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Evolution of Annual Acquisition Report and Long-Term RFP Engagement Plan

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Agenda

- Stakeholder Feedback – Key Themes
- Planned Evolution of the Annual Acquisition Report (AAR)
- Refining the Resource Adequacy Framework



Stakeholder Feedback – Key Themes

Stakeholder Feedback - Key Themes

- The IESO requested stakeholder feedback on the 2021 AAR at the November Stakeholder Engagement, on the following areas of focus:
 - How can the IESO enhance and evolve the Resource Adequacy Framework?
 - 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?
- The IESO reviewed the feedback and provided a written response to stakeholders.

Evolving the Resource Adequacy Framework

How can the IESO enhance and evolve the Resource Adequacy Framework?

Stakeholder Feedback

- Stakeholders recommended that the IESO expand the scope of the Resource Adequacy Framework to address both forecasted resource adequacy and other reliability needs.

IESO Response

- The Resource Adequacy Framework is a flexible way to address many reliability needs. The 2021 AAR focused primarily on resource adequacy needs as these are the most critical to reliability at this time. Consideration was also given to known transmission security needs. The scope of future AARs will expand to address any reliability needs that are identified in the preceding APO.

Reviewing the 2021 AAR

What sections of the 2021 AAR were most helpful?

Stakeholder Feedback

- Stakeholders were supportive of the content and structure of the 2021 AAR. Some specific additional details around needs or specifics about procurements were proposed.

IESO Response

- The 2022 AAR and subsequent AARs will build off the structure and feel of the 2021 AAR. Additional information and topic areas will be incorporated over time, as discussed later in this presentation.
- The AAR is not intended to replace the APO's needs assessments. Where the APO identifies needs, the AAR may provide additional information and/or describe the mechanism to acquire services to address needs. If the APO does not identify a need in a given year, this will be reflected in the subsequent AAR.

Future Topic Areas to Consider

Are there specific topic areas the IESO should focus on in upcoming AARs?

Stakeholder Feedback

- Stakeholders requested details on the AAR's linkage with the Enabling Resources Program (ERP), the timing of upcoming procurements and eligible resources, and decarbonisation considerations and linkages to planned actions.

IESO Response

- The 2022 AAR will discuss the ERP's linkage to planned actions and the resource characteristics of focus for upcoming procurements. Decarbonisation considerations may be factored into the Resource Adequacy Framework and future AARs pending the outcomes of the 'Pathway to Achieve Zero Emissions in Ontario's Electricity System.'

Supplemental Information to Consider (1)

What additional data would be most helpful to be included as supplemental information in future AARs?

Stakeholder Feedback

- Stakeholders requested data related to existing and future price formation, a list of all IESO and Ontario Electricity Financial Corporation (OEFC) contracted resources expiring by April 2027, up-to-date accounting on connected DERs and more granular locational information on capacity, energy and ancillary service needs.

IESO Response

- **Price Formation:** The IESO recognizes that there is future energy market risk with any acquisition mechanism. While the IESO does not have the capability, or access to, market participant bidding strategy to model potential future market outcomes, Shadow Prices are the best available proxy for future locational marginal prices. In addition, stakeholders can review the [Market Renewal Program Detailed Design](#) and current and forthcoming [Market Rules and Manuals](#) to determine their strategy for participating in the new market.

Supplemental Information to Consider (2)

What additional data would be most helpful to be included as supplemental information in future AARs?

IESO Response (cont.)

- **List of Contracted Resources:** Total contracted capacity for IESO resources and total of OEFC contracted resources is provided in the [Ontario Generation Resources Database](#). At this time, given confidentiality requirements, the IESO does not anticipate being able to provide greater details on these contracts.
- **Accounting of DERs:** Information on [DERs with IESO contracts](#) is available on the IESO website. While other DERs such as behind-the-meter storage exist in Ontario, the IESO does not actively collect or validate this accounting at this time.
- **More Granular Locational Information:** The APO and AAR provide information on reliability needs at a zonal level and are committed to continuing to provide locational information wherever practicable.

Supplemental Information to Consider (3)

What additional data would be most helpful to be included as supplemental information in future AARs?

Stakeholder Feedback

- Stakeholders suggested the IESO provide additional information on the methodology to set targets for each mechanism.

