Feedback Form

Medium-Term RFP – September 12, 2024

Feedback Provided by:

Name: Lukas Deeg

Title: Director, Regulatory and Environmental Policy

Organization: Capital Power

Email: [redacted]

Date: September 27, 2024

Following the September 12 engagement webinar, the Independent Electricity System Operator (IESO) is seeking feedback from stakeholders on the items discussed during the webinar. The webinar presentation and recording can be accessed from the engagement web page.

Please submit feedback to engagement@ieso.ca by **September 27**. If you wish to provide confidential feedback, please submit as a separate document, marked "Confidential". Otherwise, to promote transparency, feedback that is not marked "Confidential" will be posted on the engagement webpage.

Draft MT2 RFP/Contracts

Topic	Feedback
Are there any areas of the draft MT2 RFPs that require further clarity?	*Section 4.4: 80% target* As stated in our previous submissions, Capital Power fails to understand how setting a procurement target during a time Ontario is facing a substantial energy need will result in a more efficient outcome for ratepayers. Such an approach, even with a soft target, risks the retirement and loss of affordable and proven renewable facilities at a time clean, non-emitting energy is required. Based on recent remarks from Ontario's Minister of Energy and Electrification and IESO Leadership, Ontario is projecting even more energy and capacity needs than what was published in the most recent APO. The IESO should be looking to procure all capacity from existing resources to exploit all their inherent advantages. These assets are already grid connected, have proven operators, have been accepted by their communities, and will provide an orderly transition by effectively backstopping LT2. Capital Power continues to believe other effective procurement mechanisms can be used to ensure ratepayers get a fair price in the procurement. However, if the IESO continues to use the target + marginal price approach as presented, we recommend that, at the very least, a target higher than 80% be considered in Section 4.4 of the RFP. A target between 85% to 90% will likely still meet the IESO's purposes but reduce the risk of losing proven, reliable, affordable, and clean energy.

Topic	Feedback

Are there any areas of the draft MT2 Contracts that require further clarity?	*MT2(e) Section 3.1 Minimum Performance Standard* Capital Power submits that reprieve for the minimum performance standard should be considered in the first two years of the contract, at least for assets coming off contract in 2026 and 2027. Assets who are coming off contract in 2026 and 2027 will have no opportunity to absorb life extension work in their planned maintenance prior to the start of the MT2 contract. The IESO not accommodating this work within the MT2 contract risks the reliability of these assets and will likely lead to higher procurement prices for ratepayers. *MT2(e) Section 3.1 Calculation of Monthly Payment* Capital Power disagrees that Suppliers should pay the Buyer the absolute value of the Monthly Payment if the calculation of the Monthly Payment is negative. Capital Power maintains its position that RFP proponents are exposed to several risks that could result in a disconnect between deemed revenue and actual market revenues. FWAP being based off forecasts and the exclusion of negative priced hours in the deemed revenue calculation creates the potential for higher deemed prices than actual prices when the facility runs. Proponents will also remain exposed to some day-ahead price risk that further disconnects deemed revenue and actual revenue, even with the inclusion of DARTA. Further, proponents cannot reasonably assess how prices or market behaviour will evolve under MRP and the EPPA construct remains untested. Proponents continue to hold DART risk, forecast risk, market risk, and contractual risks. With this in mind, we respectfully disagree that there is an asymmetric benefit for proponents if they were to keep excess revenues. We also point out that the IESO has not shared any statistical evaluation of their day-ahead and real-time wind forecast error, analysis on why they believe the 85% DARTA fully removes all risk for proponents, or information on why they believe there is an asymmetric benefit – information that will support proponents in their RFP submissions. It is for these reasons we continue to submit that excess deemed

revenue should be shared between suppliers and the IESO rather than being clawed back.

Capital Power also submits that the sharing of excess deemed revenue should not be optional for proponents. This sharing framework should be included within the base contract. The additional optionality in an already complex RFP adds little benefit to the IESO or proponents. The sharing framework should be offered to all intermittent resources.

MT2(e) Exhibit F

Capital Power submits that there are numerous errors and opportunities for clarity within the calculations within Exhibit F.

Firstly, Capital Power recommends that the text …"(expressed as a percentage figure)…" be removed, along with the multiplication of 100 within the APF_y and PFS calculations. By doing so, it will enhance clarity with other text within the section and ensure it is properly applied within the NPC calculation.

For consistency PFS and NPC should be revised to "PFS_y" and "NPC_y" respectively.

