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Competitive Transmission Procurement: Toronto Third Line RFP and Contract Design Update

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Territory Acknowledgement

The IESO acknowledges the land from where we are delivering today's webinar is the traditional territory of many nations including the Mississaugas of the Credit, the Anishinaabeg, 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 the traditional territories across the province, which include those of the Algonquin, Anishinaabeg, Ojibwe, Cree, Oji-Cree, Huron-Wendat, Haudenosaunee, Métis, and Inuit peoples.

Engagement Principles

This engagement is conducted in accordance with the IESO's [External Engagement Framework](#), which includes the following principles:

- **Purposeful** – Initiate meaningful conversations that move the sector forward
- **Inclusive** – Invite many voices and diverse perspectives to the table
- **Timely** – Seek input and insight when it can have the most impact
- **Accessible** – Ensure we meet people where they are on their energy journey
- **Traceable** – Allow everyone to follow the path that is being taken
- **Transparent** – Show how engagement helped shape the final outcome

Shared Commitment to Respectful Participation

To support a focused and constructive discussion:

- We will take questions one at a time; please use the raise-hand feature to enter the speaking queue
- We encourage concise and focused comments to allow time for multiple perspectives
- Participants are encouraged to raise relevant points during the discussion and provide more detailed feedback through the written submission process
- We ask that all participants maintain a respectful and professional tone throughout the session
- Facilitators will guide the discussion and manage participation to stay aligned with today's focus and agenda
- Where necessary, we may disable a participant's microphone to manage participation

Purpose & Scope of Today's Engagement

Purpose:

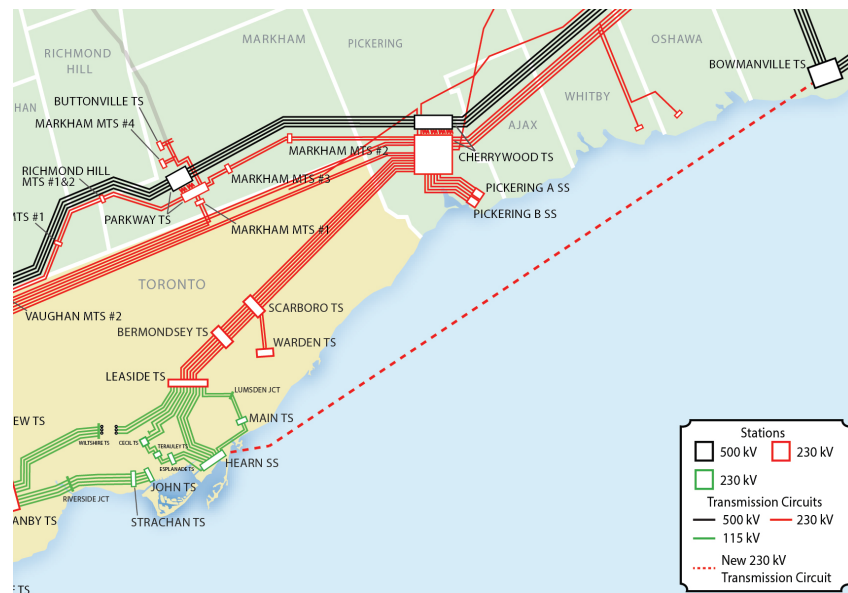
- To provide updates and solicit feedback regarding the design of the Toronto Third Line Procurement and to respond to the Ministerial Directive
- A draft RFP has been posted, and additional commercial and cost-containment concepts will be discussed
- Indigenous participation design features will also continue to be discussed, and a *draft* design and discussion document that will be posted soon

Agenda

1. Toronto Third Line (TTL) Procurement – Current Status and Timelines
2. Engagement Feedback: Summary and Responses
3. TTL Procurement Directive
4. Toronto Third Line Procurement Design:
 - TSF Registry Updates
 - RFP Draft and Proponent Qualification
 - Domestic Content
 - Cost Containment Considerations
 - Indigenous Engagement & Participation Plan (IEPP)
5. Discussion & Next Steps

Recap: Toronto Third Line (TTL)

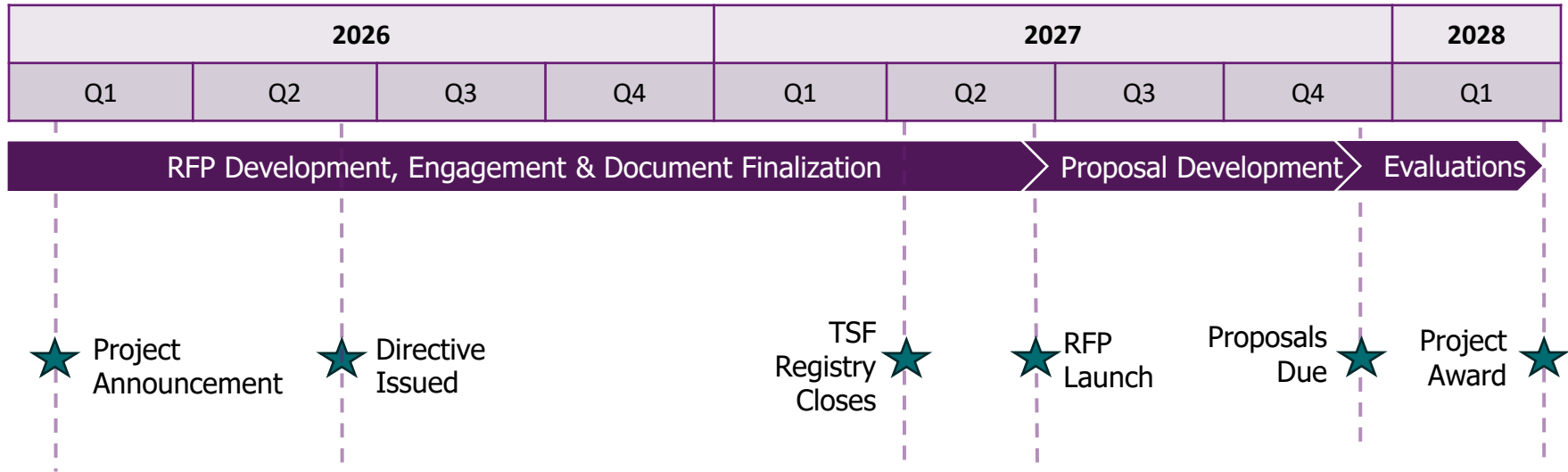
- The TTL will reinforce electricity supply into the City of Toronto
- The government announced the TTL on January 7, 2026 and posted a notice of proposal on the Environmental Registry of Ontario (ERO) (which closed February 21, 2026)
- The TTL will be approximately 65km, connecting Bowmanville SS (Clarington) to Hearn SS (Downtown Toronto). It is to have a capacity of 900MW and be in-service 2037 or sooner
- A specific route has not been determined; it will be developed by the successful transmitter, subject to regulatory approvals and the outcomes of Indigenous consultation



