



## RFP - CONNECTION ASSESSMENT PROCESS

Proponents developing renewable generation projects for participation in LRP II aim to optimize the size of their proposed projects by balancing three separate but interdependent attributes. The first of these attributes is the capability of the generation technology to utilize the available resource (e.g., wind speed) at the project site. The second is the availability of land on which to develop the project. The third is the ability of the grid to absorb energy from the newly developed generation. One of the primary benefits of competitive procurements is that they incentivize participants to optimize their projects. Therefore, the cost of each of the above attributes must be optimized by proponents in order to develop the most cost-effective proposals. Connection assessment is the attribute over which the IESO has the most control, and the IESO should therefore strive to support proponents in minimizing the risks associated with connection capability assessment in order to maximize the long term benefits to ratepayers.

The connection assessment process in LRP II should include the following elements to address the shortfalls of the LRP I connection assessment process:

- The IESO should provide the ability for proponents to request and pay for a technical feasibility study based on the power system assumptions from the IESO for proposed projects and associated connection points;
- The feasibility study should identify an approximation of connection capability at the applicable connection points and a high-level estimate of the transmission system upgrades needed to allow proposed projects to connect (if required). The feasibility study should not be binding on the IESO but should provide important information regarding power system capabilities at proposed connection points;
- The IESO should consider allowing proposals to include minor transmission system upgrades that would allow projects to connect to the power system. The cost of the transmission system upgrades would be borne by the proponent. The definition of 'minor' can be based on an estimated timeline for completion of these transmission system upgrades; and
- The IESO should consider various curtailment exposure (i.e., number of hours of curtailment before compensation is provided for within the LRP II contract) for projects located in different transmission areas across Ontario. By increasing the curtailment exposure in a transmission area, the IESO should be able to offer greater certainty to the

amount of area capacity that is available for LRP II. Proponents would need to consider the amount of risk associated with the level of curtailment exposure before proposing a project in the area.

During the LRP I RFP development, proponents requested changes and clarification to the connection assessment process. The IESO made some adjustments to the existing process but failed to make adequate changes. The IESO advised proponents that resource constraints, timelines and uncertainty related to the newly-merged entity limited its ability to address many issues. For LRP II, enough time has passed since the IESO and OPA merger that the IESO can now be expected to commit the resources needed to assist proponents through a new connection assessment process in LRP II – a process that will ensure the most cost-effective proposals are submitted for the benefit of Ontario ratepayers.

Our proposed alternative connection assessment process does not intend to completely remove risk for proponents related to connection capability. Instead, the objective of the alternative connection process is to ensure proponents have a significantly better understanding of the capabilities of the power system they seek to connect their projects to, and to provide some flexibility in project design through the funding of minor transmission system upgrades to allow more competitive projects to participate in LRP II.

## **GENERAL FEEDBACK - CONSULTATION EFFECTIVENESS**

Stakeholder consultation for LRP I was primarily conducted through webinars. While webinars work well for providing information to a broad set of stakeholders, webinars are a poor communication medium for a competitive process with qualified applicants attempting to discuss complex and technical details. In many instances the IESO webinars for LRP I did not have enough time allocated to cover multiple topics and resulted in many issues not being discussed. Further, stakeholders were not certain that technical experts were involved or that answers provided were well understood by all stakeholders. In addition, the LRP affects many different type of stakeholders (e.g., developers, municipalities, Aboriginals, etc.). By gathering the consultation into one larger session, there is a risk that certain stakeholders are unable to discuss their concerns adequately. During the LRP I development, the IESO used Question and Comment periods to provide clarity to proponents and make adjustments to documentation. Question and comment periods in a competitive procurement are valuable processes to assist in consultation with Proponents but should not be the main process for working through concepts that affect all parties.

The OEA recommends that the IESO hold multiple in-person stakeholder sessions to enhance the LRP II development process. In-person stakeholder sessions allow for detailed discussion on key aspects of the RFQ and RFP documents and provide the ability for IESO experts to address concerns and ensure responses are well understood by all proponents. Taking the time to work through clarifications and processes will reduce risks for stakeholders participating in the LRP II process and decrease the effort required from the IESO to evaluate proposals. The IESO should commit to timelines for stakeholder consultation in order to provide clear guidance on when the IESO will be taking feedback and responding to feedback received.

