

# Feedback Form

## Long-Term 2 (LT2) RFP – February 15, 2024

### Feedback Provided by:

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To promote transparency, feedback submitted will be posted on the Long-Term RFP engagement page unless otherwise requested by the sender. If you wish to provide confidential feedback, please mark "Confidential".

Following the LT2 RFP February 1, 2024, engagement webinar, the Independent Electricity System Operator (IESO) is seeking feedback from stakeholders on specific items discussed during the webinar. The webinar presentation and recording can be accessed from the [engagement web page](#).

**Please submit feedback to [engagement@ieso.ca](mailto:engagement@ieso.ca) by February 15, 2024.**

## Revenue Model

Topic	Feedback
<p>Do you have any additional comments regarding the revenue model, particularly with regards to the following: Deeming energy market revenues based on real-time locational marginal prices (LMP), as opposed to the IESO's recommendation of basing this on the day-ahead LMP. (Slides 19-21)</p> <ul style="list-style-type: none"><li>• The optionality of using either a simple average day-ahead price or weighted average LMP, with the latter including hours where the resource was scheduled day-ahead in a given month. (Slides 22-23)</li><li>• Including monthly production factors that on average equate to the annual production factor, in order to further account for seasonality. (Slides 24-26)</li></ul>	<p>The Ontario Energy Association (OEA) membership is hoping to mitigate the risks associated with the day-ahead (DA) market and real-time (RT) schedules that are particularly pronounced for variable generators, like wind and solar.</p> <p>DA and RT forecasts are largely unreliable until the hours directly leading up to real-time, if at all. Variable generators can offer almost no certainty on their production volume until the following day and yet, these resources will be asked (under the DA market) to provide the same production certainty as other controllable resources. If resources are over-forecast for the DA market, they will need to buy back the shortfall at RT prices, which may be significantly greater.</p> <p>To improve operational certainty in the DA market (while also lowering ratepayer costs) OEA recommends that DA to RT risk be borne-managed by the IESO, not individual project proponents. This can be achieved through the Enhanced PPA deem energy market revenues based on RT, then reverting the impact of DA market settlement prices via the contract (the same approach as for FIT and LRP contract amendments for Market Renewal).</p> <p>Further to this, if IESO's intention is to be neutral to all generation technologies, shape risk is another area of concern by OEA members. Variable generators are unable to control or mitigate shape risk. Given this uncertainty and inability to mitigate, if project proponents are misallocated shape risk, they will need to take a conservative view and price this risk into their RFP bids.</p> <p>To maintain a competitive balance between generating technologies and lower ratepayer costs, OEA recommends that shape risk is not borne by project proponents. Instead, the Enhanced PPA can achieve this by deem energy market revenues based on a monthly weighted average market price, weighted by the hourly capability (actual + curtailed production) of the project.</p>

## DERs

Topic	Feedback
Do you have any comments regarding eligibility requirements for DERs or other general comments?	<p>OEA membership is pleased to see DERs included in LT2 following their absence in the LT1 RFP.</p> <p>OEA believes it would be beneficial to have the DER participation model finalized in the Enabling Resources Program (ERP), prior to the LT2 RFP bid submission. We believe the timeline of doing so is critical to successful DER participation through a financial model (pre and post) 2025 for their long-term effectiveness.</p> <p>OEA recommends that the IESO and its DER stakeholder community work together to develop a clear path for DER participation and to identify and address any uncertainties in the foundational model at the time proponents submit their bid.</p> <p>OEA recommends IESO mitigate or share in some of the regulatory risk involved in DER participation arising from ERP. This includes appropriate modifications to the PPA when or if there are ongoing changes to the DER participation model following LT2 bid submission. It will be essential for the IESO to evolve its provisions, as required, to facilitate the unique characteristics of the DER and aggregator community, as these newer participants evolve and mature in the market.</p> <p>OEA supports a technology agnostic approach and recommends the eligibility criteria for DER participation be as broad as possible for greatest participation.</p>