Map for illustrative purposes only; route/siting are subject to transmitter-led development work and regulatory approvals

Recap: Procurement Timeline for Toronto Third Line

The tentative procurement plan for the competitive procurement of the Toronto Third Line is illustrated below:



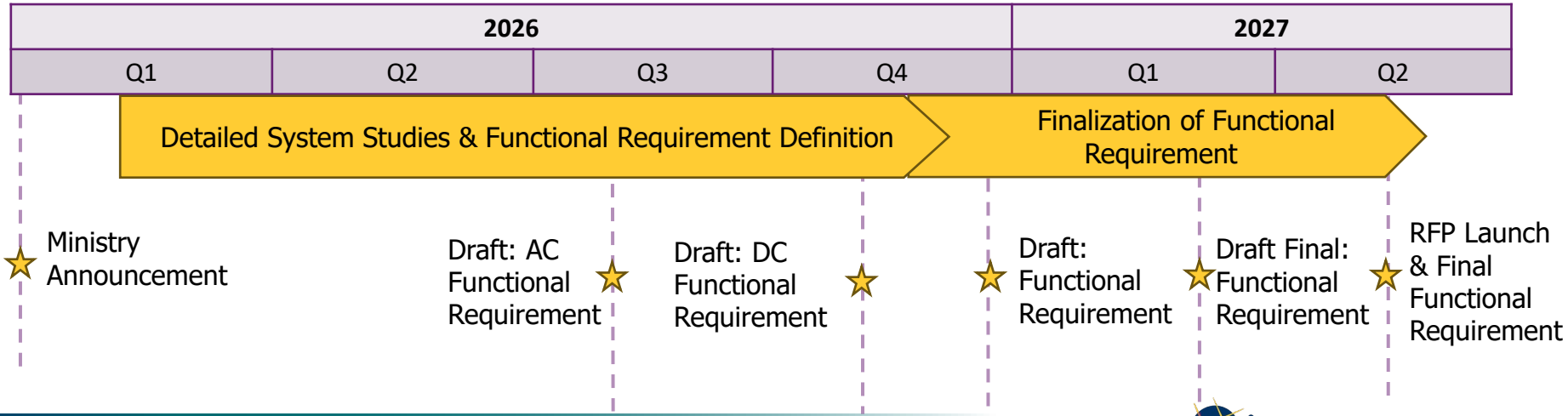
Updated TTL Engagement Roadmap & Participation Opportunities

Timing	Engagement Activity	Stakeholder / Community Action
August 2026	Respond to feedback on draft RFP and cost containment concepts; Targeted public technical engagement and design sessions (transmitters & technical stakeholders)	Review draft procurement documents and provide feedback; Validate technical assumptions, provide input on feasibility and constructability
Q2-Q4	Provide <i>draft Indigenous Design Features Discussion Document</i> and facilitate Indigenous-focused engagement and outreach	Participate in dedicated sessions and 1:1 discussions; Provide input on procurement design elements, including IEPP and participation approaches; Identify community priorities and considerations; Incorporate community feedback and perspectives
Q3-Q4 2026	Continued engagement sessions on draft procurement documents and functional requirements	Review updated draft materials; Submit formal feedback
Late Q4 2026 – Q1 2027	Engagement sessions on refinements to procurement design	Provide feedback on proposed updates; Confirm alignment with expectations
Q1 2027	Communication of final procurement design and next steps	Prepare for procurement participation; TSF-R close
Q2 2027	RFP launch and formal procurement process	Proponents develop and prepare to submit bids (by ~Q4 2027)

Functional Requirement Development Roadmap

In parallel to the design of the procurement, the IESO is developing the functional requirements for the TTL, which will serve to define key technical parameters for the project, based on reliability and operability needs of the grid.

This work requires that a sufficient level of detail be provided while leaving sufficient flexibility where Original Equipment Manufacturers (OEMs) are best positioned to optimize the design. The timeline is presented below:





April 28 Feedback and IESO Responses

General Sector Feedback

- Most transmitters support different tiers of qualification, with mandatory minimum requirements, alongside incentives or rated criteria that reward higher levels of capability
 - HVDC, and underwater project experience is unique and directly relevant to the TTL project, and should be recognized accordingly
 - Experience engaging and consulting with Indigenous communities is also critically important, with different perspectives provided regarding whether experience should be demonstrated at the organizational or team member level
- Indigenous participation requirements and domestic content design features should be structured with sufficient flexibility to maintain competition, while recognizing that demonstrated experience working with Indigenous communities in Canada is essential
- Targeted engagements with potentially impacted Indigenous communities must continue to ensure their perspectives are meaningfully reflected into the procurement design
- Ongoing engagement with the sector is critical, with draft RFP and contract documents shared as early as possible to provide clarity on the proposed approach and enable timely, informed feedback to be provided by stakeholders and communities

