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Transmitter Selection Framework (TSF): RFP and Contract Considerations

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Territory Acknowledgement

The IESO acknowledges the land we are delivering today's webinar from is the traditional territory of many nations including the Mississaugas of the Credit, the Anishnabeg, the Chippewa, the Haudenosaunee and the Wendat peoples and is now home to many diverse First Nations, Inuit and Métis peoples. We also acknowledge that Toronto is covered by Treaty 13 with the Mississaugas of the Credit First Nation.

As we have attendees from across Ontario, the IESO would also like to acknowledge all of the traditional territories across the province, which includes those of the Algonquin, Anishnawbe, Cree, Oji-Cree, Huron-Wendat, Haudenosaunee and Métis peoples.

Agenda

1. TSF Status Update and Recap
2. Summary of Feedback from June Engagement Session
3. Request for Proposal (RFP) and Contract Considerations
4. Discussion and Next Steps



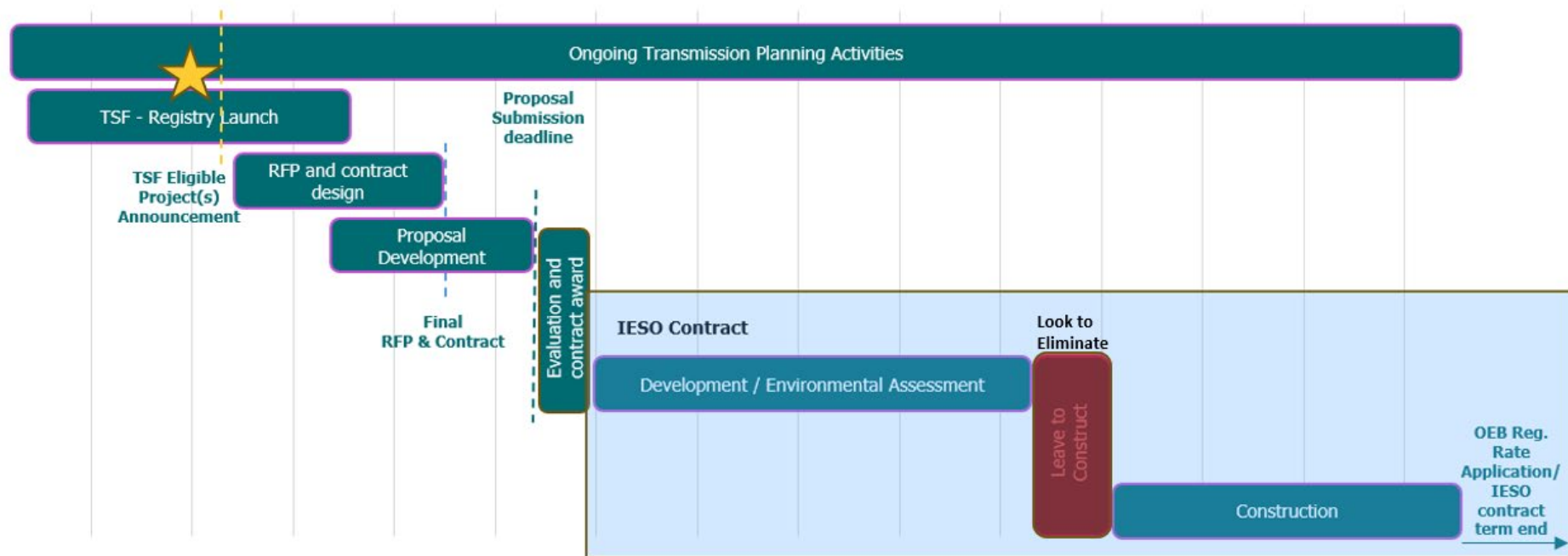
TSF Status Update and Recap

Recap: Transmitter Selection Framework Objectives

- The main objectives of the Transmitter Selection Framework (TSF) will be to:
 - Leverage competition and new entrants to **deliver better value for ratepayers;**
 - Attract new investment in Ontario, in a manner that **supports the IESO's Resource Adequacy Framework and broader economic growth;**
 - **Provide transparency** around transmitter selection in Ontario;
 - Enable Indigenous participation and **contribute to ongoing reconciliation efforts;** and
 - **Encourage innovation** for transmission solutions over the long run.

