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Unsolicited Proposals: Overview of Assessment Process

Unsolicited Proposals and Resource Adequacy

- The IESO is committed to developing competitive processes to meet the future reliability needs of the system in a cost-effective way.
- Development of these processes is the focus of the “Resource Adequacy” Framework and when implemented, will be the primary method of committing resources.
- The Ministry of Energy, Northern Development and Mines (ENDM) has also asked the IESO to develop an assessment process for unsolicited energy project proposals to address projects that:
 1. Provide electricity system benefits and reduce costs for ratepayers;
 2. Are unique or innovative; and
 3. Do not have a clear pathway to be acquired through a competitive process.

Overview of Process

- The purpose of the assessment process is to better understand, screen and inform ENDM decisions on unsolicited energy project proposals that have been submitted.
- The IESO's responsibility is to provide independent analysis and advice to inform ENDM on how a proposed project would impact the system and ratepayers, including opportunities for the project to participate in existing and future competitive mechanisms.
- To participate in the process, a project must be sufficiently developed, able to demonstrate community support and reduce electricity system and ratepayer costs.

Assessment Criteria

In its review of a project, the IESO would assess the following criteria:

1. Assess the potential for the project to address forecasted system needs;
2. Assess the potential for the project to provide electricity system benefits and cost savings;
and
3. Assess if the project already has a pathway to be acquired through an existing or future competitive acquisition mechanism (i.e., not just through the Unsolicited Proposals process).

As part of its assessment, the IESO will consider a reasonable range of alternatives that could have greater benefits or lower costs.

Information Requirements for Criteria #1

To assess if the project can potentially meet forecasted system needs, the IESO requires:

- Details on products and services provided by the project to the Ontario electricity system; and
- Expected project timelines and commercial operation information:
 - Confirmation of approval for use of the lands required by the project;
 - Status and evidence of Indigenous community consultation;
 - Evidence of local community engagement and support;
 - Status of permits, regulatory permissions and environmental assessments (if applicable) required prior to construction; and
 - Status of major equipment sourcing and timelines.

Information Requirements for Criteria #2

To assess if the project can potentially provide electricity system benefits and cost savings, the IESO requires:

- An assessment of the project's system benefits and cost savings;
- The project's annual net revenue requirement and detailed financial model, whether or not it is net of expected market revenue, and expected terms of a commercial agreement;
- The project's expected contract and market revenues including energy, operating reserve and capacity revenues;
- Project financing requirements and status of associated agreements; and
- Estimate of cost overrun contingencies.

Information Requirements for Criteria #3

To assess if the project can potentially participate in competitive mechanisms, the IESO will consider the assessment results of criteria #1 and #2 and also requires:

- Expected operations strategy to enable provisions of market services including details on how the project will participate in energy, operating reserve, capacity and other markets; and
- The project's expectations for a commercial arrangement structure including benefit sharing and risk allocation.

Outcomes

- Project reviews will proceed through an iterative process.
- As the IESO reviews projects it will present its analysis, considerations, and advice to ENDM to inform a decision on if and how it wishes to proceed.
- If a project can demonstrate potential to meet the processes' objectives, it will move through a gated review process:
 - Gate 1: Initial screen to determine if a project can potentially meet the objectives;
 - Gate 2: Detailed review and exploration of commercial terms; and
 - Gate 3: Contract negotiation. Contract subject to a formal Directive from government.*

**Note: Proponents would still be required to secure all approvals and permits necessary for project development.*

Outcomes (cont'd)

- ENDM will receive assessments from the IESO at each stage and issue concurrence letters that allow a project to move to the next stage.
- In its analysis, ENDM may consider non-energy factors that are not part of the IESO assessment process, including economic development, employment, Indigenous relations or environmental factors.
- If a project is to proceed to construction, a formal Directive from the ENDM Minister to the IESO is likely to be required.