Capital Power also disagrees with how the APF_y calculation is written and recommends brackets be added to ensure clarity in its application:

$$APF_y = TDE_y / [CC \times (TH_y - EH_y)]$$

Capital Power further believes the Excluded Hours definition and the APF_y calculation needs to be expanded to include adjustments for other events outside suppliers' control including but not limited to ramp down or curtailment requests from the grid operator, directives, and outages or derates on the transmission/distribution system that the facility may be connected to. As these events are outside of the supplier's control, they should not be penalized for them. Expanding the Excluded Hours definition and possibility including a variable to

Topic	Feedback
	accommodate partial curtailments associated with these types of events will help address this concern. Capital Power disagrees with the NPC calculation as written and believes is will incorrectly and disproportionately penalize suppliers for underperformance. Suppliers should only need to pay a non-performance penalty for undelivered energy below the 80% threshold. For example, a generating unit that produced 75% of their imputed factor should be responsible for only 5% underperformance. This is not the case in the current calculation, and Capital Power recommends the calculation be adjusted to: $NPC_y = FP_y \times [IPF * 0.8 - APF] \times CC \times TH_y$

MT2 RFP Timelines

Topic	Feedback
Do you have any feedback regarding the timelines and/or milestones proposed for the MT2 RFPs?	Capital Power has previously commented that advancing MT2 on relatively short notice and limiting Rated Criteria to be strictly based off price has created a disadvantage for assets whose contracts expire in 2026 and 2027. These assets do not have an opportunity to absorb life extension work in standard, scheduled maintenance outages or operations like assets whose contracts expire later. As such, they will be exposed to higher costs that must immediately be realized. Other MT2 RFP and contractual provisions further limits opportunities for the owners of these assets to complete the work without taking on penalties or lost revenue under the deeming mechanism. Facilities with contracts expiring after 2027 will be able to incur costs later and potentially discount them in their valuation for their MT2 bid. With this in mind, Capital Power submits that the IESO needs to provide further clarity on how it will evaluate proposals whose contracts have different start dates. The lack of consideration for the impact the contract expiry date may have on the formation of a procurement bid or how to address life extension work subject to the remaining life on an existing contract further elaborates why Capital Power has concerns on the IESO's proposed 80% procurement target. There are credible reasons why good assets could have reasonable submitted prices outside the threshold.

MT2 Registration/Qualification/Proposal Submission

Topic	Feedback
Do you have any feedback to share regarding the applicability of the fees proposed for the MT2 RFP?	It is unclear what is the minimum qualifying nameplate capacity for the MT2 procurement. Considering Ontario's energy need, Capital Power recommends that the procurement be as inclusive as possible.

Topic	Feedback
Do you have any feedback regarding the MT2 Registration and Qualified Capacity/Energy confirmation process?	Capital Power submits that proponents should be able to submit or adjust the Maximum Annual Average Imputed Production Factor and Minimum Annual Average Imputed Production Factor rather than these being strictly calculated by the IESO. Capital Power also submits that proponents should be allowed to adjust the Nameplate Capacity, Contract Capacity, Winter Contract Capacity, and Summer Contract Capacity to be different than what is currently registered with the IESO and to allow proponents to change it between registration and submission. These assets are near the end of their useful and historical performance may not be the best representation on how the assets will perform over the next five years. Further, there could be one-time events like an unroutine maintenance, a major overhaul, or an extreme event that could skew the parameters. Historical performance may also not be reflective of units that may have once been under contract but are currently not operating or mothballed. Proponents are in the best position to assess the operational and commercial risk of the asset and set the operational parameters for the RFP accordingly.

Topic	Feedback
Do you have any feedback regarding the Proposal submission process and requirements?	Click or tap here to enter text.

General Comments/Feedback

Capital Power has previously commented on the overall complexity of the E-PPA model and how many dynamics like the implementation of MRP adds uncertainty for proponents. This uncertainty and complexity could potentially result in risk premiums being included in proponents' price submissions. Considering this risk, the immediate and dramatic need for energy, and other key initiatives like LT2 and MRP that is taking substantial resources for the IESO and proponents, Capital Power submits that the IESO should reconsider the use of the E-PPA design for facility extension. The IESO could achieve similar or better outcomes for ratepayers by either using a simple revenue model

for MT2 (e.g., an agreement that resembles assets' existing contracts) or extending existing contracts to the end of an asset's useful life.