The TSF will only be appropriate for certain new transmission projects, and the IESO has identified proposed eligibility considerations which will help guide TSF project-identification.

TSF: Where We Are



**For illustrative purposes only*

TSF Status Update

- On July 31, 2025, the IESO launched the TSF Registry (TSF-R) in response to a [directive](#) from the Minister's Integrated Energy Plan (IEP), ensuring a pool of experienced, capable transmitters is in place to support competition as TSF procurement project(s) are identified.
- Advancing discussions with Building Ontario Fund (BOF) and Canada Infrastructure Bank (CIB) to develop mechanisms to facilitate Indigenous participation and loans to successful proponents for TSF projects
- On-going discussions with OEB around the regulatory framework to enable TSF, including exempting TSF-contracted transmission projects from leave to construct.
- Continued 1:1 engagements with ISOs, transmitters (through technical sessions), financiers and Engineering, Procurement, and Construction (EPC) firms in the design of the TSF.

TSF – Updated Design Roadmap and Engagement Approach

October 2025

TSF Commercial
Design Engagement

Q1 2026

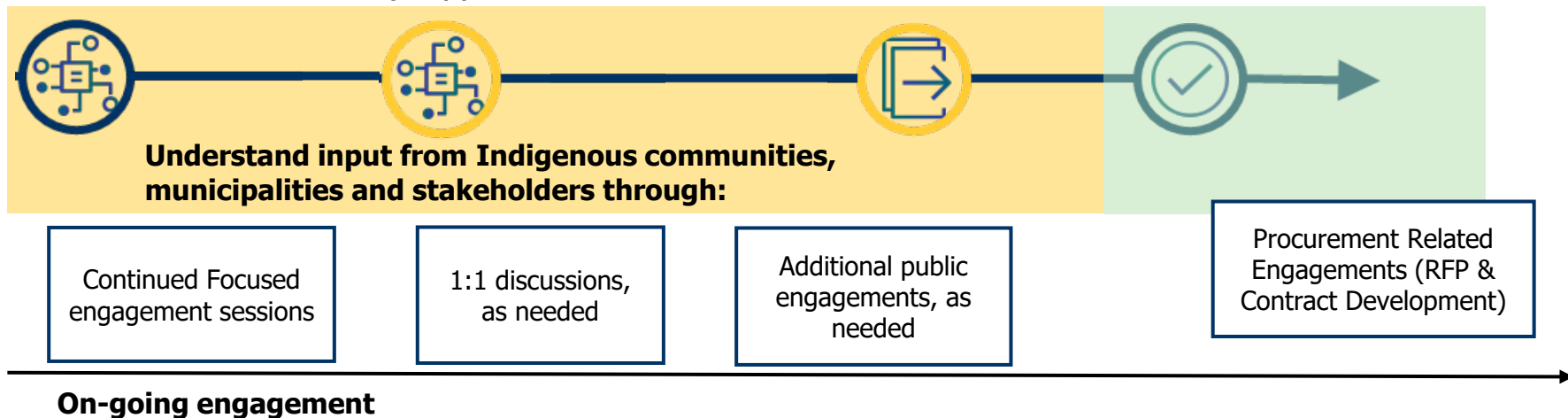
Transmission Planning Bulk
Planning Publication/TSF
Project(s) Announcements

Q1 - Q4 2026

Draft RFP and
Contract Design and
Engagements

Q4 2026 – Q1 2027

Finalize RFP
Launch TSF Procurement



TSF Workstreams: Upcoming Activities Through 2026

RFP and Contract Design

- Continue to engage with stakeholders on key RFP and contract design elements, including form of bid concepts and potential proposal evaluation criteria

Indigenous Engagement & Participation Plan

- Develop and design the IEPP, seek feedback from Indigenous Communities and stakeholders

1:1 Discussions & Outreach

- Continue working closely with government, Indigenous Communities, OEB, BOF, CIB, financiers, transmitters, EPCMs on TSF design and seek feedback

Project Identification

- Identify TSF-Eligible project(s) in Q4 2025/Q1 2026 (pending Transmission Planning Bulk Study results)

Identifying TSF Transmission Projects

- Several transmission planning studies are being carried out by the IESO at present, with plans culminating in late 2025 and early 2026
- IESO recommendations for transmission system expansions will identify if transmission projects are suitable as potential TSF projects
- IESO is working closely with the Ministry of Energy and Mines to select the first transmission project to be paired with TSF

