

# April update to the IESO's Long-Term 2 Request for Proposals: new changes and future challenges for Ontario's electricity procurement

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On April 23, the Independent Electricity System Operator (IESO) released updated drafts of its [Long-Term 2\(e\) \(LT2\) and LT2\(c\) Request for Proposals \(RFPs\) and Contracts](#) for the window one procurement. The updates were followed by a [stakeholder engagement session](#) held on April 24, where the IESO ran through the changes and discussed outstanding items to be decided relating to gas development and tariff risk. The IESO is soliciting stakeholder feedback on these future challenges by May 9, 2025.

This bulletin outlines the updated timelines for the LT2 procurement, highlights certain key changes to the LT2 documents and outlines outstanding challenges the IESO is currently considering for the LT2 procurement process. Interested parties must consider these developments and prepare accordingly with their proposals, including any questions or comments to the IESO before the feedback deadline. For any questions or comments on the LT2, please contact Torys' Infrastructure and Energy Practice.

## Timelines

The IESO provided updated timelines for the LT2 procurement process as follows.

**Table 1. Updated Timeline for IESO's LT2 Procurement Process**

Milestone	LT2(e)	LT2(c)
Revised LT2 RFP and Contracts published	April 23, 2025	April 23, 2025
Deadline to submit feedback to the IESO on latest drafts and tariff solutions	May 9, 2025	May 9, 2025
Final documents released	TBD (previously February 27, 2025)	TBD (previously February 27, 2025)
Deadline for questions and comments for final documents	TBD (previously April 24, 2025)	TBD (previously June 26, 2025)

IESO's deadline for issuing addenda to the LT2 documents if any	TBD (previously May 8, 2025)	TBD (previously July 10, 2025)
Proponent's registration deadline	August 29, 2025 (previously June 19, 2025)	September 19, 2025 (previously August 21, 2025)
Proposal submission deadline	October 16, 2025 at 3:00 p.m. EPT (previously July 24, 2025)	December 18, 2025 at 3:00 p.m. EPT (previously September 25, 2025)
Target date for notification to select proponents	April 14, 2026 (previously January 20, 2026)	June 16, 2026 (previously March 24, 2026)

Notwithstanding the delay to the target notification date, the IESO indicated in its stakeholder engagement session that the milestone date for commercial operation, the longstop date for commercial operation and the dates for the early commercial operation date (COD) multiplier under the contracts would remain unchanged.

## Key changes

In addition to changes to the LT2 timeline, the IESO made numerous changes to the LT2 documents. While many of the changes were to clarify or establish greater consistency with LT2 documents, we highlight two changes of interest:

### 1. Agriculture Impact Assessment (AIA) Requirements

The AIA is a proponent-led technical study that identifies non-agricultural impacts on agricultural land. The study is designed to inform decisions on how and where certain types of development should proceed, placing emphasis on avoiding impacts and, where this is not possible, minimizing and mitigating agricultural impacts. In the context of the LT2, a proponent must conduct an AIA if their proposed project site is in whole or in part on “Prime Agricultural Areas”. The requirements that the project site for any project may not include any “Specialty Crop Areas” and that the project site for any non-rooftop solar project may not include any lands located in areas designated as “Prime Agricultural Areas” remain unchanged from prior versions of the RFP.

The Pre-AIA Submission Filing Requirement has been renamed the “AIA Component One Requirement”. This requirement is provided prior to proposal submission. The AIA requirement has also been renamed the “AIA Component Two and Three Requirement”. This requirement is to be completed within 18 months post-contract award. The requirements themselves are largely the same as before and are to be completed by the supplier to the satisfaction of the Local Municipality. The Ontario Ministry of Agriculture, Food and Agribusiness has indicated that it plans to publish guidelines on these AIA Component Requirements soon. If the supplier fails to meet those requirements, that failure constitutes an event of default that entitles the IESO to terminate the contract. If the contract is terminated in that circumstance, the completion and performance security will be returned to the supplier.

### 2. Crown Lands and Application of Record (AOR) Held Lands Overlap

The requirements in respect of projects located on Crown Land have been updated. In addition to providing a Crown Land Shapefile, and a Letter from the Ontario Ministry of Natural Resources (OMNR) confirming that the Crown Land Site Report is complete, projects located on Crown Land must also confirm that the project site information contained in the Crown Land Shapefile<sup>1</sup> is consistent with the project site information contained in the Crown Land Site Report submitted by the OMNR.

Additionally, the project site must also not overlap with or use any of the same Crown Lands that are subject to Applicant of Record (AOR) status designated by the OMNR for which the proponent is not the AOR (also known as “AOR Held Lands”). To evaluate this requirement, the IESO (or its consultant) will review the OMNR’s AOR Held Lands mapping tools and materials. If it is found that the proposal is on AOR Held Lands, but an associated Proposal PQ

alternate<sup>2</sup> does not overlap with the same Crown Lands, the proposal will continue with the evaluation only for the alternate proposal. In the event of overlap, the conflicting Crown Land proposal that is ranked highest and is deliverable will be added to the Offer List and all lower-ranking conflicting Crown Land proposals will be rejected.