Sector Feedback: Capital Cost Treatment

- Feedback generally supported the principle that cost treatment should reflect the level of control, uncertainty, and information available at time of bidding, highlighting the need for greater specificity in defining cost categories, particularly where cost drivers could differ materially
- IESO will seek to balance two objectives: minimizing unnecessary bid risk premiums while maintaining discipline over which costs are eligible for adjustment

What We Heard	Summary of Feedback
Risk allocation should follow control	Costs within the transmitter's reasonable control should remain subject to stronger cost containment; costs driven by external factors require more flexible treatment.
Cost categories need more granularity	Further breakdown of categories such as construction, material and equipment, land, connection costs, insurance / interest, AFUDC*, and permitting is required.
Marine / underwater scope requires distinct treatment	Underwater construction, cable placement, lakebed conditions, and geotechnical uncertainty create different risk profiles from standard transmission line work.
HVDC equipment requires adjustment mechanisms	HVDC cable, converter equipment, OEM availability, tariffs, and supply chain timing warrant consideration of tailored approaches, including adjusted caps, indexation, or other defined mechanisms.

Sector Feedback: Cost-Containment and Risk-Sharing

- Feedback further supported hybrid cost-containment framework rather than a single mechanism applied across all cost categories – each mechanism mapped to specific cost items and risk drivers
- IESO recognizes the importance of properly allocating risk and including the right incentives to ensure project success and overall rate-payer value, while acknowledging that perfect alignment between cost categories and risk mechanisms is likely not achievable given that cost categorization can be somewhat subjective

What We Heard	Summary of Feedback
Mechanisms matched to risk profile	Target pricing, caps, indexation, relief events, and cost-recovery mechanisms should be applied based on the nature of each cost item rather than uniformly.
External risks may require defined relief or adjustment	Regulatory changes, permitting, Indigenous consultation outcomes, system changes, supply chain disruptions, and environmental conditions were noted for adjustment.
Avoid overlapping or duplicative mechanisms	Cost caps, risk-sharing mechanisms, and liquidated damages should be structured to avoid double-counting penalties or increasing bid contingencies.
Additional controls and transparency needed	Open-book reporting, audit rights, documentation, milestone approvals, and clear change processes and cost allowability are important safeguards.

IESO responses to feedback

- The IESO has posted a summary of the feedback received, and responses
- Proposed proponent qualification requirements have been developed in response to feedback received, and in alignment with policy direction
- The IESO recognizes Indigenous project-participation experience, and experience engaging with and consulting with Indigenous communities is important for all proponents to demonstrate; the IESO continues to seek feedback and will engage with First Nations on the Ministry of Energy and Mines' engagement list to determine specific requirements
- Cost containment considerations, which will be overviewed during today's session, have been informed by sector feedback
- The IESO intends to increase the cadence of sector & community engagement through the summer and remainder of year to ensure TTL procurement design features can be sufficiently discussed and refined



Registry Updates

Registry Updates

- The IESO has made updates to the [Registry Rules](#) to Version 3 (V3) to provide greater flexibility and clarity for prospective registrants
 - TSF Registry Rules V3 were published on June 25, 2026
 - Associated Application form and Workbook updated to V3
 - Updated FAQ for V3
- The most recent [Successful Registrants List](#) has been published to support transparency and market awareness
- Registry Application Window Reminder: The Registry will remain open until 60 days prior to the anticipated launch of the procurement. The IESO will provide advance notice as to when the Registry will close

Registry Rules Version 3 (1)

- The key change in V3 is the creation of a new pathway for underwater HVDC transmitters to register. The change responds to feedback from transmitters, OEMs, and global submarine HVDC owners that underwater HVDC projects are delivered through complex market structures
- The IESO revised the Registry requirements to reflect the practical realities of the global HVDC market, where relevant experience may reside across affiliates, OEM partnerships, and specialized project delivery teams
- A dedicated HVDC pathway helps avoid unintentionally limiting competition while maintaining a clear threshold for relevant and recent experience
- The change reflects the specialized and distinct requirements associated with submarine HVDC projects, including design, engineering, technology, logistics, and installation competencies, as compared with conventional above ground AC transmission

Registry Rules Version 3 (2)

- Section 2.2, Qualifications, under subsection (a), Organizational Experience, introduces a new Qualifying HVDC Project category:
 - The Applicant, one or more Designated Affiliates of the Applicant, or the Applicant in combination with one or more Designated Affiliates, must have performed the required functions in respect of at least one new-build underwater or submarine high-voltage direct current (HVDC) transmission system
 - Applicants must demonstrate competencies in **Developing**, **Financing**, and **Constructing** a Qualifying HVDC Project
- A Qualifying HVDC Project must have:
 - a minimum voltage of ± 200 kV DC,
 - a minimum length of 10 kilometres located under a navigable body of water,
 - that either achieved Commercial Operation Date no more than twenty (20) years prior to the submission date of the Applicant's Application Package, or
 - if the Commercial Operation Date has not been achieved as of the submission date of the Applicant's Application Package, is reasonably expected to achieve a Commercial Operation Date within four (4) years of the submission date of the Applicant's Application Package

Registry Rules Version 3 (3)

- In the workbook, Applicants must clearly describe how the Applicant or a Designated Affiliate performed each Required Competency for at least one Qualifying HVDC Project
 - A Designated Affiliate may not rely on the experience of another party to demonstrate performance of a Required Competency
 - The description should address each element of the applicable Required Competency definition
 - The IESO must be able to determine, based on the information provided, that the Applicant or Designated Affiliate had an interest in the Qualifying HVDC Project at the time the Required Competency was performed
- Prospective Applicants should review the Registry Rules V3 and FAQ prior to applying