Key Transmission Plans Underway	Timeline for Plan Recommendations	Upcoming Engagements
• South and Central Bulk Study	Late 2025	December 2025
• North of Sudbury Bulk Study	Early 2026	December 2025
• Eastern Ontario Bulk Study	Early 2026	December 2025



Summary of Feedback from the June Engagement Session

Feedback: General Themes

Clarity on Bid Structure:

Clarify risk allocation;
proponents should bear
only controllable risks

Use of COD+10 Model:

Use OEB framework with
partial contracting model

Indigenous Engagement:

Make IEPP a core
evaluation component
with scoring emphasis

Cost Containment:

Define key parameters
while allowing flexibility
for innovation

Expanded Evaluation Criteria:

Include economic growth,
grid security, and supplier
support

Timeline Flexibility:

Extend proposal window
to accommodate IEPP and
contracting complexities

Contract Transparency:

Release final contract
terms and identify
impacted communities
early

Credit Rating:

Current credit rating
requirements may be
restrictive

Feedback: IESO Response

The IESO has posted a feedback response addressing input from the June engagement.

Themes	Response
Clarity on Bid Structure	The TSF design includes measures to control project development costs. A key feature will be a commercial agreement that incentivizes effective project delivery.
Use of COD+10 Model	The partial contracting model introduces binding commitments in key areas, including cost management, schedule adherence, and Indigenous participation, while continuing to leverage existing regulatory and cost-recovery processes.
Indigenous Engagement	The IESO will continue to engage with Indigenous communities and stakeholders to ensure that participation opportunities are meaningful.
Cost Containment and Expanded Evaluation Criteria	The IESO remains open to stakeholder input and suggestions on cost containment mechanisms and evaluation categories to maintain a balanced and practical approach.
Timeline Flexibility Contract Transparency	The IESO will work with stakeholders to ensure that expectations for the IEPP can reasonably be met within the procurement window.
Credit Rating	The IESO has updated the Registry Rules to remove the credit rating requirement, ensuring that all applicants are assessed using consistent financial criteria.



Overview of Commercial Framework Approach

Recap: Selection of Partial Contracting Approach

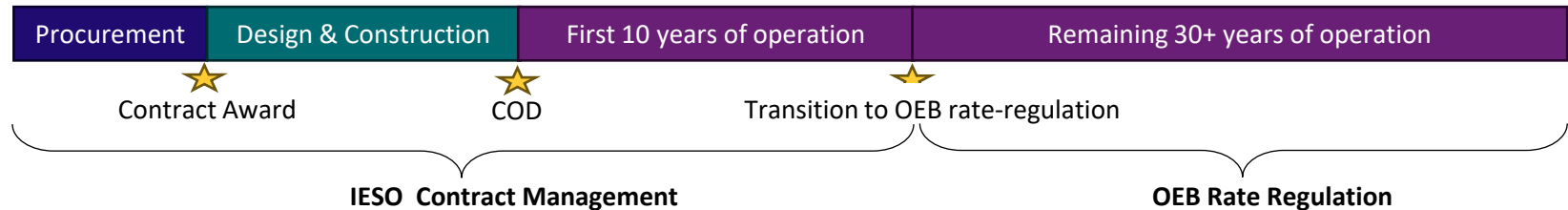
- The IESO has identified the **partial contracting** method to be the preferred approach and is moving forward with a COD+10 years model of contracting.
- The IESO will develop the procurement, award a contract, manage the contract during design and construction and then continue to manage the contract for the first 10 years of operation.
- The partial contracting approach is intended to:
 - Enhance cost certainty and risk management, while working within the existing rate regulation framework
 - Protect ratepayers by holding transmitters to proposal costs and schedule
 - Support accountability to Indigenous communities

COD+10 Cost Recovery Overview

The proponent will receive payments over the assumed longevity of the developed asset.

- Payments will be initiated after the Commercial Operation Date (COD) is achieved.
- For the first 10 years post-COD, contract payments for each year will equal the Annual Revenue Requirement (ARR) as bid at the RFP stage, subject to adjustment as provided in the contract.
 - These adjusted ARR's will be submitted to the OEB for inclusion in the rate setting process for UTRs and will not be subject to the OEB's traditional prudence review. Discussions are ongoing with the OEB on the approach to TSF rate applications.
- In the 11th year of operation, the asset will transition to rate regulation under the OEB.
 - OEB will review prudence of ARR's beginning in year 11.

