

MT I RFP: Questions and Answers (February 17, 2022)

Questions and Answers

The following document summarizes the IESO responses to the questions and comments submitted to the IESO in respect of the final MT I RFP documents posted on January 31, 2022, that were received pursuant to Section 3.2(a) of the MT I RFP prior to the Question and Comment Deadline.

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MT I RFP

Question/Comment	IESO Response
<p>Will the IESO consider moving the Registration Deadline to February 22nd as February 21st is a statutory holiday?</p>	<p>Yes, due to February 21, 2022 being the Family Day statutory holiday, the IESO will change the Registration Deadline in MT I RFP to February 22, 2022. This change in the Registration Deadline will be reflected in an addendum to the MT I RFP, which will be posted to the Medium-Term RFP webpage at a later date.</p>
<p>Would the IESO partially clear a resource under MT I RFP? Will the IESO always procure the fully offered volume or, where the full Unforced Capacity (UCAP) of the facility exceeds the target procurement volume, will the IESO only contract for part of the UCAP offered?</p>	<p>Subject to the IESO's reserved rights under the MT I RFP, if a Proposal's Qualified Capacity causes the aggregate Summer season Qualified Capacity of the Proposals on the Offer List to exceed the Target Capacity, that Proposal and all subsequent Proposals will be rejected, as outlined in Section 4.4(e) of the MT I RFP. However, as indicated in question 6.4 of the IESO's FAQ document, the IESO's reserved rights allow for it to accept Proposals in excess of the Target Capacity. However, this reserved right applies to the totality of the Proposal's Qualified Capacity.</p>
<p>Can a proponent bid a portion of IESO-determined UCAP at this upcoming MT I RFP and bid the other portion at a future MT RFP?</p>	<p>The Qualified Facility's Monthly Qualified Capacity identified within the Proposal submission must be the Facility's Monthly Qualified Capacity as confirmed during Registration. This is specified within the Prescribed Form – Proponent Information and Declarations.</p> <p>Proponents are able to select the ICAP value on which their UCAP value, and resulting Qualified Capacity, is calculated during the Registration Phase of the MT I RFP.</p>

Question/Comment	IESO Response
<p>The proposed Reserve Price of \$470/MW-Business Day remains insufficient for proponents of the MT RFP.</p>	<p>The IESO will maintain the \$470/MW-Business Day Reserve Price.</p> <p>The IESO has increased the Reserve Price from \$420/MW-Business Day to \$470/MW-Business Day to present the Reserve Price in effective 2024 dollars, which is the earliest Term Commencement Date under the of MTC I Contract.</p>
<p>The timeline for Proposal submission is too short. Can the April 28, 2022 Proposal Submission Deadline be extended?</p>	<p>No, the IESO will not be changing the Proposal Submission Deadline of April 28, 2022.</p>

MTC I Contract

Question/Comment	IESO Response
<p>If a proponent's MT I RFP bid is successful, will their proposal price escalate by inflation between 2024 and the start of the contract commencement year if the commencement year is in 2025 or 2026?</p>	<p>The inflation adjustment to the Fixed Capacity Payment is only applicable to the second and each succeeding Contract Year as outlined in Exhibit J of the MTC I Contract. There is no separate or additional inflation adjustment prior to the Term Commencement Date under the MTC I Contract.</p>
<p>Should a Facility's Reference Seasonal ICAP exclude any capacity contracted to customers for a cogeneration operation?</p>	<p>A Facility's Reference Seasonal ICAP must not include any capacity that is contractually committed to, or otherwise the subject of an agreement with, a party other than the Buyer under the MTC I Contract during the Term of the Agreement.</p>
<p>Does the Pre-Term Capacity Verification requirements apply to variable generation?</p>	<p>Prior to the commencement of the Commitment Period, all Qualified Facilities under the MTC I Contract will be required to complete a Pre-Term Capacity Verification.</p>