TTL Directive

Minister's TTL Directive

On June 18, 2026 the IESO [was issued a Directive from the Minister of Energy and Mines](#) which set the policy requirements for the TTL procurement, and the high-level design parameters of the RFP and Contract; the requirements set out in the Directive include:

- Qualification requirements, to be determined by the IESO, relating to experience developing, financing and constructing (in relation to one or more projects) with respect to underwater transmission and HVDC transmission infrastructure
- Requirement for proponents to demonstrate that they are able to work with original equipment manufacturers that have experience designing HVDC converter facilities and cables
- Requirement for proponents to demonstrate experience working with Indigenous communities in Canada throughout the development of an infrastructure project within Treaty or traditional territories, including rights-based consultation
- The requirement for provisions that incorporate cost containment mechanisms in a manner that is commercially reasonable, and to require the transmitter to adhere to an in-service date of 2037, carry out, to Ontario's satisfaction, Indigenous consultation requirements, specified by the Ministry (if any), and prepare an environmental effects monitoring program and comply with all environmental laws and regulations
- The need to include rated criteria points for Indigenous economic commitments, demonstrated past Indigenous partnership experience, and higher levels of domestic content commitments

Minister's TTL Directive continued

In addition, the Directive indicates that at the time of proposal submission the following plans must be submitted:

- An Indigenous Engagement and Participation Plan (IEPP) that shall include: a plan for the engagement of Indigenous communities prior to and following key Project decisions (including capacity funding), proposed minimum economic commitments for Indigenous communities (including any equity and non-equity commitments), and a plan to support Indigenous communities in accessing and navigating equity and non-equity participation opportunities
- A supply disclosure plan (SCDP) that shall include: a breakdown of the proponent's Total Project Supply Chain Costs are expected to be sourced from Canadian Suppliers, and a reporting of the percentage of the proponent's Total Project Supply Chain Costs that are expected to be sourced from Canadian suppliers and an explanation for why any particular good or service is not expected to be, could not be, or would not be sourced from Canadian suppliers

In the following slides and through ongoing engagement, the IESO will develop and refine procurement design elements to align with the Directive and reflect stakeholder and community feedback

IESO Role

- ✓ Design and implement the RFP and contract in alignment with the Directive
 - Ensuring proponents meet required Experience Requirements, support Indigenous participation, demonstrate domestic content, and adhere to cost containment mechanisms established by the IESO
- ✓ Engage with stakeholders and Indigenous communities to refine and develop RFP and contract design elements
- ✓ Seeking to balance:
 - Competition
 - Project Delivery
 - Indigenous Participation
 - Ratepayer value



RFP Draft #1

Recap - RFP and Contract: Background and Rationale

- As discussed in previous engagements, transmitter selection processes that were previously undertaken in Ontario did not include binding commitments in the post-selection process
- As a result, the IESO will be designing a Request for Proposals (RFP) process which will accept bids from eligible transmission proponents registered on the TSF Registry
- The TTL RFP will identify the minimum qualifications for proponents to participate, and contain transparent evaluation criteria, specifying how a successful bid will be selected
- The TTL Contract will support project delivery by establishing a framework to manage project development and construction, while incorporating key proposal commitments where appropriate

In light of the TTL Directive and the sector feedback received to date, the IESO has developed a first draft of the TTL RFP for stakeholder and community feedback.

RFP Draft #1 posted

- The IESO has posted a [first draft of the TTL RFP](#) for Indigenous community and stakeholder feedback
 - There remain a number of Notes to Draft in Draft #1 of the RFP, which reflect areas of the procurement design requiring further development and sector engagement
- Capitalized terms not defined in this slide deck have the definitions given to them in RFP Draft #1
- The RFP will define proponent eligibility requirements consistent with the TTL Directive, which are outlined in the following slides
- The RFP will also propose terms to implement the TTL Directive's Indigenous economic participation and domestic content (i.e. Supply Chain Disclosure Plan) requirements
- Based on the TTL Directive, the IESO is considering a potential contract term length of up to 2 years following COD to ensure sufficient oversight of the capital costs under the contract

RFP Draft #1: Features At-a-Glance

Eligibility Requirements:

- TSF Registrant Requirement
- Organizational Experience:
 - Underwater & HVDC Transmission Experience
- Indigenous Engagement Experience

Proponents will need to provide at time of bid:

- Indigenous Engagement and Participation Plan (IEPP)
- Supply Chain Disclosure Plan (SCDP)

Consistent with the approach used for IESO resource procurements (e.g., LT2), the IESO intends to release iterative RFP and contract drafts, incorporating refined IESO design thinking, and feedback from stakeholders and Indigenous communities while maintaining alignment with the TTL Directive.



Proponent Qualification – Proposed Criteria

Proponent Qualification Background

The TTL Directive outlines requirements for demonstrating **experience with HVDC transmission, underwater transmission, and Indigenous engagement in respect of a qualifying infrastructure project in Canada**

HVDC transmission, underwater transmission, and Indigenous engagement (outlined in the following slides) experience may be demonstrated through one or more qualifying projects that meet certain specified criteria (as outlined in the following slides)

In addition, each Proponent must meet the following requirements in relation to the TSF Registry:

- Be a TSF Registrant;
- Be controlled by a TSF Registrant; or
- Be a Person in which one or more TSF Registrants hold, in aggregate, at least 45% economic interest (directly or indirectly).

