

OCTOBER 3, 2024

Transmitter Selection Framework Indigenous Engagement Session

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Purpose

To recap topics discussed in Focused Engagement Session #5, with a focus on the following:

- Review the TSF design and the recommendations contained within the report-back to the Minister, with a focus on Indigenous community impacts and opportunities
- Identify areas where the IESO will continue engaging and soliciting feedback following the report back
- Continue to solicit feedback on the proposed TSF approach, and invite opportunities for continued 1-on-1 meetings

Agenda

1. Recap – TSF Rationale and Goals
2. Recap – TSF engagement approach, and feedback summary
3. Report Back summary and recommendations
 - TSF Rationale and Process Overview
 - Transmission Planning Considerations/ Tx plans underway
 - Qualified Transmitter Registry
 - Proposal Evaluation Considerations
 - Commercialization Framework
 - Indigenous Participation
4. Areas for continued development
5. Discussion

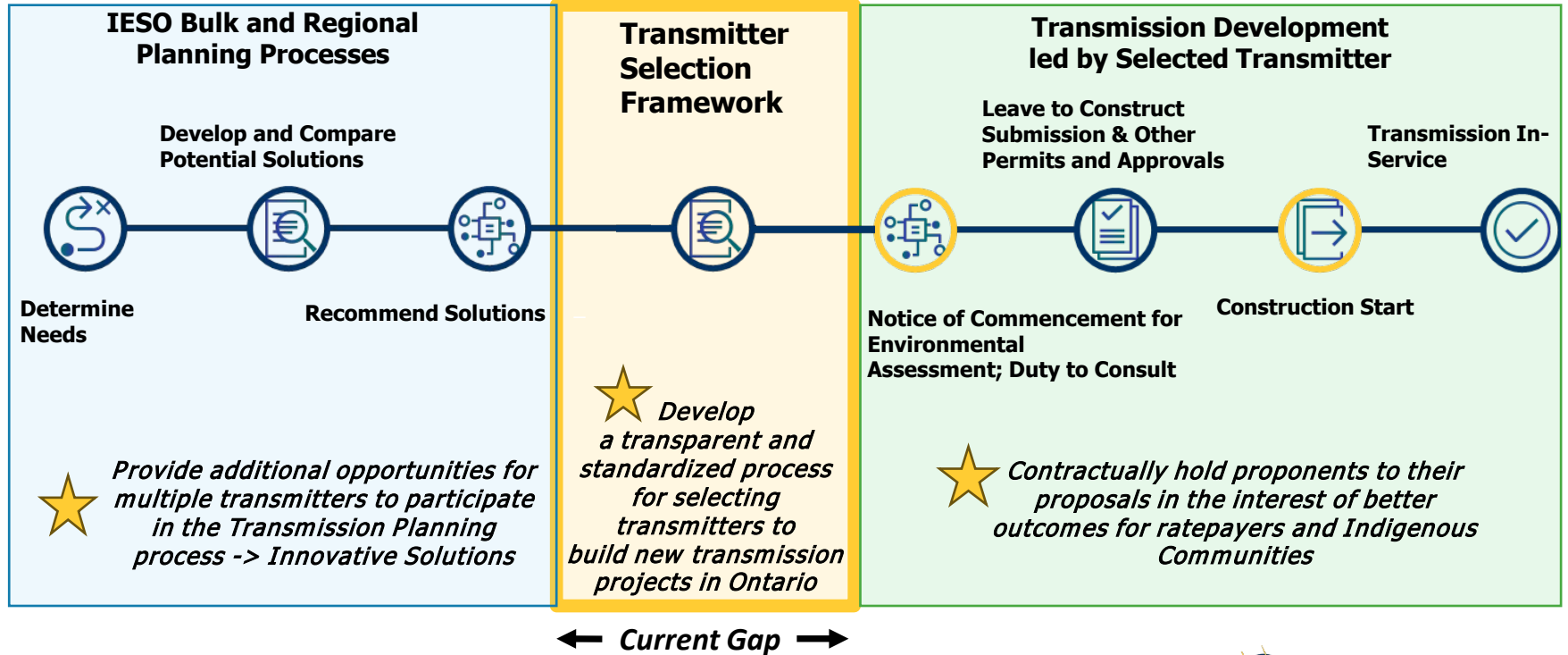


TSF Rationale and Goals

Current Transmitter Selection Approach

- Currently, there is no standardized process for selecting a transmitter to build new transmission projects in Ontario.
- Previous attempts at transmitter selection processes lacked direct linkages between proposals and the eventual outcomes for the project (i.e., no contractual obligation tied to proposals).
- Without a binding contract, it is challenging to hold proponents to their proposal parameters (e.g., cost, Indigenous economic benefits) limiting effective oversight of the project.
- Historically, most new transmission projects have been designated to the incumbent for development and construction. Looking ahead, the IESO sees significant transmission buildout being key to support growing demand; necessitating a process that yields cost effective outcomes in a transparent manner.

Transmission Selection Framework – Rationale & Goals



What the TSF might mean for Indigenous communities

- Currently, there are limited pathways for Indigenous communities interested in participating in new transmission projects
- The TSF is expected to expand participation pathways and options by introducing more competition through a predictable and transparent process

Opportunities to form Transmission entities fully owned by Indigenous communities

Opportunities for other forms of participation (e.g. equity)

Opportunities for employment, local procurement, environmental stewardship and capacity building