Question/Comment	IESO Response
<p>Does the final MTC I Contract still have the option to exercise an extension for an additional period of two years? (This term previously existed in the Medium Term Contract draft issued on November 24, 2021 (paragraph 9.1(c)))?</p>	<p>No, there is no option to extend the Term of the Agreement for an additional period of 2 years under the final MTC I Contract. The original 3+2-year Term has been replaced with a fixed 5-year Term with proponents having the choice to commence the contract Term on May 1, 2024, May 1, 2025 or May 1, 2026.</p> <p>If a Proponent was successful under a subsequent MT RFP, the IESO's proposed cadenced approach would allow Suppliers to seamlessly transition to the subsequent commitment Term.</p>
<p>Does article 11.2(a) apply in a circumstance where natural gas supply has been procured, but delivery of procured fuel is interrupted by distributor curtailment?</p>	<p>Any Force Majeure claim will be assessed on its own merits and is highly contextual. It would be expected that the nature of gas supply services procured and the basis of the delivery interruption would be relevant to the consideration of whether this exclusion may apply.</p>
<p>The changes and added provisions to the MTC I Contract remain deficient for combined cycle gas facilities. Additional modifications to the MTC I Contract are needed to reduce Supplier's risks and avoid flowing such risks into its Medium-Term RFP bid.</p>	<p>The MTC I Contract and relevant provisions were designed taking into account stakeholder feedback. While the IESO appreciates this new feedback, the IESO cannot consider contract revisions based on generalized statements.</p> <p>Furthermore, the IESO reminds participants that the MT I RFP and MTC I Contract have been designed to be technology-agnostic and are intended to competitively acquire capacity services to meet system need, rather than procuring specific resource types.</p>
<p>Recommend that the inflation adjustment be applied to 50% of the base Fixed Capacity Payment as opposed to the IESO's proposal of 20% of the base Fixed Capacity Payment.</p>	<p>The inflation adjustment was designed based on past IESO contract precedents, taking into account the limited portion of Supplier costs in meeting the MTC I Contract obligations that are reasonably expected to be exposed to inflation risks.</p>

Question/Comment	IESO Response
<p>Recommend that the IESO include explicit language in section 1.6 to allow for amendments to increase the Fixed Capacity Payment should a Market Rule change restrict the Supplier from recovering such material costs from the market. Additionally, the Must-Offer Facility Availability Non-Performance Charges incurred by the Supplier and charged by the Buyer should be eliminated if such charge is incurred due to a Market Rule change.</p>	<p>The IESO will not be amending the language in Article 1.6 of the MTC I Contract. The provisions in Article 1.6 set out a procedure to account for Market Rule amendments that may impact a Supplier’s ability to comply with the Facility Performance Obligations.</p>
<p>Recommend that explicit provisions be included in section 2.5 to allow for contract amendments to the Must-Offer Obligation and to the Fixed Capacity Payment as a result of an amendment to or an introduction of new Laws and Regulations, if such Laws and Regulations impacts the Supplier’s ability to comply with its Must-Offer Obligations or increase its cost materially to comply with the amended or new Laws and Regulations to the extent that the Supplier is restricted from recovering such material costs from the market.</p>	<p>The IESO has introduced Article 13 to the MTC I Contract in response to stakeholder requests that the IESO include provisions for Discriminatory Action. Article 13 specifically details actions that would constitute Discriminatory Action, including the introduction of statutes or bills by the Legislative Assembly of Ontario.</p> <p>The IESO will not be adding additional provisions to Article 13 or otherwise providing general change in law protection under the MTC I Contract.</p>

Question/Comment	IESO Response
<p>Recommend that both the Sole Annual Planned Maintenance Month and the Split Annual Planned Maintenance Month be permissible in a Contract Year, in order to allow for routine maintenance and major maintenance.</p> <p>Additionally, recommend allowing for 1 major overhaul during the Term in which a prolonged outage of up to 2 months in duration is permitted if the Supplier can demonstrate that the scope of work meets industry best practice and recommendations of the Original Equipment Manufacturer to ensure safe and reliable operation.</p>	<p>The IESO will not be modifying MTC I Contract in order to allow for additional planned maintenance.</p>
<p>Recommends that the Event of Default threshold be set at 80%, similar to the CES-style contracts, and calculated over a 36-month period.</p>	<p>The IESO will not be modifying the Event of Default thresholds in the MTC I Contract. Parties are reminded that the Monthly Contract Capacity under the MTC I Contract, for purposes of determining performance obligations, is based on a UCAP methodology that already takes into account forced outage expectations.</p>
<p>Recommend that the IESO allow for 4 Reference Seasonal ICAP with the appropriate ambient temperature conditions and allow for the test extension after the ambient temperature limits are met in a "single" hour of the Qualifying Hours as opposed to the IESO's proposal of 50% of the Qualifying Hours.</p>	<p>The IESO will not be modifying MT I RFP or the MTC I Contract to introduce these requested changes.</p>