Qualification Criteria – HVDC Project Experience

Proposed Qualification Requirement:

- Experience developing, financing, and constructing a **Qualifying HVDC Project**, defined as an HVDC transmission line where:
 - Commercial operation was achieved within **20 years** of the Proposal Submission Deadline; **or**
 - The project is under construction and expected to achieve commercial operation before **January 1, 2030**

Proposed Demonstration Approach:

- Organizational experience of the Proponent or a Proponent Group Member (*Control Group Member or Person that holds $\geq 25\%$ economic interest in the Proponent*)
- Supported by a **statutory declaration**

Qualification Criteria – Underwater Transmission Project Experience

Proposed Qualification Requirement:

- Experience developing, financing, and constructing a **Qualifying Underwater Transmission Project**, defined as a project where:
 - Commercial operation was achieved within **20 years** of the Proposal Submission Deadline; **or**
 - The project is under construction and expected to achieve commercial operation before **January 1, 2030**

Proposed Demonstration Approach:

- Organizational experience of the Proponent or a Proponent Group Member (*Control Group Member or $\geq 25\%$ economic interest in the Proponent*)
- Supported by a **statutory declaration**

Qualification Criteria – HVDC OEMs

The TTL Directive requires proponents to demonstrate the ability to work with **experienced HVDC original equipment manufacturers (OEMs)** (converter stations and cables)

Proposed Approach:

- Minimum requirement: **statutory declaration** confirming ability to work with qualified HVDC OEMs
- The IESO is seeking feedback on whether to require additional evidence, as either mandatory or rated criteria, such as:
 - OEM partnership agreements or letters of support
 - Evidence of past collaboration
 - Technical capability integration plans
- Proponents would not be required to identify or bind themselves to a specific OEM at proposal stage. However, proponents would be required under the contract to show that they are working with an experienced OEM at the Development Milestone (MDev)

Proposed Qualification Criteria – Indigenous Experience

To balance meaningful experience with competition, and in response to the TTL Directive, the IESO is considering a flexible approach emphasizing Indigenous engagement and rights-based consultation

Proposed Qualification Requirement:

- Experience conducting Indigenous engagement and rights-based consultation for at least one Qualifying Infrastructure Project, defined as:
 - An energy or linear infrastructure project in Canada
 - Achieved commercial operation within the last 10 years

Proposed Demonstration Approach:

- Organizational experience, or
- Designated team member experience (e.g., minimum of two qualified Directors/Officers)

Demonstrating Indigenous Experience – Considerations

For Indigenous engagement and consultation experience, the IESO is considering whether experience at the team member level is more appropriate, which reflects the following perspectives:

- Effective Indigenous engagement is relationship based and people driven, and often led by specific individuals with lived experience, trust, and established community relationships
- Strong engagement outcomes may depend less on corporate precedent and more on the skills, credibility, and approach of the individuals leading that work
- By recognizing team-based experience, the approach enables new-to-Canada proponents to bring in Indigenous leaders, advisors, and specialists with robust experience developing partnerships, supporting capacity building & economic participation, while enabling the long-term viability of an enduring competitive transmission framework

The IESO is seeking feedback from Indigenous communities and stakeholders in response to these perspectives in the interests of finalizing the specific qualification requirements for proponents



Domestic Content Requirements

Domestic Content Requirements

As required by the TTL Directive, proponents must submit a **Supply Chain Disclosure Plan (SCDP)** as part of their RFP proposal

SCDP requirements:

- An **indicative (non-binding) narrative** describing total project supply chain costs, including:
 - The estimated value and proportion of **goods** (e.g., construction materials) expected to be manufactured in Canada;
 - The estimated value and proportion of **services** expected to be supplied by Canadian suppliers; and
 - Explanation for any goods and services that are not expected to be from Canada
- A **summary worksheet** (template provided by the IESO) outlining a **line-item breakdown of the SCDP**

The IESO may share SCDP materials of the successful transmitter with the **Government of Ontario**, subject to the confidentiality and disclosure provisions of the TTL Contract

Domestic Content Incentives

As outlined in the TTL Directive, the IESO will explore **incentives to encourage higher levels of domestic content** in project proposals

Proposed approach:

- Introduction of **rated criteria** for proponents that commit to higher levels of Canadian content, with respect to:
 - **Construction materials**
 - **Construction labour**

The IESO is seeking feedback on how to define these components: what levels of **Canadian content** could be **reasonably and competitively achieved** for the TTL project, and what **incentive levels** would be required to have a meaningful impact



Cost Containment Considerations

Recap - Commercial Approach

- The TTL commercial approach is being designed to deliver ratepayer value through competition, while recognizing the TTL project's unique characteristics and current macroeconomic conditions
- The RFP will define minimum qualification requirements and transparent evaluation criteria to identify a successful proponent
- The contract will establish the framework to manage project development and construction, while reflecting key proposal commitments where appropriate
- Consistent with the Directive, the contract will include cost containment mechanisms to protect ratepayers while managing project complexity and uncertainty
- Overall, the commercial approach will:
 - Fix costs where feasible to provide ratepayer certainty
 - Apply appropriate mechanisms to manage costs that cannot be fixed at bid stage, supporting project delivery and reliability

TTL Cost Containment Objectives

In addition to delivering ratepayer value through competition, the TTL commercial design is being developed to support long-term value and cost containment for ratepayers by balancing the following priorities:

- Placing cost and project delivery performance incentives where they can most effectively influence outcomes
- Maintaining an appropriate balance between cost discipline and project flexibility
- Creating transparency and confidence in the procurement and contracting approach

TTL Proposed Contracting Approach

To operationalize the TTL commercial model and support the objectives, the IESO is proposing an approach that will clearly delineate capital and non-capital costs:

- **Capital Cost Components** for project construction would be governed through the IESO contract and not examined by the OEB, establishing a single point of accountability for project delivery and capital cost management
- **Non-capital Cost Components** (operations, maintenance and sustaining capital) would be subject to OEB oversight