TSF Engagement Recap

Review of TSF Engagement Approach

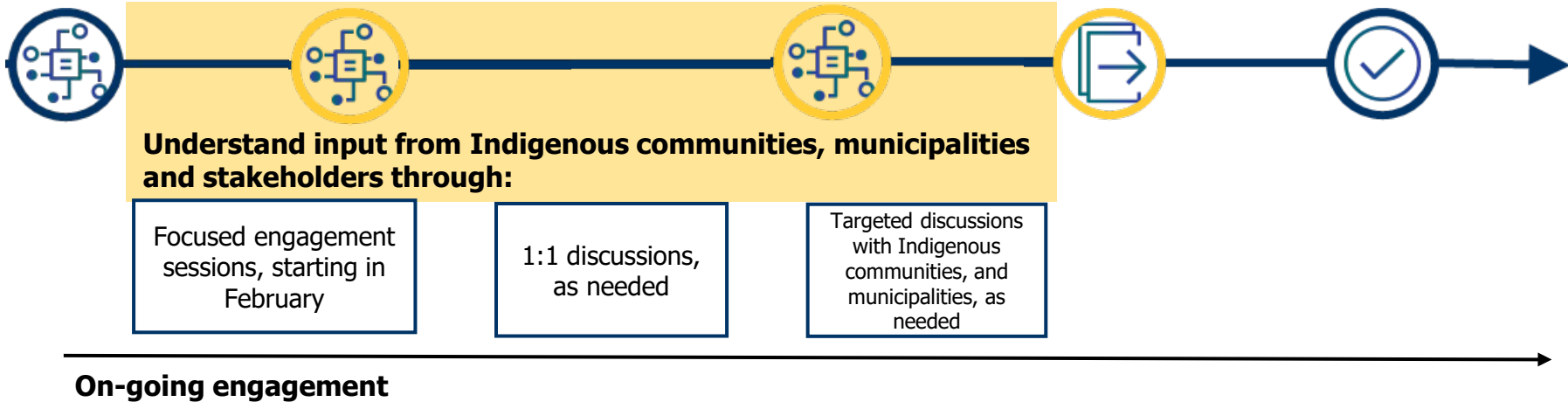
December 2023
Kick-off

February-July
Focused Engagement Sessions

April – August 2024
Process Design and Report Development

Q4 2024
Report back to Minister of Energy

Q4 2024 & Onward
Continued TSF development and implementation (pending Minister direction)



Indigenous Community Feedback

- **Early Involvement in Planning:** Indigenous communities have emphasized the importance of early participation in transmission planning and project development.
- **General Support for TSF design:** Communities seem generally supportive of the TSF design elements shared to date (e.g. the proposed commercial model and Indigenous Engagement and Participation Plan concept).
- **Flexible Economic Participation Pathways:** A variety of economic participation options should be available to Indigenous communities impacted by transmission projects, including ownership, equity, and other forms of economic participation (e.g. training & development, supply chain opportunities and capacity funding), and the TSF should enable long-term participation opportunities.
- **Addressing Capacity Barriers:** Ongoing efforts are necessary to address capacity barriers, ensuring Indigenous communities can actively participate in the planning and procurement processes

Stakeholder and Transmitter Feedback

- **General Support for TSF Design:** Stakeholders and developers are generally supportive of a TSF; risks noted with the introduction of the TSF contributing to the delays of critically-needed transmission infrastructure. There is general support for the proposed TSF eligible project and technical criteria and developers are seeking a transparent and objective process to transmission selection under the TSF.
- **Rate Regulation Support:** General consensus for using the Rate Regulation process for projects under the TSF to ensure consistent and fair pricing mechanisms.
- **Concerns of Transmitter Advantage:** There exists some concern over existing transmitter advantage within Ontario with a recommendation that fairness measures be explored to level the playing field.



TSF Process Overview

Transmitter Selection Framework – Key Features

Indigenous Participation

- Supports Indigenous economic participation for projects (Similar to Hydro One's model) – while providing **optionality and flexibility**.

Cost Containment

- Ensures proposal parameters (including costs) are controlled through an IESO contract, **delivering better ratepayer value**.

Supports Development

- Attracts new transmitters to enhance existing transmission development and **keep pace with growth**.

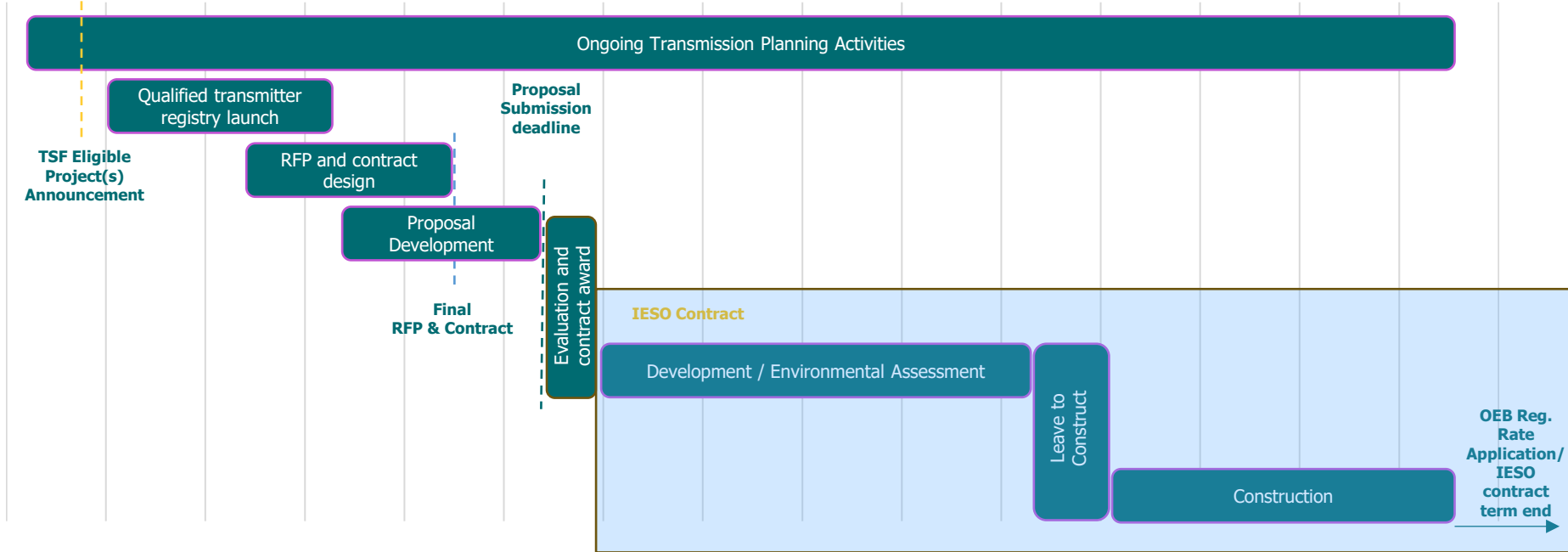
Commercial Framework

- Relies on existing rate regulation to **deliver investor confidence and value** over long life of asset