Project Lifecycle:





Request for Proposal (RFP) Submission

TSF RFP – Price Submission

- The IESO is proposing the financial bid be submitted in the form of 10 Annual Revenue Requirements (each an “ARR”) that correspond with the first 10 years of operation. The ARR amounts must be consistent or downward trending (to mitigate the effect of future amounts having reduced impact on the NPV as compared to earlier years).
- The IESO expects to specify a required in-service date and the discount rate used to calculate an NPV of the proposed ARRs.
- The IESO is looking for feedback on appropriate cost adjustment measures.

RFP Eligibility Requirements

Proponent Requirements

- Proposals would need to be submitted by the Registrant, a Person Controlled by the Registrant, or another Person whereby the Registrant holds at least 45% of its Economic Interest
 - Requirement to submit evidence/declaration of relationship to Registrant
 - Would likely require submission of organizational charts and security registers
- Similar to LT2 procurement, IESO would expect that proponent must be a single Person and not an unincorporated joint venture

RFP Eligibility Requirements

Team Member Experience:

- **Indigenous Engagement Expertise:** The IESO may require that a Designated Team Member (DTM) has experience with Indigenous relations and engagement
 - Under the IEPP, transmitters may be required to provide evidence of their capability to deliver on their commitments related to Indigenous participation and benefits.
- **Cumulative Experience Requirement:** IESO is considering requiring the cumulative experience of the DTM to exceed the requirements of Section 2.2(a) of the TSF registry rules (i.e., the experience relating to more than a single qualifying project).
- **Project Specific Requirements:** Experience requirements may also be specific based on the nature of the transmission project and technology used (e.g. above ground infrastructure, HVDC systems, submarine cable)

RFP Eligibility Requirements

Financial Information:

- Depending on the project selected for procurement under the TSF, the IESO may require additional information at the Proposal stage to confirm that proponents have the financial capacity to successfully complete the project. These requirements may include enhanced financial qualifications or supplemental supporting materials.
- Security will be required for TSF projects, with the IESO setting the amount based on a percentage of estimated project costs at the RFP stage.
- IESO's jurisdictional scan shows several other procurements frameworks have similar requirements.

Project Technical Specifications

The IESO is considering the following technical parameters to provide to proponents:

Attributes	Example Details
Description of facilities	Summary of the proposed form and function of the facilities
Location of facilities	Preferred interconnection points on the existing grid (a specific route will not be provided)
Length	An estimate of the linear distance between interconnection points
Voltage Class (kV)	Nominal operating voltage and design voltage (if different)
Line ratings (A or MW)	Continuous and limited-time ratings
Design features or constraints	Single or double circuit, tower type, other design constraints such as overhead or below ground sections, future upgradeability, interconnection requirements, etc.
Performance Requirements/Specifications	E.g. Response/restoration time limits, noise levels, etc.

Project Technical Specifications: Routing

- The IESO will not prescribe routes for transmission projects.
- Terminal connection points will be specified with the project description, along with any other known connection considerations.
- In some cases, a corridor may have been identified and/or protected by the Ministry of Energy and Mines; such a corridor will not preclude other route alignments as determined through field studies and/or community engagement.

RFP Submission Requirements

The following items may be required in the RFP submission

- Project Management Plan
- Preliminary Project Schedule and Milestones
- Preliminary Engineering design
- Indicative routing
- 10 years of annual Revenue Requirements
- Lifetime O&M plan
- Safety plan
- Permitting and Land Rights Plan



Proposed Contract Terms

Contractual Cost Adjustment Mechanisms

- In competitive transmission procurement processes across various jurisdictions, cost adjustment and change order management are handled with a range of strategies to ensure transparency, cost control, and risk allocation.
- The IESO is considering the use of mechanisms to manage cost adjustments, and in particular cost containment provisions. The goal is to strike a balance between cost certainty and flexibility for legitimate changes.
- The IESO is seeking stakeholder feedback on what cost adjustment measures and categories are reasonable and why.