The OMNR plans to publish access to the data containing current AOR sites through Ontario's GeoHub, providing users the ability to download and access the data. The OMNR will also be providing information on the Crown Land Site Report Form terms and the AOR database in the near future.

AOR status was an administrative practice under policies and procedures that pre-dated the current policy that guides how the OMNR manages the acceptance of applications to use Crown Lands for renewable energy projects, the Renewable Energy on Crown Land policy. The OMNR is providing renewable energy applicants granted AOR status a one-time opportunity to transition their applications to the OMNR's current policy approach to Crown Land access in connection with LT2. During the stakeholder session, the IESO reconfirmed that the OMNR no longer grants AOR status.

## Outstanding issues

During the engagement session, the IESO identified continuing outstanding issues that the IESO hopes to clarify in the next round of LT2 documents. These issues relate to tariff risk mitigation, U.S. proponent eligibility and gas facilities. These issues are summarized below.

### 1. Tariff risk mitigation

The IESO indicated that it is considering introducing mechanisms for proponents to mitigate the risk that future tariffs might present on their proposals. The IESO presented stakeholders with the mechanisms below, which it specified are not necessarily mutually exclusive:

- a. **Two-stage proposal submission:** Proponents could submit their proposal in two stages, where the proposal price will be submitted between 2.5 to 3 months after the initial submissions. This will permit proposal prices to be submitted immediately before the price evaluation and allow the proposal price to be based on the more current trade environment.
- b. **Pre-COD contract price escalation:** The IESO would implement pre-COD contract price escalation (based on CPI or other indices) on the basis that the economic impact of any future trade tariffs will be reflected in certain economic indicators, and that these indicators can serve as a basis to adjust the contract price.
- c. **Contract price re-bid:** Proponents would have the possibility to submit a revised contract price to reflect the impact on the capital cost of a project if a tariff is introduced by the Canadian Government that triggers a material impact. Features of this mechanism would include requirements relating to the timing of the tariff, and an off-ramp to terminate the contract if the IESO does not accept the contract price resubmissions whereby a percentage of the proposal security will be returned. The final decision would be subject to the IESO's sole and absolute discretion.
- d. **Rated criteria:** Although the IESO did not officially propose this measure in its presentation, in response to a stakeholder comment, the IESO indicated that it would be receptive to including rated criteria that would prioritize proposals that assume the risks related to future tariffs.

The IESO requested stakeholder feedback with respect to these potential measures by May 9, 2025.

### 2. Eligibility of U.S. proponents

The IESO explained that it is seeking clarity from the Minister of Energy and Mines in respect of the eligibility of U.S. proponents to participate in Ontario electricity procurements. This comes against the backdrop of the Government of Ontario issuing its [Procurement Restriction Policy](#), which has been in effect since March 4, 2025 (the Policy). The Policy aims to restrict U.S. businesses that have less than 250 full-time employees in Canada from accessing public sector procurements, including those administered by the IESO, for the provision of goods and services in Ontario. On

April 8, 2025, the Minister issued [a letter to the Ontario Energy Board and the IESO](#) requesting they apply the Policy to prohibit U.S. businesses from participating in new procurements for the provisions of goods and services that support the energy sector.

### 3. Gas development issues

The IESO also flagged two issues relating to the development of natural gas generation facilities:

- a. **Gas supply/transmission cost uncertainty.** At the time of an LT2 RFP bid, a natural gas generator will need clarity on supply costs, including costs associated with new gas transmission expansions that may be needed to serve the project. However, at the time of proposal submissions, proponents will not know what gas transmissions costs will be or the cost-allocation approach used to recover costs. The IESO acknowledged this risk and will continue working with stakeholders to assess impacts and solutions.
- b. **Long lead times for turbine procurement.** Long lead times for gas turbines challenge Proponents' ability to achieve their milestone dates for commercial operation (MCODs). The IESO is considering two options to address this challenge:
  - Maintaining liquidated damages but not losing Contract Term when a delay in reaching MCOD is caused by lead times for gas turbines.
  - Extending the term of the LT2(c) Contract by a year, which currently is unavailable for natural gas facilities. The IESO would provide an additional year of term to the contract if the supplier failed to reach COD by their MCOD when the delay was caused by lead times for gas turbines.

The IESO is continuing to solicit feedback on these future challenges from stakeholders, with feedback due by May 9, 2025. The IESO expects to host another engagement session following stakeholder feedback as they develop their plan to address tariff risk. Given these current and potential future changes to the LT2 documents, interested proponents must prepare accordingly and provide any comments or questions to the IESO before the release of the final version of the LT2 RFP later this year.

#### FOOTNOTES

## Dernières nouvelles et publications

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### BWA: All about interjurisdictional immunity

The BWA panel discusses the division of powers between provincial and federal governments.

[Lire la suite](#)

### ICI participants are now able to offset peak demand using corporate PPAs with eligible generators

Amended regulations under the *Electricity Act, 1998* seek to incentivize participants to shift electricity use away from peak periods.

[Lire la suite](#)

## Final Guidelines from Canada's PMPRB: the new era begins

The PMPRB's final Guidelines build on interim guidance adopted in 2023 and will come into effect in January 2026.

[Lire la suite](#)