Competition

- Leverages competition to **drive innovation, cost savings and additional economic growth**

TSF – High-Level Process Overview



TSF High Level - Process Overview

- Phase 1: Transmission Planning - *Project Eligibility Criteria & TSF Communication*
- Phase 2: Qualified Transmitter Registry - *Qualification Requirements*
- Phase 3: RFP and Contract Design - *Commercialization Framework*
- Phase 4: Proposal Development - *Commercialization Framework*
- Phase 5: RFP Evaluation and Contract Award - *Evaluation Considerations*
- ****IESO Contract Start***
- Phase 6: Project Development (Transmitter-Led)
- Phase 7: Rate Application with OEB - *Commercialization Framework*
- ****IESO Contract End***

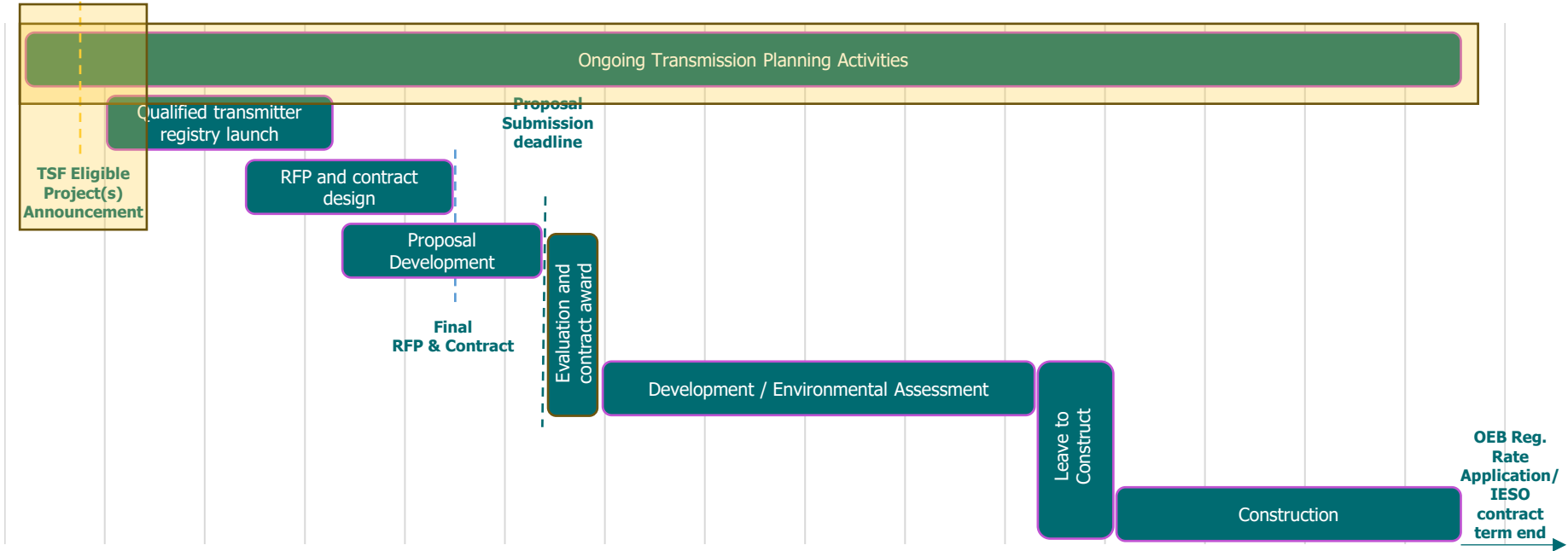
TSF - Design Highlights

- The proposed TSF design will span the full life cycle of planning and project development that is needed to support new investment.
- The framework design includes considerations for transmission planning, procurement processes, development of a Qualified Transmitter Registry (QTR), commercial arrangement/contracting approach, and Indigenous engagement and participation.
- To achieve project development cost controls, the TSF design seeks to use the IESO's extensive contracting experience by designing a commercial agreement that can effectively incent development, while holding proponents to their proposals.
- By implementing a contract, it will bind proponents to their proposal parameters (e.g., cost, timelines, technical requirements, commitments to Indigenous Communities) and ensure effective oversight of the project.



Transmission Planning Considerations

Transmission Planning Considerations



Project Eligibility Considerations - Initial Procurements

Transmission recommendations (flowing from IESO transmission planning activities) will be assessed against the TSF eligibility considerations.

Eligibility is expected to evolve as more experience is gained with transmission procurement.

TSF Proposed Eligibility

- New Facilities
- Benefit all electricity ratepayers
- Estimated cost of \$100M or greater
- Nominal voltage of 200 kV or greater
- Sufficient lead-time (at least 6 years)

Transmission projects that satisfy the eligibility criteria could be deemed suitable for the TSF, however the IESO will need to review and determine whether a recommended transmission project will proceed to competitive procurement. Every transmission project has unique attributes that could impact suitability for the TSF.

