

Update to the IESO’s Long-Term 2 Request for Proposals draft: timelines and next steps

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The Independent Electricity System Operator (IESO) continues to update and revise its [Long-Term 2 Request for Proposals \(LT2\)](#), which aims to procure new build electricity generation facilities larger than 1MW to meet Ontario’s long-term energy needs, and new build electricity generation and storage resources greater than 1MW to meet long term capacity needs. During a stakeholder engagement presentation on December 12, 2024 pertaining to the LT2, IESO provided updates that prospective proponents should be aware of. These updates include forthcoming substantive changes to procurement materials, as well visibility with respect to procurement milestones and timing. The highlights from the stakeholder engagement session are summarized as follows.

What you need to know

- The IESO released a provisional timeline for the LT2 RFP process, including a proposal submission deadline of July 24, 2025 for energy and September 25, 2025 for capacity.
- The IESO is expected to release further guidance on the week of December 16, 2024.
- Project proponents should thoroughly review the forthcoming procurement materials.

Highlights

Timelines and windows

The IESO released the key milestones for Window 1 (for projects with a commercial operation date (COD) of May 1, 2030). The milestones (while still subject to change) are as follows:

Milestone	LT2(e)	LT2(c)
Final documents release	February 27, 2025	February 27, 2025
Deadline for questions and comments	April 24, 2025	June 26, 2025
IESO’s deadline for issuing addenda	May 8, 2025	July 10, 2025
Registration deadline	June 19, 2025	August 21, 2025

Proposal submission deadline	July 24, 2025	September 25, 2025
Target date for notification to selected proponents	January 20, 2026	March 24, 2026

The IESO also explained its “Windows” approach, stating that each window in both streams is a “separate/standalone procurement”. That said, the number of windows, targets and dates are subject to change. The current procurement windows and targets for the LT2 energy stream are as follows:

Window No.	COD	Energy Target	Capacity Target
Window 1	May 1, 2030	3 Twh	600 MW
Window 2	May 1, 2031	1-3 Twh	400 MW
Window 3	May 1, 2032	2-4 Twh	300 MW
Window 4	May 1, 2033	2-4 Twh	300 MW

Ministerial direction and totality of the procurement

In late November, the IESO received [a directive](#) from the Ministry of Energy and Electrification to launch the LT2 RFP, outlining general policy considerations driving the procurement. Additionally, the totality of the procurement under the LT2 RFP (for all submission windows) will target the acquisition of:

- up to 14 terawatt-hours (TWh) of annual generation from eligible energy-producing resources;
- up to 1,600 megawatt (MW) through the acquisition of eligible capacity resources; and
- for Window 1, the target will be 3 TWh for the energy stream, and 600 MW for the capacity stream.

We note that on [December 11, 2024](#), the provincial government requested that the IESO expand its overall procurement targets from 5,000 MW to 7,500 MW and report back on options to run two additional procurements alongside the LT2 procurement, including:

- options for the procurement of long-lead energy resources, including hydro and long-duration energy storage; and
- options for a program to re-contract existing and acquire new-build small-scale electricity generation, such as smaller solar installations, that connect directly to the province’s distribution system.

Developments and upcoming changes

Proponents can expect the following key developments and changes to the forthcoming revised procurement materials:

1. An update to the requirements for projects located in Unincorporated Territory (i.e., to require a confirmation letter from a planner).
2. Specifications in respect of the Early COD Payment Multiplier (i.e., multipliers between 1.2 to 1.5 to the fixed price component for achieving early Commercial Operation before the COD Bonus End Date).
3. A confirmation of the current placeholder language for the mandatory requirement that the project will be required to inject electricity for eight consecutive hours, for the capacity stream only. This has been expanded from four consecutive hours in the Long-Term 1 procurement.

4. The introduction of the concept of Grid-Based Unavailability, which is a mechanism to protect the supplier from exposure to non-performance charges where they are prevented from complying with delivery requirements because of outages to the transmission or distribution system.
5. Updates to Day-Ahead to Real-Time Adjustment (DARTA) calculation, including the removal of the Intervening Forced Derate Factor from the DARTA calculation to prevent the unintended reduction of Forecast Weighted Average Price (FWAP) due to outages. The IESO also confirmed that it will not allow for suppliers to opt out of DARTA in exchange for a share of excess deemed revenues. This is only for the LT2 energy stream.

Next steps

Further to the previous draft LT2 documents that were issued on November 22, 2024, the IESO is expected to release a next set of documents toward the end of the week of December 16, 2024. The IESO has indicated that these documents will be substantially similar to the final versions because all outstanding policy issues have been resolved. Written feedback on presented materials and forthcoming draft RFP and documents will be due on January 10, 2025. Additionally, the IESO will host an engagement session in late January before releasing final documents in February 2025. Given these developments, interested participants must ensure they are prepared accordingly with their proposals, and provide any comments or questions to the IESO prior to the LT2 RFP's release next year.

To discuss these issues, please contact the author(s).

This publication is a general discussion of certain legal and related developments and should not be relied upon as legal advice. If you require legal advice, we would be pleased to discuss the issues in this publication with you, in the context of your particular circumstances.

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