Potential Cost Containment Provisions

- Cost Caps - the IESO is considering allowing developers to propose cost caps as part of their bids, alternatively, the IESO may simply set a cost cap. These caps can include total project costs, revenue requirements, or other project categories.
- Contingency budgeting with pre-approved contingency pool with strict drawdown rules.
 - Should the contingency be broken down by activity (Land Acquisition, Design, Construction, Operation) or just relative to the total price?
 - Should the IESO prescribe contingency levels or allow developers to compete on the level of contingency?
- Transparency requirements and detailed cost breakdowns, open-book accounting for change orders.

Schedule Adherence

- IESO will define the required Milestone Commercial Operation Date (MCOD) for each project.
- Selected proponents are expected to meet proposed timelines and fulfill all contractual commitments.
- Preliminary milestone schedule will be required at RFP, with updated milestone schedules required as part of regular contract reporting – these will be required to monitor progress and ensure timely delivery
- The IESO is seeking input from transmitters on which project milestones, in addition to the Notice to Proceed and Commercial Operation Date (COD), should be incorporated into the IESO contract.

Operations and Maintenance Requirements

- From COD until the end of the term, proponents must regularly report on:
 - Planned outages (e.g., maintenance shutdowns)
 - Unplanned outages (e.g., equipment failures, weather-related disruptions)
 - Other reportable events, such as safety incidents or regulatory non-compliance.
- Proponents must operate and maintain the transmission facility in accordance with the IESO Market Rules, Transmission System Code and good engineering and utility practices.

Performance and Functional Requirements (1)

- In addition to requiring the transmitter comply with any relevant standards, the IESO is considering incorporating performance metrics into the contract.
- The intent of the performance metrics is to ensure that the services acquired through the TSF contract are provided.
- Unlike the rate regulated cost of service model where reasonable operational and maintenance costs are re-imbursed to the transmitter, the IESO foresees a potential risk of underinvestment in maintenance and operation from transmitters as an approach to improving transmitter profit margins.
- To protect the ratepayer, the IESO contract may monitor performance with the potential to reduce contract payments in instances of under performance relative to contractually established benchmarks.
- The IESO is currently considering performance metrics related to availability.

Performance and Functional Requirements (2)

Certain performance and functional requirements such as availability (based on outages) and transfer capability may apply throughout the contract term. These requirements are designed to ensure reliable operation and delivery of service.

- Non-compliance with these requirements may result in financial consequences.
- Persistent or severe breaches could escalate to a contractual default.
- Monitoring mechanisms will be in place to assess ongoing performance and functionality.
- Remedial actions may be considered before default is triggered, depending on the nature and duration of the issue.



Building Ontario Fund Indigenous Opportunities Financing Program (IOFP)

Indigenous Opportunities Financing Program (IOFP) Overview (1/2)

- The IOFP (formerly the Aboriginal Loan Guarantee Program) supports **Indigenous equity participation** in **electricity, energy and critical minerals infrastructure** projects by providing a **provincial guarantee for a third-party loan** to purchase an equity interest in an eligible project.
- The IOFP is administered by the Building Ontario Fund (BOF) as part of a **broader suite of infrastructure financing tools** and the BOF's one-window approach to Indigenous infrastructure financing.
- IOFP is **not a loan or grant program**. IOFP is a form of credit support intended to enhance the Indigenous corporation's creditworthiness and attract lenders willing to provide a loan.
- The total program envelope is now **\$3 billion** (across all eligible sectors).
- As of September 2025, 3 loan guarantees have been provided for **transmission lines**, for a total of approximately \$327 million in maximum guarantees.
- Most recent loan guarantee was provided in July for the **Chatham-Lakeshore Transmission line**: a 49km double circuit, 230-kV line in southwest Ontario
 - Project partners included Caldwell First Nation, Manulife, and Hydro One

