

Feedback Form

Annual Acquisition Report

Public Information Session – April 8, 2022

Feedback Provided by:

Name: Justin W. Rangooni

Title: Executive Director

Organization: Energy Storage Canada

Email: jrangooni@energystoragecanada.org

Date: April 27, 2022

Following the April 8^h public information session on the Annual Acquisition Report (AAR), the Independent Electricity System Operator (IESO) is seeking feedback from participants on a variety of questions and details included in the report and session on April 8 to help further inform the path forward on meeting the needs identified in the AAR.

The referenced presentation can be found on the [AAR webpage](#).

Please provide feedback by **April, 27 2022** to engagement@ieso.ca. Also, please feel free to send any questions or request for clarification on the AAR in advance of the April 20 engagement session. This will ensure the IESO is prepared to help inform stakeholder feedback before the April 27 deadline.

Same Technology Expansions

Topic	Feedback
What procurement/negotiation timelines (i.e., contract execution) and forward period would be required to support a 2025 in-service date?	<p>ESC recommends the IESO move as quickly as possible with the procurement and negotiation processes, recognizing the need for:</p> <ul style="list-style-type: none">• Engagement within communities (i.e., Indigenous communities, municipalities), including enabling potential participation agreements• Acquisition and delivery of equipment and materials recognizing constraints within global supply chain• Potential amendments to environmental permits and approvals (i.e., coordination with Ministry of Environment, Conservation and Parks, and others)• Potential amendments to interconnection agreements (i.e., coordination with distributors and transmitters, as applicable) <p>Consistent with ESC’s previous comments regarding the RFQ, we believe the IESO needs to implement creative solutions to encourage broad-based participation from qualified proponents. We note that per the IESO’s April 20th presentation on the LT1 RFP, proposed changes to the RFQ have been considered by the IESO based on industry feedback. We understand the IESO is accepting feedback on the April 20th webinar by May 1st. ESC will follow-up with additional commentary, however, in general, we urge the IESO to explore paths to shorten pre-qualification timelines.</p>

Topic	Feedback
Is there any other external support (e.g., from the IESO) that would be needed to help proponents meet expedited development timelines?	<p>External support from the IESO may be necessary regarding accelerating interconnection processes and the potential need for impact studies. We urge the IESO to take a leadership role to assemble the required resources as a large volume of projects may be connecting or expanding grid connection within a tight period.</p> <p>The IESO should also ensure that contractual requirements and processes are streamlined to enable completion of projects as soon as possible.</p>
What considerations should be given for community engagement and/or indigenous participation?	ESC believes this is an especially important consideration in establishing procurements and programs. The IESO should consider the timelines to engage meaningfully with communities, including factors that may impact engagement timelines (e.g., upcoming municipal elections).

Forward Capacity Auction

Topic	Feedback
Expanded participation and eligibility for resources	ESC encourages the IESO to continue eligibility of behind-the-meter storage (e.g., as a DR resource) and directly connected energy storage. We are concerned, however, that short commitment periods and short forward periods will not effectively enable development of new resources.
Demand curve parameters	<p>Target Capacity – Continues to be determined based on reliability needs. The IESO need to address coordination with expected outcomes from other procurements.</p> <p>Reference Price – Continues to reflect the cost of new entry. The IESO needs to ensure the reference price is sufficient given supply chain constraints and other factors constricting development timelines. IESO should share more information publicly for review when establishing the reference price,</p>

	<p>including capital costs, operating costs, market revenue assumptions, financing costs, project lifetime. This is critical in a time of change resulting from environmental and economic factors.</p> <p>Max Auction Clearing Price – Continues to reflect a multiple of the Reference Price. The IESO may consider increasing the multiple from 1.25 in the existing Capacity Auction given the magnitude and urgency of need.</p> <p>Minimum Auction Clearing Price – Continue to set at \$0.</p> <p>Min/Max Capacity Limits – Continue with existing formulas.</p>
<p>Interactions with the annual capacity auction including target capacities</p>	<p>Customers participating in annual capacity auctions should be permitted within the new Forward Capacity Auction with three-year commitments (e.g., behind-the-meter storage as DR as a primary example).</p> <p>Ideally, the Forward Capacity Auction in 2023 would occur prior to the Annual Capacity Auction. Resources that participate in the Forward Capacity Auction, but do not clear, should be permitted to participate in the Annual Capacity Auction.</p>
<p>Input into the design of longer commitment periods</p>	<p>ESC recommends consistency with the existing Capacity Auction.</p>
<p>Other business/engagement/participation considerations associated with longer forward periods</p>	<p>If there is an expectation that new capacity will be developed in response to the Forward Capacity Auction, forward periods need to reflect development timelines, including timeframes to permit facilities, procure equipment, etc.</p>

