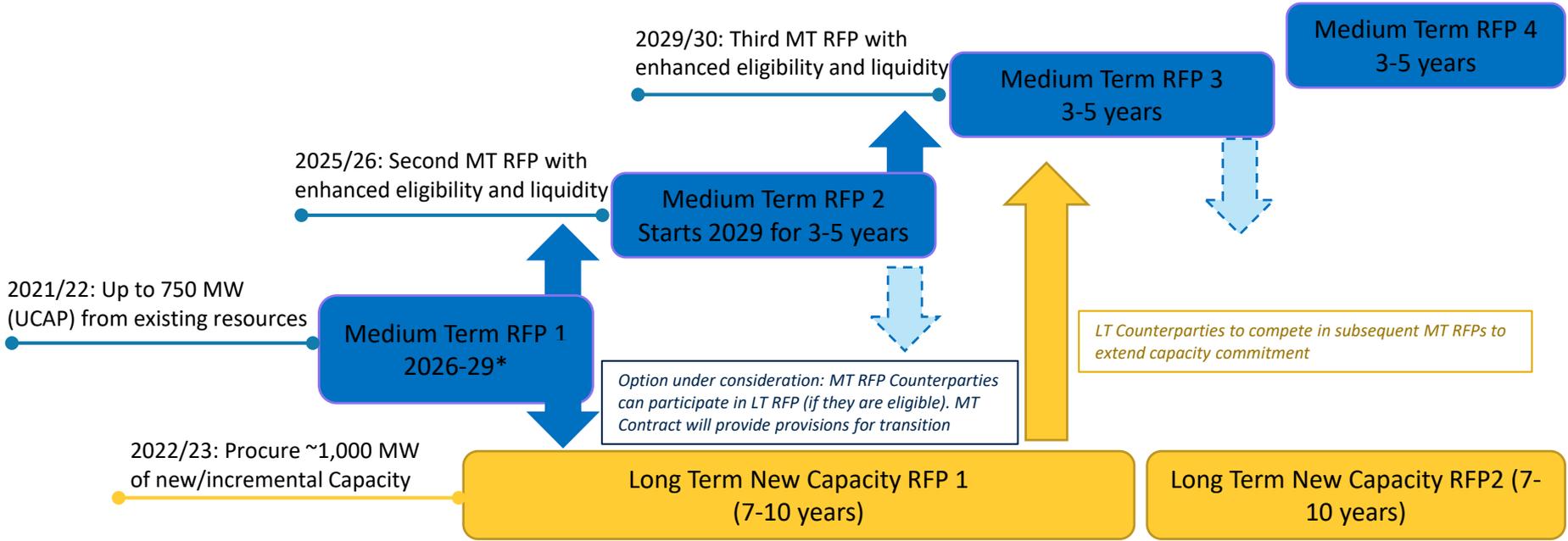
Engagement Considerations, Continued

- Leveraging best practices from past procurements, the IESO will provide information and clarity on the LT RFP, the IESO's role and expected timelines
- Engagement with Indigenous communities will aim to gather feedback from past procurements in addition to seeking input into the procurement design
- Through outreach and engagement with municipalities, the IESO will seek to better understand the processes and timelines for municipal approvals which will be used as input into the procurement design
- Engagement with parties to better understand project development considerations and timelines, including: relevant government Ministries, agencies, LDCs and project financiers/lenders

RA Framework Cadence and Bridging

- The IESO has received feedback on the cadence of acquisition mechanisms that make up the RA framework and request for greater clarity on timing and transitional considerations
- Furthermore, stakeholders have provided feedback to the IESO on the bridging approach proposed in prior engagement sessions
- The IESO is considering the stakeholder feedback received to date and will provide more information and insight on those two issues to a future engagement session

Cadenced RFPs and Linkages



Capacity Auction as Short-term Balancing and Bridging Mechanism

Timelines are illustrative

Next Steps and Feedback Requested

- Prior to the next engagement session on the LT RFP, the IESO will provide an overview of a detailed LT RFQ/RFP schedule (draft) and anticipated engagement activities
- Further information will be provided on bridging considerations and cadence of acquisition mechanisms
- Upcoming engagement sessions on the LT RFP will provide additional details around the need and RFQ considerations
- At this point in the engagement, the IESO is seeking feedback on:
 - 1) The proposed LT RFQ process and high level considerations
 - 2) The LT RFP design considerations (slide 13)

Thank You

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