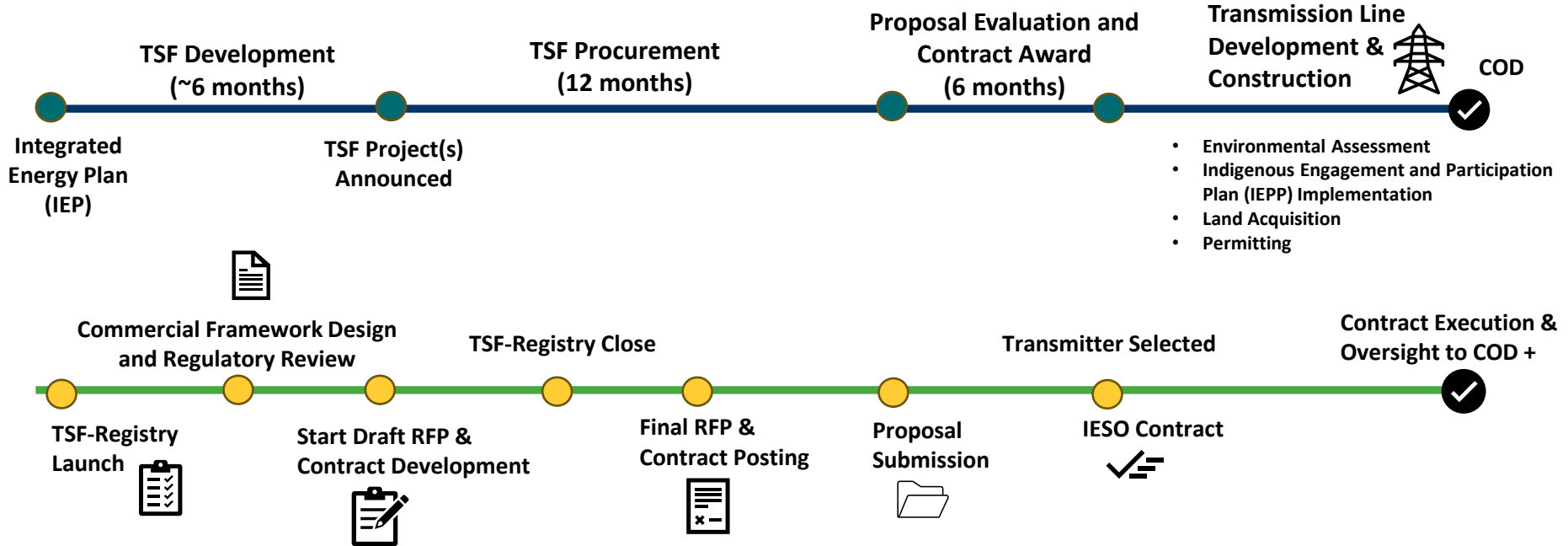
IOFP Overview (2/2)

- IOFP guarantees will be made available to Indigenous partners looking to participate in **TSF projects**.
- Commercial terms will depend on the **risk profile** of the project and proponent, as well as other factors, such as community support.
- The IOFP may be stacked with other loan guarantee programs, especially for guarantees of over **\$100 million**
- BOF will begin holding **consultations** with Indigenous communities and industry in the coming months on the expansion of the IOFP and opportunities to enhance the offering
- For questions, please contact: IOFP@BuildingOnFund.ca



Next Steps

Tentative TSF Timelines & Milestones: Initial Procurement



Engaging and Working closely with Indigenous Communities, Transmitters and Stakeholders

Discussion

1. Should IESO prescribe caps or allow proponents to compete on caps?
2. Do you have any concerns with a capacity test at COD and on-going availability monitoring with the potential to reduce payments for under-performance?
3. TSF Commercial Term Sheet – presents key considerations for preliminary commercial terms and participant input and feedback.

The IESO is inviting feedback from Indigenous communities and stakeholders through a separate document that outlines key considerations related to the design of the RFP and Contract structure.

Next Steps

Similar to the TSF-Registry process, the IESO is inviting stakeholders to complete and provide feedback on key design elements of the RFP and Contract using the [TSF RFP and Contract Feedback Table](#). This input will inform the development of the RFP and Contract term sheets, which are expected to be shared with stakeholders by Q1 2026.

- The IESO invites written feedback on the TSF design considerations or questions regarding the final TSF-R program rules by **November 05, 2025**. All written feedback should be submitted to engagement@ieso.ca using the RFP and Contract Feedback Table and the IESO Feedback Form, which is posted on the engagement webpage.
- We will remain flexible on receiving input regarding TSF development – contact us if you are interested in setting up a 1:1 meeting directly with the IESO to discuss any of the topics explored today, or other topics relevant to the TSF.
- The IESO will look to hold an engagement session in **January 2026**, where the IESO will endeavour to present the contract term sheet.

Thank You

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