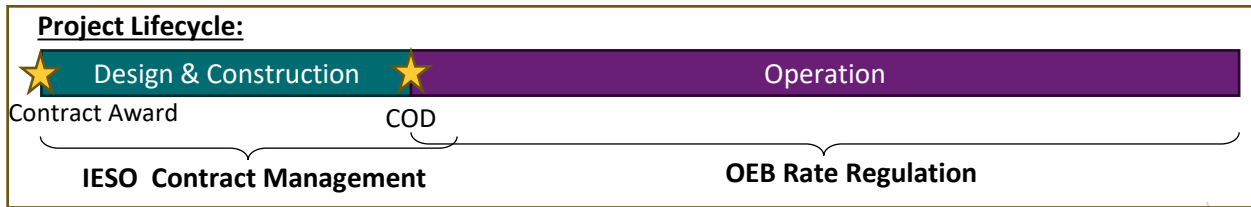
This approach enables the IESO to have oversight over the entirety of development and construction related capital costs and associated changes within a single contractual framework. This delineation is intended to minimize the potential for cost shifting between IESO-reviewed costs and OEB-reviewed costs

Transmitter Revenue and Transition to OEB Rate Regulation

- All project costs (capital and non-capital) will ultimately be recovered through the transmitter's OEB-approved revenue requirement, with the asset transitioning to full rate regulation following the IESO contract term
- 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
- The OEB's existing cost of capital parameters and deemed capital structure will apply – e.g. the Return on Equity will remain consistent with other rate regulated transmission assets

Transmitter Revenue and Transition to OEB Rate Regulation

- The final IESO contract value will form the basis of the rate base the transmitter will include in their first rate filing ~1 year prior to COD. The OEB is required to ensure transmission rates allow for the recovery of amounts paid to the transmitter under the TTL Contract.*
 - The IESO recognizes that contract costs will not be finalized until after COD and intends, through the contract design process, to outline the approach to reconcile costs between the first rate-filing and the final contract amount
- The transmitter will also submit non-IESO contract costs in their initial rate filing that will have been outside the IESO contracted scope and will be subject to OEB review
- The IESO will continue to work with the OEB on ensuring a seamless transition between the IESO contract and OEB rate regulation



Toolbox of Cost Containment Mechanisms

- The IESO intends to select pricing mechanisms for each cost activity based on the level of scope certainty and which party is best positioned to manage the risk
- Cost-certainty mechanisms are best suited to defined, controllable work
- Risk-sharing mechanisms are best suited to uncertain, externally driven, or evolving work where forcing early price certainty can increase cost premiums
- Cost containment options under consideration are listed in the tables below:

Mechanisms that Offer Higher Cost Certainty
Fixed Price
Ceiling Price
Ceiling Price with Incentives

Mechanisms that Offer Higher Flexibility & Risk Sharing
Unit Price / % Cost
Cost Reimbursable
Target Price + Cost Sharing

Mechanisms Providing Cost Certainty

Mechanisms that emphasize cost certainty are best suited to activities where the TTL scope is well defined and largely within the transmitter's control, supporting price stability and enabling clear bid comparability

Mechanism	TTL Use Case	Contracting Outcome
Fixed Price	Fixed price for transmitter-controlled scope, with the transmitter responsible for overruns.	Provides strong price certainty.
Ceiling Price	Actual allowable costs are paid up to an agreed cap.	Bounds cost uncertainty by providing a ceiling.
Ceiling Price with Incentives	Savings below the ceiling price shared.	Bounds cost uncertainty by providing a ceiling while incenting cost discipline.

Mechanisms for Risk Sharing

- Shared-risk mechanisms may be appropriate where TTL costs are affected by unresolved routing, lakebed, permitting, quantity, supply chain, or interface uncertainty. These approaches can reduce risk premiums at bid stage by avoiding the need for proponents to price unknowns upfront
- Where applied, shared-risk mechanisms should include robust safeguards (such as clear cost eligibility rules, evidence requirements, audit rights, approval gates, and defined cost controls) to limit cost exposure and protect ratepayers

Mechanism	TTL Use Case	Contracting Outcome
Unit Price / % Cost	Used where the final quantity may vary but can be measured objectively (e.g., route length), while incorporating mechanisms to limit cost exposure arising from material quantity changes.	Costs are proportional to measured work.
Cost Reimbursable	Used for hard-to-price or externally driven work, with allowable costs reimbursed under agreed rules.	Allows actual allowable costs to be reimbursed under agreed cost rules.
Target Price + Cost Sharing	Establishes a target cost with agreed sharing of savings / overruns against actual performance.	Balances flexibility with an incentive to manage costs and delivery efficiently.

Proposed Cost Containment

Today's discussion focuses on three cost components associated with the TTL project:

- Engineering
- Construction
- HVDC & AC Materials & Equipment

The following slides outline:

- A proposed activity breakdown for each cost category
- Corresponding cost containment approaches
- Potential events to be considered for scope and cost adjustments

The IESO is seeking feedback on the appropriateness of the cost categories, the proposed containment mechanisms and the associated adjustment considerations

Engineering

- The IESO is considering treating engineering costs as generally suited to **fixed pricing**, where scope, deliverables, technical standards, and baseline assumptions can be reasonably defined at the bid stage
- **Targeted relief** may be appropriate only where changes are driven by external factors, such as permitting outcomes, Indigenous consultation, route changes, utility/system requirements, or materially different site or lakebed conditions (relative to what was known at time of bid)

Engineering – Cost Breakdown & Containment

Sub-Activity	Proposed Cost Containment	Potential Events to be Evaluated for Scope & Cost Adjustment
Development studies & surveys	Fixed	<ul style="list-style-type: none">• Additional desktop studies/engineering driven by Indigenous consultation, environmental, archaeological, geotechnical, permitting or lakebed findings• Requirements change due to IESO or external authorities
Preliminary Engineering	Fixed	
Detailed Design/Issue for Construction	Fixed	
HVDC/OEM interface engineering	Fixed	
Commissioning	Fixed	

