

Memorandum

To: Stakeholder Advisory Committee

From: Barbara Ellard, Director, Resource and System Adequacy

Date: May 10, 2023

Re: IESO Business Update – Resource Adequacy

The following provides an update to members of the Stakeholder Advisory Committee (SAC) on the IESO’s Resource Acquisition activities that are part of the [IESO’s Resource Adequacy Framework](#). The Resource Adequacy framework provides the IESO with multiple tools to meet its resource adequacy needs and provides proponents with multiple investment opportunities in addition to participation in Ontario’s wholesale energy market. The IESO is currently in the process of designing and executing multiple resource acquisition mechanisms to ensure it is able to meet emerging system needs. The table below summarizes the status of the main resource acquisition mechanisms:

Mechanism	Status	Considerations
Medium-term RFP (MT1 RFP)	✓ Completed	<ul style="list-style-type: none"> Acquired 309 MW (UCAP) for the summer and 380 MW (UCAP) for the winter from 5 existing facilities with a combined nameplate capacity of 757 MW
2022 Capacity Auction	✓ Completed	<ul style="list-style-type: none"> Acquired 1,430 MW for the summer and 1,160 MW for the winter Participation from broad range of resources including imports from Quebec and New York

Mechanism	Status	Considerations
2023 Capacity Auction	<ul style="list-style-type: none"> Enhancements underway 	<ul style="list-style-type: none"> Auction targets will continue to grow as outlined in the 2022 Annual Acquisition Report (AAR)
Same Technology Upgrades Solicitation	<ul style="list-style-type: none"> Submissions have been received and evaluated 	<ul style="list-style-type: none"> IESO to announce outcome of the process in May
Expedited Process (E-LT1 RFP)	<ul style="list-style-type: none"> Proposals were submitted on February 16 Proposal evaluation ongoing 	<ul style="list-style-type: none"> 1,500 MW of capacity targeted for an in-service date no later than May 1, 2026 with incentives for early commercial operation IESO is on track to complete proposal evaluation in May/June, depending on the additional involvement of the Canada Infrastructure Bank (CIB)
Long-term RFP (LT1 RFP)	<ul style="list-style-type: none"> Engagement has commenced 	<ul style="list-style-type: none"> LT1 RFP will be very similar to the E-LT1 RFP with a focus on acquiring capacity from new resources Procurement targets will be confirmed once the E-LT1 RFP is complete
Small Hydro Program	<ul style="list-style-type: none"> Engagement and Design underway 	<ul style="list-style-type: none"> IESO is working with OWA and stakeholders on the program design with an expected launch this fall
Subsequent Procurements	<ul style="list-style-type: none"> IESO has outlined that it will start engagement on subsequent procurements this year 	<ul style="list-style-type: none"> More details to come after the issuance of the Annual Acquisition Report (AAR)

These engagement initiatives can be reviewed on the [IESO Engagement webpage](#).

Capacity Auction

The IESO has mostly completed the design phase of the enhancements for this year’s [Capacity Auction](#). The design changes focus on performance and a transition to UCAP (Unforced Capacity), as well as updates to the Demand Curve, including pricing.

The first set of proposed rule changes will be going through the Technical Panel process with a goal to seek approval later in June.

Expedited Process and Long-Term RFP

The [Expedited Process \(E-LT1 RFP\)](#) and the first [Long-Term RFP \(LT1 RFP\)](#) are intrinsically linked and were both preceded by Long-Term Request for Qualification (LT1 RFQ). The IESO received a [Ministerial Directive on October 7, 2022](#) that set the combined targets for these two procurements (as well as the Same Technology Upgrades Solicitation). Together these procurements will acquire approximately 4,000 MW of new capacity that will be critical in meeting emerging system needs. The directive also sets a maximum procurement limit for natural gas of 1,500 MW and a minimum limit for storage of 1,500 MW.

As the E-LT1 RFP is entering its final phase, the linkage and sequencing with the LT1 RFP is critical in a few ways:

- (1) Targets for the LT1 RFP will be finalized once the E-LT1 RFP concludes;
- (2) Lessons learned will be applied from the E-LT1 RFP procurement process; and
- (3) The LT1 RFP will provide opportunities for unsuccessful E-LT1 RFP proponents to re-submit proposals.

The IESO has commenced engagement on the LT1 RFP process and is targeting to issue draft documents and start the preliminary deliverability testing process in the very near term. The IESO expects that the proposal submission deadline will be later this fall, which would allow for proposal evaluation to be completed by Q1/Q2 of 2024, depending on the volume and quality of proposals submitted.

Future Procurements

As outlined in the last [Annual Acquisition Report](#) and [Annual Planning Outlook](#), Ontario is preparing for new procurements to address existing contract expiring during a time of growing system needs. The IESO will be starting to engage on subsequent medium- and long-term procurements to ensure that existing and new facilities can compete together to meet the future system needs, which will include both capacity and energy.