Expedited Procurement

Topic	Feedback
<p>What incentives are sufficient to encourage expedited project development to meet the 2025 needs (e.g., term length, pricing adders, reduced RFP requirements)?</p>	<p>The IESO should first clarify if it expects participation from greenfield projects or projects at existing sites.</p> <p>ESC encourages the IESO to establish a contract term length of at least 15 years to attract investments.</p> <p>ESC expects it would be reasonable for the IESO to establish rated criteria based on the participant's proposed in-service deadline.</p> <p>Price adders may not be required provided that the rated criteria are weighted favourably for desired project attributes.</p> <p>To minimize timelines during the procurement phase, the IESO should streamline submission requirements, potentially relying on attestation forms, past experience, and posted security.</p>
<p>What procurement timelines (i.e., contract execution) and forward period would be required to support a 2025 in-service date?</p>	<p>See comments above re: Forward Capacity Auction.</p>
<p>Is there any other external support (e.g., from the IESO) that would be needed to help proponents meet expedited development timelines?</p>	<p>See comments above re: Forward Capacity Auction.</p>
<p>What considerations should be given for community engagement and/or Indigenous participation?</p>	<p>See comments above re: Forward Capacity Auction.</p>

General Comments/Feedback

Energy Storage Canada and our members recognize that the IESO's 2022 AAR indicates that time is of the essence to develop and build new electricity infrastructure. Given the magnitude and timing of system needs, it is clear that a multi-pronged approach is necessary to attract the required investment. The IESO should consider a re-alignment of its own resources to ensure procurements are successfully implemented and ensure that new resources are enabled to participate, including DERs. We note a substantial amount of IESO resources have been dedicated to the MRP, rather than projects that can directly support the IESO in cost effectively meeting emerging system needs.

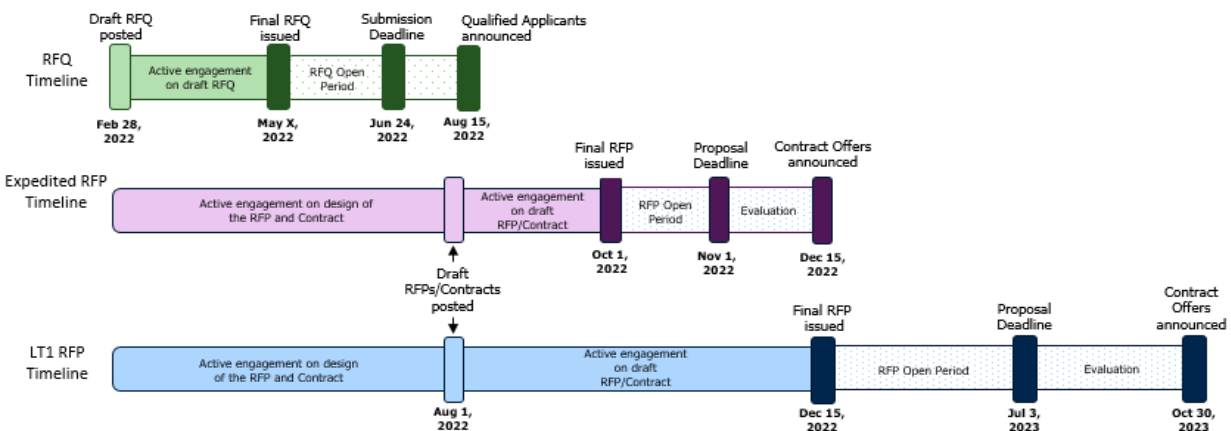
Consistent with our 2020 report, [Unlocking Potential: An Economic Valuation of Storage in Ontario](#), we continue to advocate that IESO move forward with contracting for services from energy storage. Energy storage will be well positioned to be developed quickly, with community support, and low GHG impacts, while still providing the required capacity attributes. Upcoming procurements by the IESO need to reflect the multiple capabilities of energy storage and its ability to scale to meet system needs. We encourage the IESO to view energy storage’s potential role across multiple procurement opportunities, including:

- Directly-connected and stand-alone energy storage
- Behind-the-meter energy storage
- Energy storage integrated or co-located with existing generation assets (Potential to fast-track HIP timelines)

ESC continues to encourage the IESO to improve the transparency of their processes and procurements. For example, the IESO should publish contract prices for bi-lateral contracts that are negotiated rather than competitively procured. There is no benefit to ratepayers in withholding this information and it is useful market information that could support fair competition, driving down prices in the future.

In addition, the IESO needs to reduce the unreasonable barriers for qualification that don't recognize the developer/operator business model that will enable expedited development. The developers and owner of an energy storage asset may not be the operators of the energy storage asset. Further, a developer needs the flexibility to sell down the project to release new development capital.

Expedited and LT RFP Procurement Timelines*



General Feedback (expand this text box as required):

Generally speaking, we encourage the IESO to take every opportunity to tighten procurement process timelines, and allow for more time for development and community engagement. For example, is there a need for an RFQ phase if mandatory criteria can be established in the RFP process? Is there a need to run two separate RFPs, if "expedited projects" can be considered together with projects that require longer timelines for development.