Construction

- The IESO is considering a differentiated treatment for construction costs, recognizing that land-based and underwater construction activities have different risk profiles
- Well-defined, controllable construction scope would be suited to **fixed pricing**, while costs subject to uncertainty (e.g. marine access, permitting, environmental factors) may require targeted risk-sharing mechanisms, such as **Target Price with Cost Sharing**
- **Targeted relief** would be limited to situations where scope changes are driven by external factors, including permitting outcomes, Indigenous consultation, route changes, utility/system requirements, or materially different site or lakebed conditions

Construction – Cost Breakdown & Containment

Sub-Activity	Proposed Cost Containment	Potential Events to be Evaluated for Scope & Cost Adjustment
Site preparation & enabling works	Fixed	
Mobilization & demobilization	Fixed	
Land based construction	Fixed	
Underwater/marine construction, cable installation & protection	Target Price with Cost Sharing	<ul style="list-style-type: none"> • Material route changes driven by Indigenous consultation, environmental, archaeological, geotechnical, permitting or lakebed findings • Requirements change due to IESO or external authorities
Environmental mitigation, site remediation and restoration	Target Price with Cost Sharing	<ul style="list-style-type: none"> • Additional site work (other than underwater construction activities) driven by Indigenous consultation, environmental, archaeological, geotechnical, permitting or lakebed findings • Requirements change due to IESO or external authorities

HVDC & AC Materials & Equipment

- The IESO is considering a **capped and indexed approach** for HVDC materials and equipment, complemented by **incentives to drive costs below the ceiling**
- **Indexation** would be limited to clearly defined external cost drivers, such as commodity and FX exposure, tariffs, and OEM supply chain constraints
- This approach aims to balance cost certainty with exposure to global market volatility, reducing bid-stage risk premiums while maintaining discipline through a capped framework

HVDC & AC Materials & Equipment – Cost Breakdown & Containment

Sub-Activity	Proposed Cost Containment	Potential Events to be Evaluated for Scope & Cost Adjustment
HVDC cable supply	Ceiling + indexing + sharing incentives below ceiling	<ul style="list-style-type: none"> Pre-defined indexing, using publicly available or industry wide indices
Converter station core equipment	Ceiling + indexing + sharing incentives below ceiling	<ul style="list-style-type: none"> Pre-defined indexing, using publicly available or industry wide indices
Other (overland / AC electrical equipment; cable accessories, joints, terminations, etc.)	Fixed	

Upcoming Cost Considerations

In future engagement sessions, the IESO will share additional cost categorization and containment mechanisms across the following areas:

- Indigenous consultation, capacity funding & economic benefits
- Licensing & permitting, and Municipal and public engagement
- Project management & overhead costs
- Land acquisition costs
- Insurance
- TTL transmitter's connection costs



Indigenous Participation

Indigenous Engagement & Participation Plan (IEPP) Overview

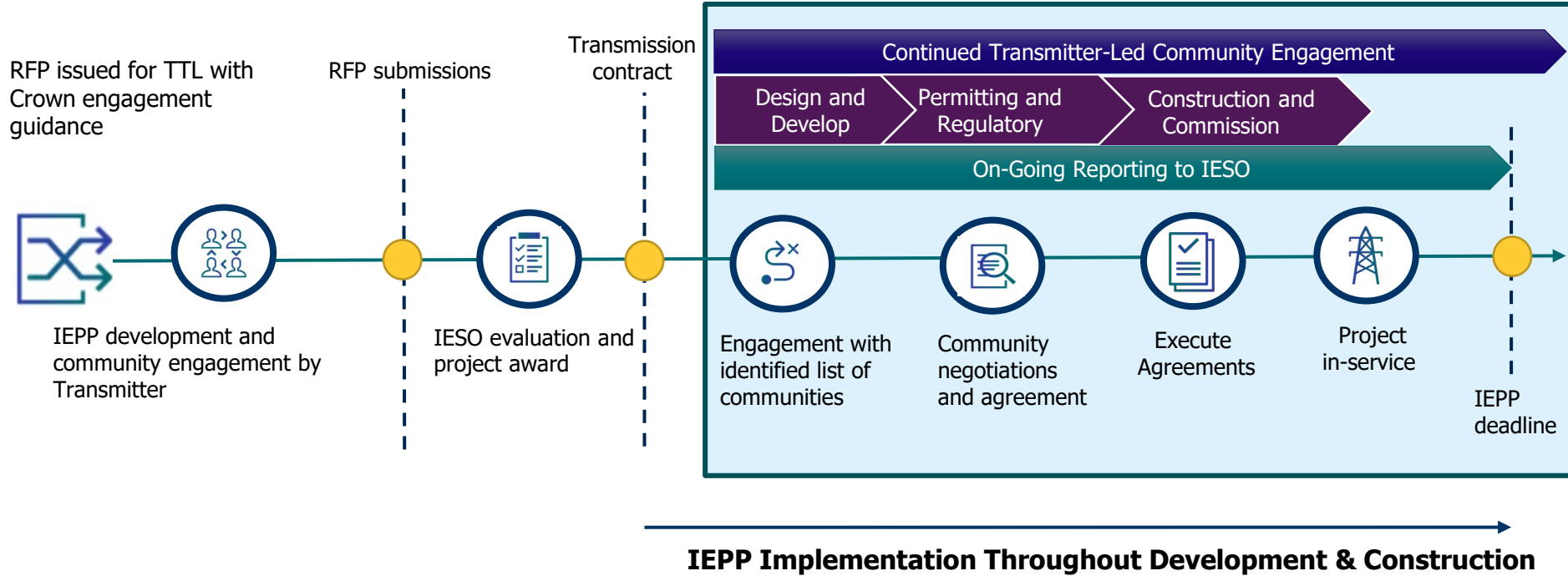
- The IESO is committed to supporting Indigenous community participation in competitively procured transmission projects, including the TTL procurement
- The form and level of Indigenous participation will be determined through discussions between the Indigenous communities on the Ministry of Energy and Mines' engagement list and the project proponent
- As indicated in the TTL Directive, proponents will be required to **submit an IEPP as part of their proposal**, outlining their approach to Indigenous engagement and participation
- IEPPs are expected to be informed by early engagement with Indigenous communities; however, proponents would not be required or incentivized to secure agreements or formal support prior to proposal submission
- The transmitter selected through the TTL procurement would be **contractually required** to implement their IEPP, and the IEPP will not replace the Crown's Duty to Consult
- The IESO continues to seek feedback on key IEPP design elements and evaluation considerations to inform further development of the TTL procurement