To ensure that consultation is effective, the IESO should divide stakeholder consultation into multiple sessions to focus on both specific stakeholder-type concerns (e.g., a municipality-only session) and specific LRP II technical issues (e.g., connection assessment, LRP RFQ and LRP RFP documentation, LRP contract, Community Engagement requirements, etc.). The IESO should ensure that proper technical experts are in attendance at each stakeholder consultation session; the IESO should also attempt to ensure that they clearly understand the suggestions being made.

Consultation sessions should have clear objectives for each meeting. For example, initial webinars could focus on providing information to stakeholders on next steps and current IESO considerations. Next the IESO could focus on fielding clarifications or suggestions from stakeholders before moving to follow-up in-person consultation sessions where the IESO would describe how (if required) it would address concerns/suggestions raised by stakeholders. This would build confidence for all stakeholders in the process and provide focus to each stakeholder consultation session.

## **CONTRACT - VOLUNTARY TERMINATION PROVISIONS**

In our March 9, 2015 note to the IESO the OEA raised concerns that the draft LRP I contract allowed for voluntary termination at any point in the life of the contract. The final LRP I contract was subsequently amended to allow for voluntary termination only until a project reaches commercial operation. While the OEA recognizes that this adjustment is an improvement, we still believe that voluntary termination should only be possible before Suppliers have reached Key Development Milestones.

The OEA recommends that voluntary termination be restricted to the pre-Key Development Milestones phase, which worked successfully for FIT projects. Given the importance this clause has for equity and debt partners and the complexity of the issue, the OEA would encourage the IESO to undertake a dedicated consultation/information session on voluntary termination so that all qualified applicants and the IESO share a full understanding of how voluntary termination would work in practice. Specifically, the IESO should consult on pre-construction liability limits in the LRP II contract and determine the adequate timelines and liability amounts as they relate to current renewable generation development and construction activities.

## **RFP – ABUTTING LANDOWNER SUPPORT**

The Rated Criteria for Community Engagement included Abutting Landowner Support with a 75% threshold to score the associated Rated Criteria points. The OEA believes that a single binary criterion for abutting landowner support does not accurately reflect the effort of proponents in gathering local community support. Further, a single hurdle of 75% does not allow majority community support for a project to be rewarded. The OEA therefore recommends that the IESO establish a minimum threshold for abutting landowner support (e.g., 50%) to receive a portion of the total abutting landowner support rated criteria points. To receive more points or maximum points, a sliding scale or steps should be adopted for different thresholds of abutting landowner support. As proponents gather increasing abutting landowner support, that proponent would be awarded higher rated criteria points. This sliding scale approach would reward and incentivize proponents to achieve more community support. It would also avoid the risk that some abutting landowners would seek unreasonable compensation for their support, since the proponent would be able to balance the cost of that support against the number of potential rated criteria points.

## **RFP - MULTIPLE BIDS PER PROJECT SITE**

The IESO should consider increased flexibility in price and capacity pairs for a project site. Limiting Proponents to a single price regardless of capacity at a project site removed the ability of the IESO to optimize the award group and achieve the best value for ratepayers. The OEA recommends that the IESO allow each project site to submit a certain number of multiple bids (e.g. 3 bids per site) and that each bid be allowed to have a different price and capacity pair. Further, the IESO should consider allowing different connection points for each of the bids, with

the assumption that the proponent has completed the adequate community and stakeholder engagement on the connection lines submitted with each different bid.

## **CONTRACT - CURTAILMENT**

The curtailment provisions in the LRP I contract, specifically in Exhibit E, were overly complicated and not consistent with current IESO dispatch data rules. The concept of Non-Compliant Forgone Energy within the framework and settlements of Forgone Energy Payments (see Exhibit E) should be deleted, as the IESO already has a noncompliance framework regarding dispatch instructions (i.e., the IESO Market Assessment and Compliance Division has applicable responsibilities in accordance with the Market Rules and applicable Market Manuals); this existing framework should therefore not be duplicated within the LRP II contract. Finally, as discussed under the Connection Assessment process, the ability to accept a higher or lower amount of curtailment risk could be an option to provide greater ratepayer value and open areas with limited connection capability.