Transmission Planning - TSF Related Communication

The previous focused engagement sessions identified the following opportunities for future communication related to the TSF

- The Annual Planning Outlook will provide a snapshot of transmission needs, plans underway and plans to be initiated with proposed timelines
- Bulk Study Quarterly Updates (at IESO Monthly Engagement Days)
 - Regular updates on bulk planning, including the bulk planning interactions described in the bulk planning engagement roadmap
 - TSF-focused updates will occur bi-annually during the Quarterly Updates
- Additional engagements on all transmission plans outside the quarterly updates, if needed, and ad-hoc announcements

Transmission System Plans Underway

- Three transmission system plans are currently underway focusing on issues affecting the bulk transmission network, in:
 - **South and Central Ontario Bulk Study** is assessing options for connecting new nuclear resources and energy storage, supporting electrification and economic development, and the implications of phasing down natural gas generation (focus on an area from the GTA to Barrie, west to Bruce, and southwest to Windsor-Essex)
 - **Northern Ontario Bulk Study** is evaluating alternatives for expanding the transmission system to address the bottleneck between Northern and Southern Ontario and support the connection of new generation resources and economic development (focus on an area from Sudbury south to Barrie)
 - **Northern Ontario Connections Study** is assessing options for connecting additional off-grid remote communities and support economic development (focus on northwest Ontario)

Transmission System Plans Underway and Coming Soon

- Four transmission system plans are currently underway focusing on issues affecting the bulk transmission network:
 - **Eastern Ontario Bulk Study** is evaluating the adequacy of the electricity supply to load centres, opportunities to expand the interties with Quebec and New York, and opportunities to improve transmission capability to deliver new generation resource potential in eastern Ontario (focus on an area roughly between Ottawa and Belleville)
- The need for an additional transmission system plan has been identified for the Niagara area
 - **“Niagara Area Bulk Study”** will evaluate options for continuing to supply the potential demand growth in the area. The need and timing of this study will be confirmed in the 2025 Annual Planning Outlook

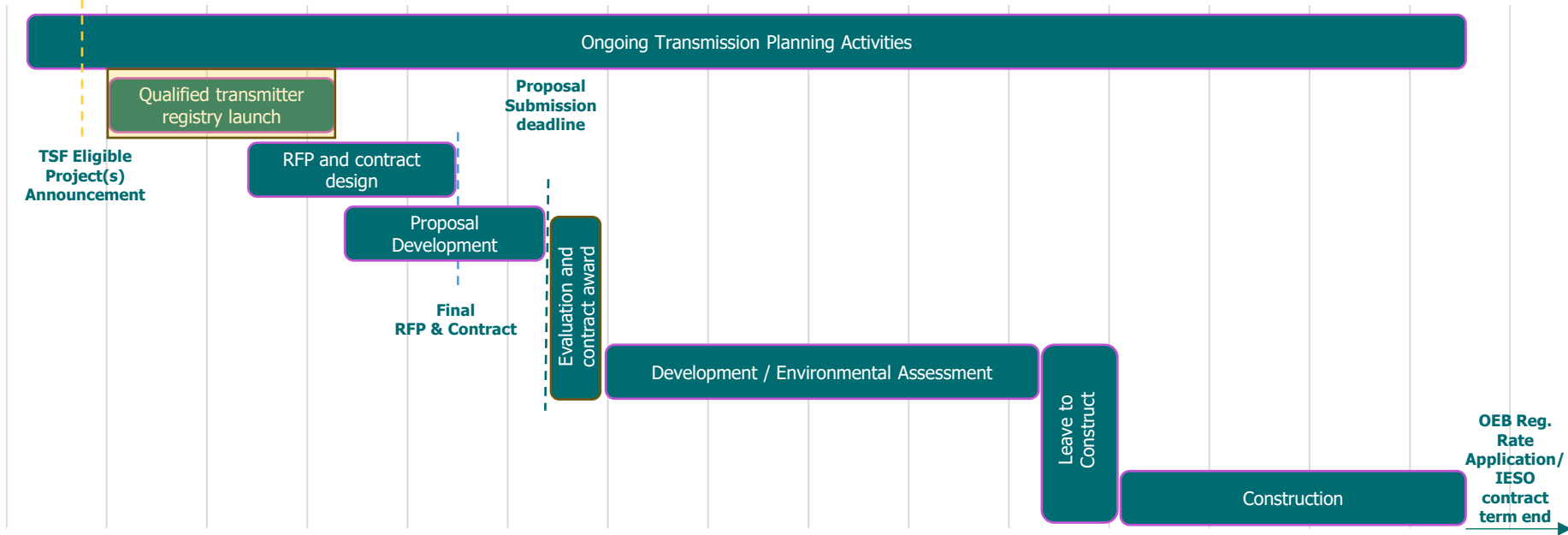
Opportunities for Engagement on Transmission Plans

- The IESO is currently hosting engagements on the bulk system plans through quarterly webinars
 - Most recently on September 24, 2024 – recording of the presentations are available at the IESO's website: [Bulk Planning Updates \(Northern, Eastern & South and Central Ontario\)](#)
- Next quarterly update in December/January (monitor the engagement pages for the plans at [IESO Engagement Initiatives](#))



Qualified Transmitter Registry

Qualified Transmitter Registry



**For illustrative purposes only*

Qualified Transmitter Registry - Rationale

- To expedite the procurement process, the IESO will pre-qualify transmitters through a registry, replacing the need for an RFQ process for each procurement
- The IESO is considering opening a flexible submission window for applicants to achieve Qualified Transmitter Status, the intent will be to build out the registry initially for the first few procurements
- Only qualified applicants can submit proposals for future transmission project RFPs.
- Having an ongoing qualified transmitter registry will save 6-8 months vs running an individual RFQ for every procurement