Prescribed Forms

Question/Comment	IESO Response
<p>Registration Form: Is the "Legal name of the Qualified Applicant" the company name or the subsidiary intending to enter into the contract?</p>	<p>The Qualified Applicant must be the legal and documented owners (as reflected in existing OEB generator and storage licenses, existing environmental permits and existing IESO market registration documentation, each as applicable) of one or more Qualified Facilities.</p>
<p>Registration Form: Is the "Qualified Facility's previous contract" the Qualified Facility's current contract with the IESO?</p>	<p>Yes, the "Qualified Facility's previous contract" is intended to identify the Qualified Facility's most recent or current contract with the IESO, OPA or OEFC (e.g., RES, RESOP, CES, NUG contract).</p>
<p>Registration Form: Where can the "IESO Facility registration of the Qualified Facility" details be found?</p>	<p>The details that the IESO is requesting in the "IESO Facility registration of the Qualified Facility" field is the Facility ID for the IESO Facility registration. This information can be found in Online IESO. If you have any questions regarding Online IESO or facility registration details please contact customer.relations@ieso.ca.</p>
<p>Registration Form: What is the difference between Qualified Applicant email address and Primary Contact email address?</p>	<p>The Qualified Applicant and Primary Contact are both able to communicate with the IESO on behalf of the Qualified Applicant. The email address for the Primary Contact may be the same as the Qualified Applicant if the Qualified Applicant does not require a separate Primary Contact.</p>
<p>What is the required authority to bind the Proponent?</p>	<p>Legal authority to execute documents is specific to each entity. Proponents should consult their corporate records or legal advisors to confirm legal signing authority of specific individuals.</p>

Question/Comment	IESO Response
<p>Can a Proponent bid less capacity for their facility at the time of Proposal submission than what was submitted in their Registration Form at the time of Registration?</p> <p>Can a resource elect not to offer its full qualified UCAP in the procurement?</p>	<p>The Qualified Facility’s Monthly Qualified Capacity identified within the Proposal submission must be the Facility’s Monthly Qualified Capacity as confirmed during Registration. This is specified within the Prescribed Form – Proponent Information and Declarations.</p>

General Comments & Questions

Question/Comment	IESO Response
<p>Will resources that participate in the MT RFP be able to participate in the LT RFP?</p> <p>Assuming that MT RFP proponents continue to be eligible for participation in the LT RFP, can the IESO confirm the earliest commitment period start date on which a successful MT I RFP proponent would be eligible for under the LT RFP?</p>	<p>As indicated in previous Resource Adequacy engagement sessions, the IESO is committed to investigating opportunities for resources that have entered into a MTC I Contract to participate in future acquisition mechanisms, including potential Long-Term procurements, provided they meet the eligibility requirements. Eligibility requirements for any future procurements will be presented to stakeholders as part of the engagement sessions for those procurements.</p> <p>The IESO recommends that proponents interested in participating in future procurements participate in the Resource Adequacy and Long-Term RFP engagement sessions.</p>
<p>Would an uprate to an existing facility that would reach COD between the MT I RFP submission deadline (i.e., 2022) and the MT I RFP delivery period (i.e., 2026), that is “allowed under the existing terms and conditions of the facility’s regulatory permits and connection agreement” be eligible under MT I RFP?</p>	<p>Any increases in capacity relative to a facility’s prior history must either already be completed or must be allowed under the existing terms and conditions of the facility’s regulatory permits and connection agreement as of the time of the proposal submission.</p> <p>An uprate to a facility is eligible under the MT I RFP if it meets the above requirements.</p>

Question/Comment	IESO Response
<p>In the IESO’s UCAP methodology document, what is the difference between VG and VG (Market Participant)?</p>	<p>For the UCAP methodology developed for this MT I RFP, the Variable Generators (VGs) were classified into two categories:</p> <ol style="list-style-type: none"> 1. VG that is a Market Participant (MP), where the IESO has full visibility over the VG, and can rely on the most recent five years of its production data and foregone energy that coincides with the top 200 hours of highest Ontario demand per season to calculate the UCAP value. 2. VG that is not an MP, or that is an MP but with limited data (i.e., less than 5 years), in which case the IESO will rely on the Allocated Quantity of Energy Injected and foregone energy or simulated data that coincides with the top 200 hours of highest Ontario demand per season, over the most recent 5 years on a zonal fleet wide basis to calculate the UCAP value.
<p>Is the option to extend an existing contract still a bridging mechanism?</p>	<p>Where a Proponent’s bid is successful, the Proponent will have the option to extend their existing contract to align with the start of a MTC I Contract Term Commencement Date or a Capacity Auction obligation period. Where this option is pursued, the existing contract would be extended for no longer than 6 months, to the earlier of the start of the next Capacity Auction obligation period or the MTC I Contract Term Commencement Date, on substantially the terms and conditions as the existing contract.</p>