IESO Response

- In the 2021 AAR, the IESO used a principle based assessment to set targets. Future AARs will aim to provide additional details on the methodologies used to set targets.

Supplemental Information to Consider (4)

What additional data would be most helpful to be included as supplemental information in future AARs?

Stakeholder Feedback

- Some stakeholders suggested the IESO provide details on each mechanism, such as eligibility, term lengths, and notice periods.

IESO Response

- The AAR strives to balance the need to provide firm guidance for investors with the importance of engaging with stakeholders to develop details of each mechanism. As a result, some details and considerations are not appropriate for an AAR and will be developed through engagement in advance of an RFP or implementation of a capacity auction enhancement.



Planned Evolution of the Annual Acquisition Report

Evolution of the AAR

The APO and AAR are complementary documents aiming to provide transparency and certainty to the market. The IESO plans to use a staged development approach to ensure high quality data are used in both documents.

As the IESO operationalizes the Resource Adequacy Framework, and as Ontario's resource mix changes over time, new priorities may be identified. The Resource Adequacy Framework is a flexible tool that enables the IESO to acquire a range of services depending on needs, with the AAR evolving accordingly.

The IESO is seeking input on the priority areas described in the following slides, focusing on: (1) Reliability needs that drive acquisitions and (2) Consideration of interdependencies between other activities that affect acquisitions.

2022 AAR Focus Areas

- To address the needs identified in the 2021 APO, the 2022 AAR will have the following key areas of focus:
 - **Capacity:** Planned actions will be outlined in the AAR to address the capacity needs emerging mid-decade and persisting through the remainder of the outlook period, as well as to address locational capacity needs identified in the APO.
 - **Energy:** Planned actions in the AAR will reflect the APO's forecast where energy needs begin mid-decade and increase sharply without the continued availability of existing resources after contract expiry. The actions in the AAR will be informed by the need to provide continuous energy for several hours at a time.
 - **Ancillary Services:** As noted in the APO, incremental regulation is not an immediate priority.

Inclusion of Additional Reliability Needs (1)

Driver	2021 AAR	2022 AAR	Future AAR's
Capacity Adequacy	Primary focus	Will continue to be a focus area	Will continue to be considered as capacity needs evolve, and to ensure mechanisms are working to ensure capacity adequacy in Ontario.
Energy Adequacy	Signaled that energy adequacy requirements are likely to grow.	Expand on APO assessments to identify minimum technical capabilities to address long-duration reliability requirements.	As larger energy adequacy needs emerge, the AAR will adapt to ensure mechanisms are working to ensure energy adequacy for Ontario.
Transmission Security	Known requirements as a result of transmission assessments.	Consider mechanism and/or locational requirements to address needs in Section 5 of the APO.	Needs identified during the Bulk Planning Process will be incorporated into needs assessments.

Inclusion of Additional Reliability Needs (2)

Driver	2021 AAR	2022 AAR	Future AAR's
Operability Needs	Signaled that operability requirements likely to grow.	The 2021 APO introduced operability assessments in its determination of regulation needs. As more assessments are incorporated in future APO's, including identification of incremental ancillary service needs, the AAR will address what mechanisms will be used to acquire these services.	
Extreme Weather and Resilience	Not addressed.	Not addressed.	As the APO evolves to incorporate resiliency requirements, future AARs will consider mechanisms to address needs.

Interdependencies Between Acquisitions and Other Activities

Interdependency	2022 AAR	Future AARs
Linkages with the Enabling Resources Program	Will provide status of the enabling resources program and linkages to AAR planned actions.	
Market Renewal Project (MRP) Impacts on Energy Pricing	Not known at this time. AAR will recognize that this may create uncertainty on revenue adequacy.	Price discovery and efficiencies as a result of locational marginal pricing to be taken into consideration after MRP has taken effect and market information is available.
Decarbonisation	Recognized as a demand-side uncertainty.	As policy decisions are made, the impacts will be incorporated into future AARs.

