

Feedback Form

Resource Adequacy – December 15

Long-Term RFP and MT RFP Bridging and Cadence

Feedback Provided by:

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To promote transparency, feedback submitted will be posted on the Resource Adequacy webpage unless otherwise requested by the sender.

- Following the December 15, 2021, Resource Adequacy webinar, the Independent Electricity System Operator (IESO) is seeking feedback from stakeholders on the Long-Term RFP and MT RFP Bridging and Cadence
- Background information related to these feedback requests can be found in the presentation and meeting recording, which can be accessed from the [engagement web page](#).
- **Please submit feedback to engagement@ieso.ca by January 7, 2022.** If you wish to provide confidential feedback, please mark the document "Confidential". Otherwise, to promote transparency, feedback that is not marked "Confidential" will be posted on the engagement webpage.

Medium-Term RFP (bridging and cadence)

Topic	Feedback
Bridging Proposals (MT RFP)	ESC recommends that there is transparency with respect to reporting contract terms and “bridging” options executed by existing facilities. This information will be essential for proponents participating in Capacity Auctions and RFPs.
Cadence Proposals for subsequent MT RFPs	<p>ESC recommends that there is transparency with respect to reporting contract term start/end dates for all facilities participating in MT RFPs.</p> <p>In general, the proposed “cadence” of MT RFPs is complex and may be challenging to practically implement. Participation in MT RFPs requires confidence of contract term to ensure alignment of financing, project management/due diligence. Shifting contract terms may require negotiations with lenders and others, and may add unnecessary costs to proposals for little benefit.</p> <p>The IESO’s proposed “cadence” approach appears to indicate a transition to a “enhanced capacity auction” mechanism for procurement (i.e., regular procurements with multi-year terms). ESC seeks to understand the IESO’s long-term intent for the MT RFP, including resource eligibility.</p> <p>The IESO should also explain how the proposed MT RFP “cadence” aligns with the IESO’s proposed timelines for LT RFPs, and whether participants will be able to be afforded options to “switch” between MT RFPs and LT RFPs.</p>

Topic	Feedback
Forward Periods for MT RFPs	<p>It is challenging to comment on the proposed forward period for the MT RFP without more details about resource eligibility. It appears that the proposed approach would provide flexibility to existing facilities, as well as sufficient time for new greenfield projects to be developed. IESO should clarify its intended resource eligibility for the MT RFP.</p> <p>In addition, IESO should clarify if there will be rated criteria for facilities that elect an earlier start date. Does the IESO prefer facilities that are available earlier, and if so, how does this impact rated criteria scoring?</p>
The eligibility for using the flexible start date	<p>IESO should not unduly limit eligibility for flexible start dates. IESO may require evidence that the facility may be ready for service by the proposed start-date. Another approach would be to implement penalties for those facilities that are not in-service at the time of the proposed start date; this would place the burden on the proponent to select an appropriate start date.</p>
Interaction between medium and long-term procurements, as well as the capacity auction	<p>In order to properly assess the interaction between MT RFPs, LT RFPs, and Capacity Auctions, the IESO should also clarify resource eligibility within each procurement stream. We urge the IESO to take a practical approach with respect to the interaction between each procurement stream and minimize complexity or the need to “renegotiate” contract term.</p>
General comments and feedback	<p>Consistent with previous comments by ESC, we believe that the IESO has narrowly defined the eligibility of the first MT RFP with the exclusion of storage resources that could be developed prior to the May 2026 in service deadline, and behind-the-meter storage resources. We seek clarification if the IESO will expand eligibility of the first MT RFP and subsequent MT RFPs.</p>

Long-Term RFP

Topic	Feedback
LT RFP Milestones/Timelines	<p>ESC believes the proposed timeline is likely to be sufficient. We make the following recommendations for potential improvement:</p> <ul style="list-style-type: none">• Accelerate the issuance of the final LT RFQ• Accelerate the announcement of the LT RFP qualified applicants• Accelerate the issuance of the final LT RFP• Clarify the timeline for proposal submission
Interdependencies and associated timelines	<p>The IESO should also consider the Market Renewal Program (MRP) and associated timelines as an interdependency on the LT RFP. The RFP timeline should consider contingencies for any delay for implementing the MRP.</p>
Forward Periods for LT RFPs	<p>Based on the materials provided, it is unclear what the IESO's proposed forward period would be for the LT RFP. Most energy storage projects can be permitted and constructed within a 3-year period, or sooner. Larger scale projects, such as pumped storage, may require additional time to become in service. Forward period should also align with resource eligibility with the RFP. We recommend that the IESO consider flexible approaches for resources to select required in-service timelines, considering IESO needs for capacity and energy.</p>
AAR Development	<p>No further comments; we encourage the IESO to release the 2021 AAR as soon as practicable. Please see ESC's submission on Dec 15th – we look forward to IESO's detailed response to all stakeholder feedback.</p>