## Capacity Resources

Topic	Feedback
Do you have any comments regarding considerations for acquiring additional capacity resources, and utilizing a multi-stream approach (energy and capacity streams)?	<p>OEA understands that LT2-RFP is an energy procurement and recommends utilizing a separate contract and evaluation process for procuring capacity and dispatchable loads, perhaps like the LT1 RFP contract structure.</p> <p>We also encourage the publishing of procurement targets and of geographical preferences and restrictions as they relate to this procurement, as soon possible. If the IESO can work geographical preference into their community engagement outreach campaigns, it would be valuable information for communities evaluating potential projects.</p>

## LT2 Deliverability

Topic	Feedback
Do you have any comments on early deliverability data and evaluation stage deliverability?	<p>OEA commends the efforts of the IESO in releasing system data in an efficient and timely manner and supports the IESO's decision to forgo an initial Deliverability Assessment.</p> <p>Once the evaluation phase is reached, information will be critical for proponents to make the most of the system information provided by IESO when making project-siting decisions. OEA recommends that the IESO expeditiously provide initial guidance on the threshold for determining the level of congestion that may disqualify projects from the RFP.</p>

## Repowering

Topic	Feedback
Do you have any comments around repowering participation?	OEA believes eligibility should not be determined based on arbitrary thresholds for installed capacity increases or capital investment. We support defining repowering eligibility based on an existing off-contract facility's ability to meet contract performance obligations.

## Long Lead-Time Resources

Topic	Feedback
Do you have any comments on enabling long-lead time resources?	<p>OEA is pleased to see that long-duration storage is potentially eligible for the long-lead time resource procurement.</p> <p>Long-duration storage projects, as with all storage, are a net consumer of electricity. These resources may be best thought of as a capacity resource, not energy, and thus, a revenue model that compensates for energy may not be a best fit for these resources.</p>

## General Comments/Feedback

### Municipal Approvals and Sector Implications

The expected process evaluates RFPs in part based on having municipal support. OEA understands why this is in place – because government policy requires municipal support, and the IESO wants to minimize time and effort wasted on projects which may not proceed because they may not be able to get municipal approval.

However, without additional consideration to this element of the upcoming process for LT2, there may be problems as the process unfolds.

What can be expected for LT2 is that a wide array of proponents will begin approaching municipalities all at the same time. In this early phase of feasibility assessment, many proponents will not have vast quantities of resources, and time, to dedicate to a community engagement and education campaign, for a yet uncertain project. We can expect many municipalities to be inundated with requests for letters of support, from proponents with varying resources and capabilities for local engagement, beyond the engagement they will already be having directly with landowners and indigenous communities and partners. Many of these projects will involve potential wind resources, which also has some political sensitivity in certain communities. Altogether, there is the potential that some municipalities get overwhelmed with requests and become dissatisfied or react negatively to the process. A problematic process runs the risk of generating a longer-term negative sentiment amongst municipalities that impacts our sector's shared goal of being able to expand our electricity system to meet the province's growing clean energy needs.

OEA recognizes that the IESO put significant resources into municipal engagement prior to the most recent procurements and commends the IESO for that initiative. However, there is universal agreement amongst OEA members that the IESO should be considering and developing a much more comprehensive local engagement and support campaign if a letter of support remains a key element at the RFP evaluation stage.

OEA is pleased to see Indigenous communities acknowledged and enabled in a meaningful way. We support a balanced and fair decision-making process for Indigenous communities with the

timelines and information required to make fully informed decisions for the long-term benefit of their communities.

OEA requests more clarity and details from the IESO, including proposed timelines, for gaining access to Crown Land for pre-development and resources assessment purposes.

OEA requests more clarity and details from the IESO on the municipal resolution as part of LT2 RFP mandatory requirements. We recommend IESO develop a clear and consistent model for involvement that would help to ensure consistency, fairness, and transparency of all projects at the municipal level. We believe community and educational outreach should be consistent across all projects, and this should be taken on as a leadership role performed by the IESO.

Thank you again for the opportunity for OEA to provide feedback regarding the upcoming LT2.