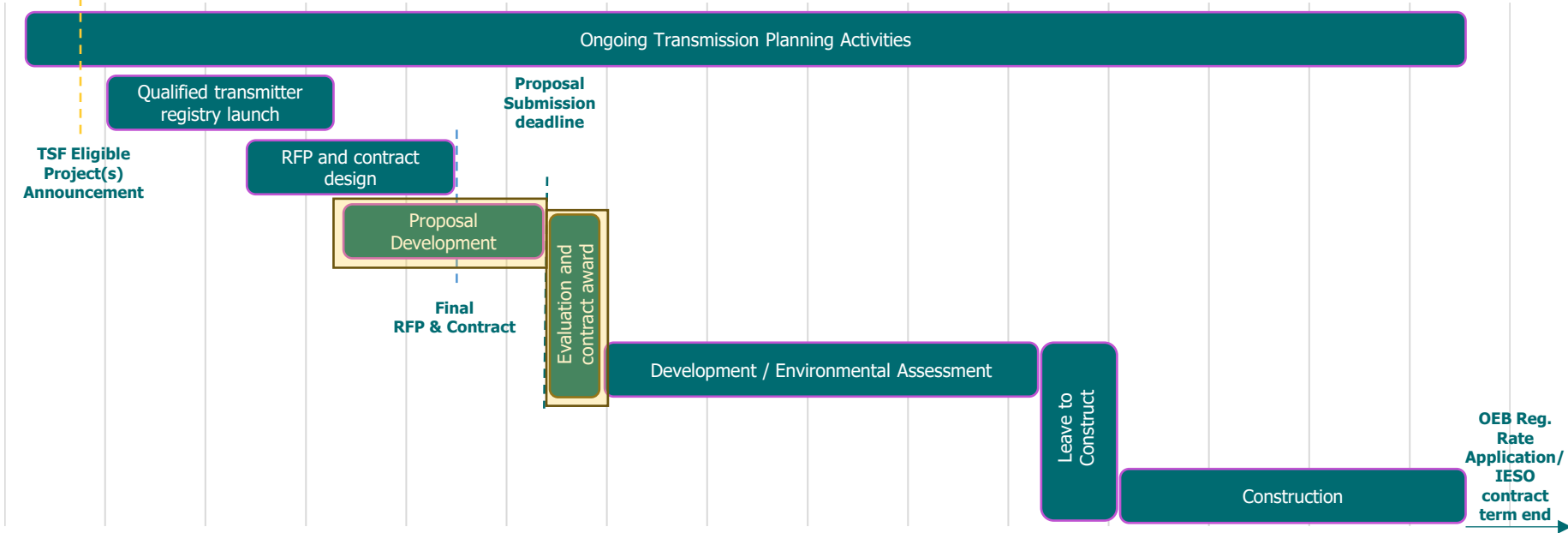
Qualified Transmitter Registry - Requirements

- In general, applications will be evaluated based on transmission development experience, technical capabilities, financial strength, and project track record
- Transmission project experience may include details of previous projects, budget, financing, and capital structure, and schedule milestones
- Technical capabilities may include providing details for engineering capabilities, O&M, and safety assurance.
- Financial strength may include capital procurement plan, financial statements, credit ratings, and financial history.
- Expectation is that qualified transmitters will have to re-certify at regular intervals and will be responsible for informing the IESO of any material changes



Proposal Evaluation Considerations

Proposal Evaluation Considerations



**For illustrative purposes only*

Proposal Evaluation Considerations (1)

- The IESO will evaluate proposals based on criteria that can then form contractual requirements related to cost containment, Indigenous engagement and economic participation, risk allocation, technical requirements, and project timelines and milestones
- Evaluation should ensure that proponents are able to do the following: to complete the transmission project at a competitive cost, deliver the project on schedule, and have the experience and capability for meaningful engagement and consultation with impacted Indigenous communities
- IESO is developing the evaluation principles and criteria (that can later form contractual provisions) and will continue post report back. Evaluation criteria may differ from project to project and IESO remains flexible to engage on these preliminary considerations.

Proposal Evaluation Considerations (2)

- IESO proposal evaluation will be guided and influenced by the following principles:

Guiding Principles

Cost	Meeting all requirements at the lowest overall cost
Certainty	Providing a high degree of certainty and predictability
Risk Mitigation	Reflecting the lowest risk to success of the project and optimal performance
Specificity	Providing a high degree of specificity and detail

Proposal Evaluation Considerations (3)

Evaluation Criteria Considerations

Project Cost and Design (Total Revenue Requirement, Cost Containment Commitments, Risk Allocation, Electrical & Structural Design, Innovation)

Project Implementation Capabilities (Project Management Plan, Key Resources, Experience, Development and Construction Schedule, Routing, Land Acquisition, and permitting)

Indigenous Participation (Terms of participation model/IEPP, Experience with Engagement and Consultation, Financing Support, Capacity Building, other economic participation mechanisms)



To be discussed further in Today's Session

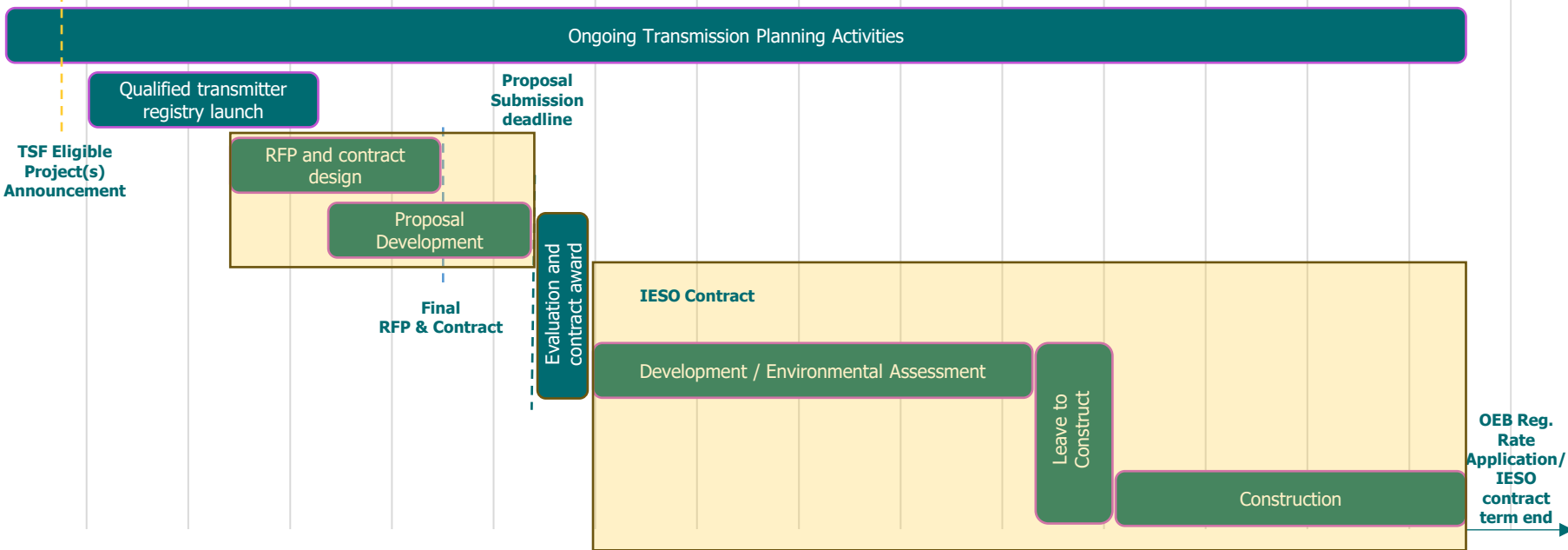
Financial Planning (Financing strategy, Organizational Structure, Equity)