## **RFP - EVALUATED PROPOSAL PRICE**

The LRP I RFP evaluated proposal price calculations were based on dated assumptions by technology types which skewed results and incentives. The OEA believes that the evaluated proposal price calculations were overly complicated and could be refined to align renewable generation capabilities with Ontario's power system needs. The IESO should consider an evaluated proposal price calculation that aligns with overall power system needs, both system-wide and at a regional level. The concept of a firm capacity price or regional price benefit would better align successful proposals and power system needs. The IESO should identify when energy and capacity is most valuable to the Ontario power system and provide clear pricing incentive to deliver energy during those periods. This will allow proponents to optimize their renewable project design to best meet the IESO electricity system needs.

## **RFQ - PHASE-IN PREVIOUS QUALIFIED APPLICANTS**

The IESO should determine a streamlined process to allow Qualified Applicants from LRP I to be approved in the LRP II RFQ. This process would reduce the administration effort for the IESO and for the LRP I Qualified Applicant, allowing both to focus on development of the LRP II RFP and

LRP II contract. The IESO should clearly articulate what submission requirements are needed for LRP I Qualified Applicants to qualify in the LRP II RFQ.

The IESO will want to confirm that an LRP I Qualified Applicant still meets the LRP II RFQ requirements, and the OEA suggests that the IESO could offer three application options to LRP I Qualified Applicants. The first option would be to allow a Qualified Applicant to declare that no changes have occurred to the submission materials from the LRP I RFQ and therefore the Qualified Applicant is still qualified for the LRP II RFQ. The second option would allow Qualified Applicants to submit only information required to update their submission to reflect changes to their organization or to request a new renewable fuel qualification. The final option would be for Qualified Applicants to submit a new LRP II RFQ application, in effect becoming a new Qualified Applicant. The update option could also be used if the LRP II RFQ includes new submission requirements compared to the LRP I RFQ. Qualified Applicants should be offered the opportunity to provide only updated or newly requested information instead of submitting a new LRP II RFQ application.

## **RFQ - CALCULATION OF CONTRACT CAPACITY**

The IESO requested that proponents in the LRP I RFQ demonstrate a certain level of project development experience and financial capability to qualify for a specific amount of capacity (Contract Capacity) to bid into the LRP I RFP. If the materials submitted by a proponent were insufficient to justify the requested amount of Contract Capacity, that proponent's application was rejected by the IESO. The OEA believes that in this situation the IESO should consider assigning a lower Contract Capacity amount to the proponent based on the materials submitted in the LRP II RFQ application instead of rejecting the application outright. Proponents are typically attempting to qualify for the largest amount of Contract Capacity to be as competitive as possible in the LRP II RFP. Proponents should not be punished for pushing for higher Contract Capacity, but rather should be allocated the Contract Capacity that in the IESO's opinion matches their LRP II RFQ submission materials.

## **RFP - DISPATCH AND CURTAILMENT**

The OEA believes that the treatment of dispatch and curtailment could be improved and better aligned with Codes and Market Rules. As part of the Market Renewal Initiative, the IESO is currently considering changes to the two-schedule dispatch system which would impact the

treatment of dispatch and curtailment. The LRP II dispatch and curtailment provisions should align with Market Rules and clearly differentiate which projects would be required to adhere to them (i.e. embedded generation versus transmission-connected projects). The dispatch and curtailment provisions should align with the broader IESO approach to Market Renewal Initiatives.

## **CONTRACT - FUTURE CONTRACT RELATED PRODUCTS**

Attention should be given to the definition of Future Contract Related Products as it relates to the treatment of Environmental Attributes (EA), the new cap and trade regulations and other market changes considered as part of the Market Renewal Initiative. The LRP II contract should be clear with respect to how EAs will be treated and what impact the cap and trade regulation will have on the LRP II contract. In addition, any changes to the market structure in Ontario that are currently being considered by the IESO (e.g. adoption of a capacity market) should be clarified within the contract. The LRP II contract should reflect the latest known variables and approaches to Market Renewal Initiatives that would influence Future Contract Related Products. The impact of new legislation and regulations should be considered when drafting and finalizing the LRP II contract.