

Memorandum

To: Strategic Advisory Committee

From: Barbara Ellard, Director, Resource and System Adequacy

Date: October 2, 2024

Re: IESO Business Update – Resource Adequacy

The following provides an update to members of the Strategic Advisory Committee (SAC) on the IESO’s Resource Acquisition activities that are part of the IESO’s Resource Adequacy Framework.

Summary

To support economic growth and increasing electricity demand, the IESO continues to leverage the Resource Adequacy Framework (RAF) to meet emerging system needs. The IESO’s Long-Term (LT) and Medium-Term (MT) procurements will continue to be executed in a cadenced manner and will work alongside the RAF’s other mechanisms, such as programs and the Capacity Auction.

The IESO is actively engaging with the sector on the second medium-term RFP, the second long-term RFP, as well as a separate procurement for long-lead time assets and the Northern Hydro Program. The IESO is also preparing to execute another Capacity Auction at the end of the year.

The IESO has issued a Request for Information (RFI) to contract counterparties and sector participants to explore how both existing and new facilities can support Ontario's growing energy supply needs. The RFI will gather insights from resource owners and developers on the future of current facilities and the development of new projects, in alignment with the Resource Adequacy Framework.

LT2 RFP

The IESO received a letter from the Minister of Energy and Electrification on [August 28](#), which outlines that the LT2 procurement should be technology-agnostic to drive cost-effective outcomes. The letter affirms the previous [June 6](#) letter received from the Minister that outlines the requirements to protect prime agricultural areas. The Minister also requested that the IESO deliver another Report Back anticipated this Fall that outlines options to expedite delivery of the procurement to help meet growing demand.

The letter affirms that the LT2 RFP should:

- Require proponents to obtain municipal support resolutions for new projects
- Prohibit all projects in specialty crop areas and ground-mounted solar in prime agricultural areas. Projects that are permitted on all prime agricultural areas have to obtain an Agricultural Impact Assessment.
- Incentivize projects located in northern Ontario and those which avoid prime agricultural areas
- Incentivize projects that have participation and partnerships with Indigenous communities

Frequent engagements are being undertaken on both the LT2 Energy and Capacity streams, as well as the Long-lead time Procurement. The IESO continues to hold tailored webinars for Indigenous communities and municipalities and is working collaboratively with partner ministries on various issues impacting the siting and development of energy resources.

MT2 RFP

The IESO has issued draft documents for the MT2 RFP and is ready to execute the procurement in Q4, with proposals being due early in 2025. The procurement will be preceded by registration, which will help inform the targets for both the energy and capacity streams.

Capacity Auction

The 2024 Capacity Auction will be held at the end of November for two 6-month commitment periods for 2025/26. In preparation for a period of growing needs, the IESO has raised its

Capacity Auction targets to 1,600 MW of capacity for the Summer 2025 obligation period and 1,000 MW of capacity for the Winter 2025/26 obligation period.

Meanwhile, work is continuing with stakeholders to develop plans to prepare the Auction for a period of growing capacity targets, increased participation and reliable resource performance. These enhancements will help ensure the Auction can adapt to evolving market conditions and continue to be a competitive, transparent and accessible marketplace for a diverse range of capacity resources.

Northern Hydro Program

The IESO has been engaging with stakeholders on key design considerations for the Northern Hydro Program (NHP). The purpose of the NHP is to re-contract non-rate regulated hydroelectric facilities over 10 MW, creating a program that considers social value and capital investment requirements, while delivering ratepayer value. The IESO will deliver a Report Back to the Minister by year-end on the draft design of the Program.