Operations & Maintenance (Safety, Repair, Replacement Capabilities)



Commercialization Framework

TSF – Commercialization Framework



**For illustrative purposes only*

Commercial Framework at a Glance

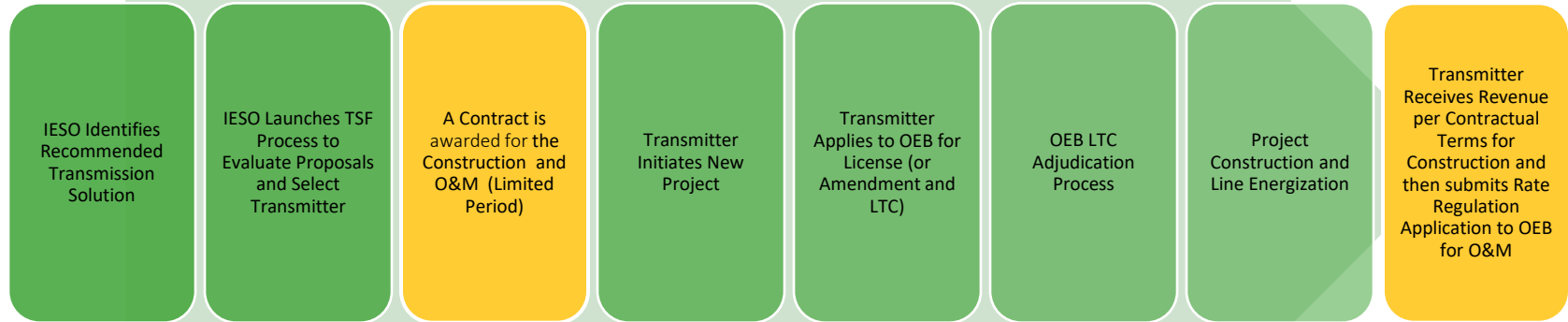
- In order to support the growth of the transmission system and the selection of new transmitters in an effective manner, a commercial framework that supports timely project development, shares risks effectively, supports Indigenous economic participation and ensures ratepayers are protected, will be crucial.
- There are several commercial options/contracting approaches that have been used in Ontario and in other jurisdictions to effectively support transmission development
- Applying lessons learned from those approaches, the IESO is putting forward a commercial framework that considers the unique nature of the Ontario electricity sector as currently constituted, while acknowledging the key role that Indigenous communities have in supporting project development.

TSF Commercialization Framework Considerations

Key Goal: Establish a commercial framework that emphasizes enhanced cost certainty and risk management and enables Indigenous economic participation, while working within the existing rate regulation framework.

- The overall objective should be to leverage competition to achieve better outcomes for ratepayers, by holding proponents to their proposal costs and schedule, as well as their commitments to Indigenous economic participation
- The IESO has determined that the best approach to achieve the TSF's goals and objectives is through a **partial contracting approach**
- Once the IESO has evaluated all proposals and a winning transmitter is selected, the IESO and the transmitter would enter into a Transmission Project Contract covering the key elements of design and construction until a fixed timeframe post Commercial Operation Date (COD).
- Upon project completion, the project will be transferred over to the Ontario Energy Board (OEB), and the transmitter will file an application for rate regulation

TSF Partial Contracting Approach



Partial Contracting: COD+ Approach

IESO Recommendation: In order to manage Operations and Maintenance (O&M) costs following COD, the IESO recommends that an ideal time for a partial contract to conclude would be approximately 10 years after COD ("**COD+**").

Process Overview: This COD+ contract will fix the O&M costs and developers would be required to include a lifetime O&M plan in their proposal

- Developer will be required to submit prescribed amounts to the OEB for review via a cost-of-service application and would be bound to the costs in the O&M plan, during the term of the contract. This disincentivizes proponents to propose less costly development solutions to succeed in the procurement, and then later submit additional O&M costs through the rate regulation process.
- The transmitter's revenue requirement, including some or all post-COD revenue, would be fixed via contract and incorporated into Uniform Transmission Rates (UTRs)
- After the IESO contract expires, traditional OEB rate regulation would apply, and be guided by the lifetime plans provided pursuant to the IESO contract, subjecting all cost components to OEB for review and incorporation into UTRs

Partial Contracting: COD+ Approach (2)