Topic	Feedback
LT RFP Eligibility	<p>Decisions with respect to LT RFP eligibility are critical and foundational to other RFQ/RFP design considerations. From ESC’s perspective, we suggest that the following resources should be considered eligible for LT RFP participation:</p> <ul style="list-style-type: none"> • Existing and new energy storage resources of short and long duration (including battery-based resources, pumped storage, thermal, compressed air etc.) • Behind-the-meter energy storage resources • Hybrid facilities (consistent with the Hybrid Integration Project) • Options for both Market Participants and Non-Market Participants <p>IESO has stated that will not introduce new DER market participant models in advance of the LT RFP. While the market participation model may not be established, we are uncertain why this would necessarily limit DER aggregations within the LT RFP. For example, DER aggregations could participate as non-IESO market participants (e.g., embedded retail generators) consistent with past OPA/IESO procurements which afforded contracts to non-IESO market participants. We believe that the IESO has sufficient time to consider creative approaches for enabling broader participation from DERs within the upcoming LT RFP.</p>

Topic	Feedback
Term Length and Commercial Operation Dates	<p>ESC continues to recommend that the IESO allow for longer terms where there is a clear benefit from the ability to reduce contract prices. For example, ESC has advocated that RFP participants have the ability to bid both price and term, and that the IESO’s evaluation can consider options for longer term length where it provides certainty for lower costs to ratepayers.</p> <p>ESC also supports the IESO’s consideration of early commercial operation dates/term starts for projects. Consistent with feedback above, IESO should not unduly restrict eligibility for proponents who are willing to take on the risk of an earlier in-service deadline. Further, IESO should clarify if it prefers the early in-service date, and if this preference would be reflected in rated criteria assessment.</p>
Permitting and Siting Requirements	<p>ESC supports community engagement to ensure projects are meet local needs for development. We suggest that “qualified proponents” should be able to assess their risk associated with development and achieving the commercial operation milestone requirements. We also suggest that the IESO may utilize a mixture of mandatory requirements and rated criteria for project that can demonstrate either commercial readiness or project community support. It will be important for the IESO to reflect on past procurement experience related to community engagement and obtaining community support, and to ensure the new process reflects realities of the COVID-19 pandemic which may require changes to community engagement approaches.</p>

Topic	Feedback
Locational Considerations, Connection and Deliverability	<p>ESC agrees that locational considerations and connection/delivery will be of utmost importance to this RFP. IESO's approach should reflect the MRP design which will implement LMPs, to further provide price signal for resource development.</p> <p>With respect to connection, IESO should also clarify if resources will be permitted to propose connections to any potential new transmission/distribution line, or if connection will be restricted to existing grid infrastructure. (Refer to Table 2 of the Annual Planning Outlook with respect to Anticipated Transmission Projects, for example).</p>
Additional Procurement Design	No additional comments, see above.
Contract Design	<p>ESC urges the IESO to ensure that contract design reflects the need to attract capital to Ontario. Contract provisions should ensure risk is fairly balanced, but recognize that certain issues are beyond the reasonable control of qualified applicants. For example, changes to IESO market rules or changes in law are not within the control of qualified applicants/contract holders.</p>
General comments and feedback	<p>ESC remains enthusiastic for the upcoming LT RFP, and we look forward to additional consultations in 2022.</p>

General Comments/Feedback

ESC is pleased to see the IESO advanced consultation on RFPs that will enable the development of new energy storage, consistent with objectives to move to a decarbonized electricity grid. ESC continues to advocate that new energy storage resources can be developed and constructed prior to 2026 and therefore should be eligible within the first MT RFP. In order to ensure the success of all IESO procurements, ESC recommends the following:

- Ensure transparency with respect to options available and executed by parties with respect to contract bridging options (e.g., sufficient reporting)
- Minimize complexity with respect to proposed cadence and bridging options
- Ensure that forward periods are sufficient for the type of resources expected to participate

- Eligible resources should include existing and new energy storage of short and long duration, behind the meter energy storage resources, hybrid facilities; and should also provide options for both IESO Market Participants and non-Market Participants.
- Provide flexibility with respect to term length, especially for new resources, and do not unduly restrict eligibility of proponents to elect longer-term lengths
- Overall, ensure that the procurement and contract design reflect the need to attract capital to Ontario for project development.

We thank you for this opportunity to provide comments.