Additional Information for Future AARs

Additional Information	2021 AAR	2022 AAR	Future AAR's
Methodology to Assess Needs and Targets for AAR	Set out principles used to assess what mechanism and targets to be applied.	Ensure alignment between needs assessments in APO and AAR. Will build on principles and provide information on target setting considerations.	
Consideration of additional supply side uncertainties and risks	Included discussion on some supply side uncertainties	Expand discussion on uncertainties and how they are incorporated into the AAR's assessments.	
Role of Programs and Policies	Anticipated policy decisions provided as an uncertainty.	Known policy decisions incorporated into needs assessment and anticipated policy decisions treated as uncertainty.	
Resource specific data or supporting data tables (similar to APO)	Supporting data tables made available to stakeholders upon request.	Continue to publish resource specific data in the Ontario Generation Resources Database. Additional data tables (numbers underlying figures) will be posted in excel format.	



Refining the Resource Adequacy Framework

Refining the Resource Adequacy Framework

- The Resource Adequacy Framework was developed in 2020 through a series of engagements with stakeholders, and sets out how to secure reliability services from resources, leveraging competitive processes where possible across various time frames, as well as addressing circumstances where a competitive procurement is not practical or cost-effective.
- The 2021 AAR was the IESO's first step in operationalizing the framework, and in doing so, several opportunities for improvement have been identified by the marketplace. The improvements discussed on the following slides aim to increase certainty and competition in future procurement activities.

Bridging Mechanism

- During the December 2021 Resource Adequacy Engagement, the IESO put forward a proposal for a bridging mechanism to provide more certainty to resources with expiring contracts.
- The IESO is currently receiving feedback on this proposal and will work with stakeholders to finalize a bridging approach, which will be incorporated into the 2022 AAR.

Subsequent Long-Term RFP

- Stakeholder feedback indicated that there are challenges in developing projects in time for the first long-term RFP with a core delivery period beginning in 2027 or earlier.
- To address the emerging capacity needs identified in the 2021 APO and consistent with the 2021 AAR, the IESO will continue to target 2027 as the start of the long-term RFP core delivery period.
- To address stakeholder challenges with development timelines, and to meet future reliability needs, the IESO is planning to execute a subsequent long-term RFP with a core delivery period beginning after 2027.



Update: Long-Term RFP Engagement Plan

LT RFP Engagement Plan

- A Long-Term RFP engagement plan has been drafted to support the development of the RFQ and RFP
- While the overall development of the LT RFP is a significant initiative within the Resource Adequacy framework, a dedicated engagement approach with its own dedicated engagement webpage will better support the needs of this engagement and give increased clarity and transparency to stakeholders
- The LT RFP engagement plan can be found on the engagement page here: <https://ieso.ca/en/Sector-Participants/Engagement-Initiatives/Engagements/Long-Term-RFP>

Engagement Plan: Approach

- With the potential for LT RFP meetings to take place outside of the monthly engagement days, the following ground rules are being proposed:

Task / Activity	Timing
IESO to announce the date of the meeting	At least two weeks in advance of the meeting
IESO to post meeting materials to the SE page	At least one week in advance of the meeting
Stakeholder deadline for feedback/comments	One to two weeks following the meeting, depending on the topic(s) covered
IESO to post responses to feedback	Two weeks after feedback is received

- This approach enables flexibility to meet the time sensitive nature of a procurement engagement, while adapting to input from stakeholders and the interdependencies of the LT RFP ensuring that timing for meeting notices, materials, feedback and responses are clearly understood

Engagement Plan: Outreach and Interdependencies

- **Outreach:** coordinated effort, in parallel with this engagement, to conduct outreach seeking to Inform, Engage and Support those who are not as directly involved in this engagement (for example; Indigenous communities, municipalities, provincial and federal government agencies, and others as identified)
- **Interdependencies:** the LT RFP engagement plan includes more details on the interdependencies with other active initiatives currently underway. The LT RFP will continue to provide the relevant linkages between the LT RFP and those areas of work

Next Steps: LT RFP Engagement

- Stakeholders interested in participating in the Long-Term RFP, are asked to email engagement@ieso.ca to register for updates on this initiative
- The next engagement webinar on the design of the Long-Term RFP is scheduled for early February (specific meeting details have been posted to the engagement page)
- All project milestones, engagement meeting dates, meeting materials and further information on the LT RFP will be posted to the [LT RFP engagement page](#)

Thank You

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