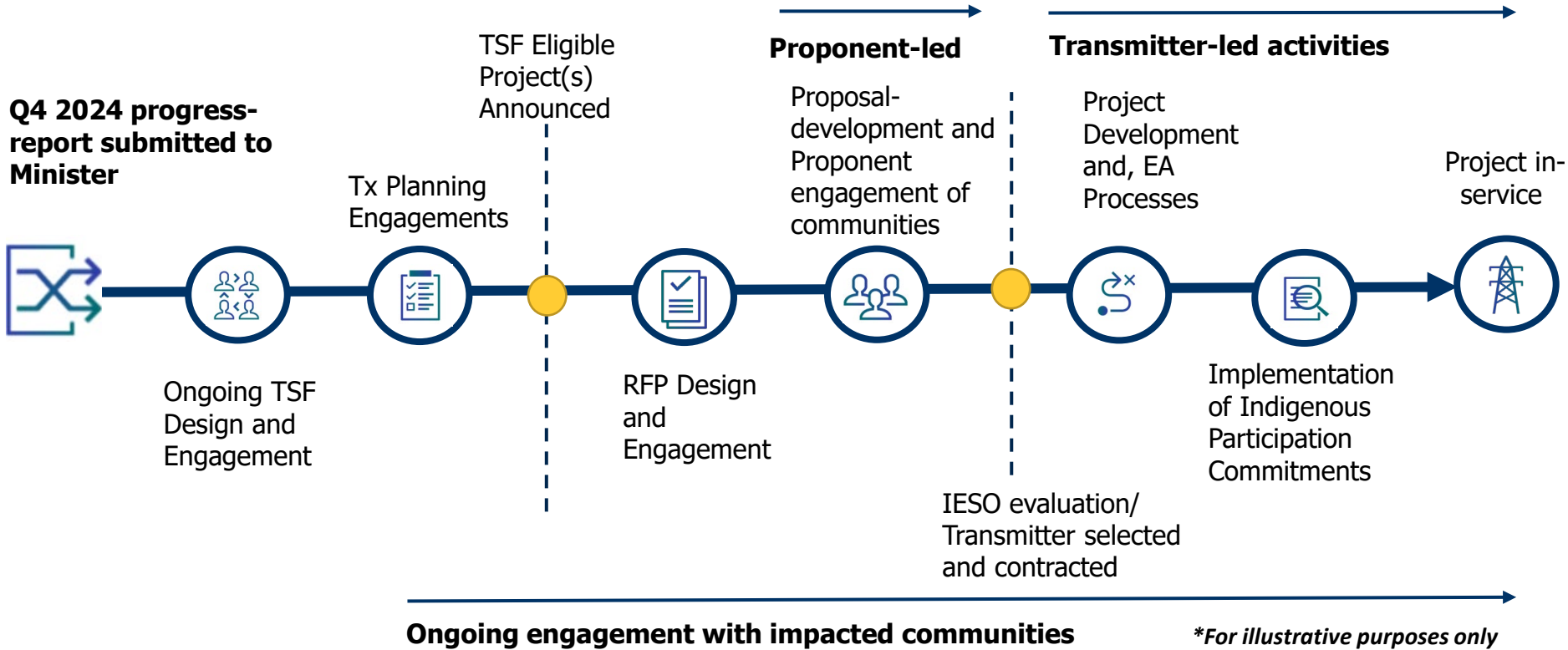
Ongoing Process Development:

- The IESO is actively engaging in ongoing discussions with the OEB to achieve regulatory alignment and determine the best path to ensure there is a clear and straightforward transfer of project oversight.
- The IESO will continue to analyze various scenarios and mechanisms to encourage timely project delivery; These include identifying proper milestones for updates, meaningful performance security requirements, default and liquidated damages, and force majeure relief



Summary of Indigenous Engagement and Participation Opportunities

Engagement and Participation Opportunities for Indigenous Communities



**For illustrative purposes only*

Supporting Indigenous Participation under the TSF (1)

- Each transmission project will be unique, and the resulting RFP will need to be designed to reflect the unique circumstances and considerations associated with a given project
- Design of an RFP will include the development of project-specific Indigenous participation requirements and selection criteria
- This RFP design process will be undertaken in a public manner, and will seek input from potentially impacted Indigenous communities through the process

Supporting Indigenous Participation under the TSF (2)

- The development of project-specific Indigenous participation design features will follow a principled approach, in accordance with the proposed guiding principles shared previously
- In addition to the proposed principles, the IESO will identify some potential overarching design features associated with the TSF and commercial arrangement, which the IESO will continue to assess and seek feedback on

The IESO welcomes feedback on the items outlined during today's session, and will continue engaging with Indigenous communities to understand their perspectives

Overarching TSF Indigenous Participation Features (1)

Proposed Requirements for Proponents (at time of proposal submission)

- Must be able to demonstrate Indigenous engagement and partnership experience at time of proposal submission (specific criteria TBD and will be established as part of the RFP design/engagement)
- Must not bind communities to exclusivity arrangements (i.e. potentially impacted Indigenous communities should have the ability to engage with or partner with different proponents if they so choose, including after the conclusion of the procurement)
- Must develop (and submit within their proposal) an Indigenous Engagement and Participation Plan (IEPP); The IEPP must identify participation opportunities for Indigenous communities that stand to have their lands or constitutionally protected rights impacted by the project
- IPPs that have a higher overall level of Indigenous participation, and which are informed and/or endorsed by the potentially impacted communities may be scored higher in the IESO's evaluation.