IEPP Objectives

Key goals of including the IEPP as part of the proposal are to:

Support Economic Participation	Ensure Indigenous communities are provided with meaningful economic opportunities to participate
Encourage Early Engagement	Proponents are expected to engage with Indigenous communities beginning early in project development
Support Accountability	Support the accountability of developers on their commitments to Indigenous communities
Enable Flexibility	Enable flexible participation options that can be tailored to individual community priorities and needs
Mitigate Project Risk	Support project success by mitigating risk associated with lack of Indigenous support for the project

Indigenous Engagement and Participation Plan Map



**For illustrative purposes only*

IEPP Evaluation Rated Criteria

- The TTL Directive has identified that rated criteria should be offered for proponents who commit to certain levels of Indigenous economic participation within their proposals
- The IESO is proposing to evaluate these commitments with rated criteria based on:
 - The percentage of equity that will be offered to First Nations from among those on the Crown's engagement list
 - The total amount of non-equity economic commitments for First Nations from among those on the Crown's engagement list
- The IESO will continue to engage Indigenous communities and stakeholders to identify how points should be awarded (e.g. banded ranges vs. ranking)
- The IESO is also proposing rated criteria to recognize proponents with experience in Indigenous community economic participation in previous projects

IEPP Mandatory Criteria

The TTL Directive has also identified mandatory components of the IEPP.

In response to the Directive, the IESO is proposing the following mandatory criteria:

- Total equity and non-equity commitments
- The Proponent's proposed engagement plan and timeline
- Evidence of having contacted communities on the Crown's engagement list, and list of meetings held to date
- Evidence of having offered capacity funding to the communities on the Crown's engagement list to engage in IEPP discussions

IEPP - Evaluation Approach

In response to the TTL Directive and stakeholder and Indigenous community feedback, the approach to evaluating proponents' IEPPs will employ both Rated and Mandatory criteria:

<p>Rated Criteria Provide incentives to reward higher levels of economic commitments and recognize proven capability.</p>	<p>+ Higher levels of equity participation (ownership)</p>	<p>+ Higher levels of non-equity commitments (procurement, jobs, training, project-specific agreements)</p>	<p>+ Proven experience delivering partnerships</p>
<p>Mandatory Criteria Establish a baseline to ensure all proposals meet core expectations for engagement and participation.</p>	<p>✓ Some degree of economic commitment</p>	<p>✓ Engagement plan and public timeline; Outreach to all Crown-identified communities</p>	<p>✓ Capacity funding offers</p>

Next Steps on Draft IEPP Design and Refinement

- The IESO remains committed to engaging with the First Nations on the Ministry of Energy and Mines' engagement list and soliciting their feedback and understanding their perspectives
- To facilitate engagement with Indigenous communities, the IESO has developed and will post a draft IEPP design document to build awareness of the TTL procurement's Indigenous design features and to enable input from communities
- The IESO will continue engaging with Indigenous communities on a one-on-one basis throughout the summer and fall on draft IEPP design, alongside broader public engagement efforts
- Given the need for continued engagement with Indigenous communities on the draft IEPP, it is expected that the specific design elements may be subject to change based on ongoing feedback, while remaining aligned with the overarching requirements set out in the TTL Directive



Discussion and Next Steps

Discussion Questions

1. If Indigenous project experience were required at the organizational level, what impact would this have on the procurement? (see slide 35 & 36 for more details)
2. Should the IESO require additional evidence, either as mandatory or rated criteria, such as OEM partnership agreements or letters of support, evidence of past collaboration, and technical capability integration plans? (see slide 34 for more details)
3. Regarding rated criteria for Canadian content, what materials should these provisions incent to be transformed and manufactured in Canada? What levels of Canadian content would be achievable and competitive? (see slide 38 & 39 for more details)
4. In relation to the rated criteria to recognize previous experience with Indigenous community participation, how should experience be evaluated? (see slide 61 for more details)
5. Do you agree with the proposed cost categories and recommended cost containment mechanisms to scope certainty and risk control? (see slide 46 to 55 for more details). For the additional cost categories on slide 56 (e.g., land acquisition, engagement, permitting, project overhead), what pricing and containment approaches would you recommend?
6. What specific indices would you recommend to be applied to the HVDC cable and converter station? Should pre-defined indices be applied to other cost items? (Which cost items and which indices)?(see slide 54 for more details)

Next Steps

- The IESO invites written feedback by **July 16, 2026**.
- 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.
- The IESO continues to welcome the opportunity to meet 1-on-1 with Indigenous communities – please reach out to Nadia.Mirabelli@ieso.ca if you would like to set up a meeting to discuss the TTL procurement.
- The IESO will look to hold the next TTL procurement engagement session in **August 2026**, where the IESO will plan to engage on RFP Draft #1 feedback, Contract Draft #1, additional cost containment features, and an updated engagement schedule.

Thank You

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