Overarching TSF Indigenous Participation Features (2)

Proposed Requirements for Transmitters (Post-selection)

- The developer selected through the TSF will be *required* to engage with and offer economic participation opportunities to Indigenous communities impacted by the project
- The IESO will make binding on the developer the commitments made within their IEPP; The developer must make all commercially reasonable efforts to work with and finalize participation agreements with the impacted Indigenous communities by a milestone date as set out in the contract (e.g. 1 year following COD)
- The IESO is considering inclusion of a mechanism within the TSF contract to ensure benefits flow to impacted Indigenous communities in the event that participation agreements are not executed with them by the required milestone date

Overarching TSF Indigenous Participation Features (3)

Opportunities for involvement by communities

- Indigenous communities potentially affected by a transmission plan or project will be engaged by the IESO as part of the planning process
- Once a project has been identified for the TSF, the IESO will continue engaging Indigenous communities on the specific RFP design and form of contract
- Once an RFP process has commenced, proponents will be encouraged to engage the potentially impacted Indigenous communities to inform the development of their IPP
- Once a developer has been selected, the developer will be required to work with the impacted communities to deliver on the participation options set out in the IPP

Evaluation Weighting – Seeking input and feedback (1)

- Rated criteria will be a key factor in ensuring the goals of the TSF are enabled, with project-specific criteria to be developed for each procurement (i.e. criteria may vary depending on the nature of the project)
- However, the IESO is seeking feedback to help identify an appropriate guidance reference for how to sufficiently value Indigenous participation within proposals
- Indigenous participation is critical to the success of projects under the TSF; weighting of Indigenous participation will have impacts on other evaluation factors (e.g. cost) and needs to be considered accordingly

Evaluation Weighting – Seeking input and feedback (2)

To evaluate the IEPP, and the associated strength of the Indigenous participation commitments made within a proposal, the IESO will propose assessing the following:

1. Overall level of Indigenous economic participation (total \$ proportion of Indigenous participation)
2. The level of participation amongst potentially impacted communities
3. The degree to which potentially impacted communities have provided an endorsement of the proposal/IEPP

Questions for input/feedback: Do these categories capture the optimal evaluation elements for Indigenous participation? Should each category be weighted equally, or should some elements be prioritized?



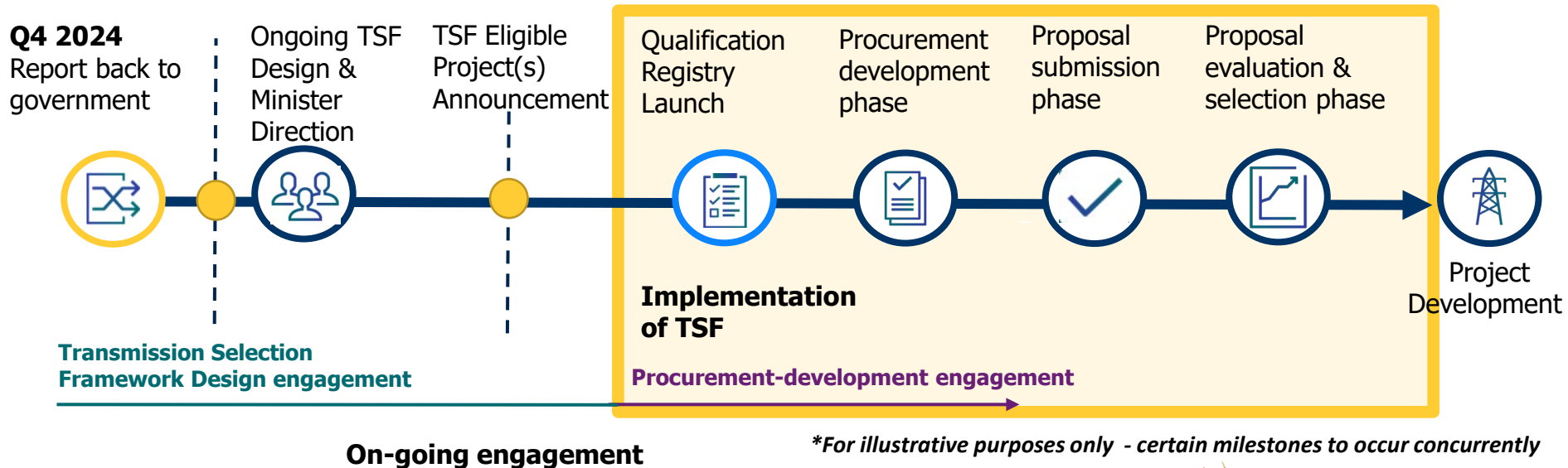
Next Steps – Post Report Back

Engagement Expectations ahead of Initial Procurement

- The IESO will maintain ongoing engagement with Indigenous communities and stakeholders after the TSF report is delivered to the Minister, to gather further insights and enable readiness for the initial procurements under the TSF
- Additionally, the IESO will continue to host public engagement sessions to seek feedback on TSF design considerations. The IESO will also continue to conduct 1:1 outreach sessions with Indigenous communities and stakeholders as necessary
- Opportunities will be available during Transmission Planning Engagements on Bulk System Studies to learn about potential TSF-related projects

TSF – Illustrative Timeline Post-Report

The TSF aims to streamline timelines whenever possible, though changes can occur due to transmission project complexity. This underscores the importance of ensuring adequate time between identifying a Transmission needs and achieving a Resource In-Service date





Discussion

Questions

Your feedback is important. The IESO is hoping to understand:

1. Will the Partial Contracting and IEPP approach enable communities' long-term participation within projects?
2. How should the IESO consider evaluating the IEPP and the Indigenous participation commitments set out within?
3. In your view, does the proposed Partial Contracting approach sufficiently:
 - Safeguard ratepayers against project risks?
 - Promote competition?
 - Promote Indigenous participation?
4. What criteria should be considered to assess a proponent's experience with Indigenous participation and partnerships?

Next Steps

- All written feedback should be submitted to **IndigenousRelations@ieso.ca**
- As mentioned, the IESO will be completing the report back to the Minister of Energy on the progress of TSF development in Q4, however engagement on the design of the TSF will continue post-report back, including:
 - Opportunity to meet with the IESO's TSF team at the First Nations Energy Symposium – **November 5/6**
 - Additional Focused Engagement Sessions on specific design topics/considerations - **Timing TBD – Next Session – Qualified Transmitter Registry**
- We will remain flexible on receiving input regarding TSF development – contact us if you are interested in setting up a 1:1 meetings directly with the IESO to discuss any topics relevant to the TSF

Thank You

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