

# Updates to the IESO's Long Lead-Time and LT2 Window 2 Requests for Proposals: timelines, incentives, and next steps

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On April 1, the Independent Electricity System Operator (IESO) provided further details to its Long Lead-Time (LLT) Request for Proposals (RFP), including updated RFP documents and contracts. The LLT procurement aims to help meet Ontario's growing energy needs by procuring new energy and capacity resources that require a lead time of five or more years. These updates follow stakeholder engagement sessions held in February and March, and outline relevant details to prospective proponents, including revised timelines, new Canadian content requirements and incentives, and other proposal incentives and rated criteria. In parallel, the IESO also provided an update on Window 2 of its Long-Term 2 (LT2) RFP, setting out the draft parameters under which repowered facilities may participate in the Window 2 procurement.

This bulletin outlines the key updates from both procurements that proponents will need to consider as they begin preparing future proposals, including how revised timelines, eligibility rules, pricing mechanics, and incentive structures may affect project viability and bid competitiveness.

## What you need to know

### Long Lead-Time RFP

- **Single window, two streams.** The LLT procurement offers 40-year contracts to successful proponents for projects that require a lead time of over five years. The procurement will be administered through a single window with separate energy and capacity streams.
- **Resource eligibility.** Energy projects must be newly built hydro-electric projects (not including pumped hydro storage) of at least 1MW. Capacity projects must be newly built Class I or Class II Long Duration Energy Storage (LDES) Technologies of at least 10MW (such as compressed air energy storage, pumped hydro storage, liquid air energy storage, and pumped thermal energy storage). Separately metered expansions will qualify as new builds under both streams, consistent with the LT2 process.

- **LLT contract requirements.** The LLT includes many similar provisions to the LT2, including provisions addressing agricultural impact assessment requirements, adjustments for post-proposal applicable tariffs, and Indigenous community participation. New features include regulation-services readiness requirements, applicable to transmission-connected capacity projects with a nameplate capacity greater than or equal to 20 MW. Such facilities must be capable of providing regulation services (including installing such equipment), and provide a minimum regulation capacity of +/- 10 MW with an associated ramp rate of at least 50% of that capacity.
- **Registration and current timeline.** The IESO is awaiting a ministerial directive expected in April to formally launch the LLT RFP. Subject to change, registration is expected to open on September 23 and close on October 6. In light of the delay, the proposal submission deadline has been extended from October 2026 to November 26, 2026.
- **Canadian content disclosure and incentive.** Proponents must submit a Supply Chain Disclosure Plan outlining the portion of the project supply chain costs expected to be sourced from Canadian suppliers, including explanations where Canadian sourcing is not anticipated. In addition, proponents may voluntarily commit to minimum Canadian sourcing thresholds for construction materials and labour to obtain a reduction of up to 3% in their evaluated proposal price.

## Long-Term 2 RFP Window 2

- **Timeline change.** Due to factors such as the overlapping LLT procurement and province-wide municipal elections, the LT2 RFP Window 2's proposal submission deadline is now being targeted for Q2 2027. The Milestone Date for Commercial Operation (MCOD) has been pushed from 2031 to 2032. Final RFP documents and contracts are estimated for Q4 2026.
- **Existing facilities.** The IESO plans to allow repowered facilities to participate in Window 2, noting that there are many existing facilities that are not yet at the end of their useful lives.
- **Build target.** LT2 Window 2's new build TWh target will be set based on the results of Window 1.

## Long Lead-Time procurement

### Ministerial directive and timeline

The IESO had initially anticipated receiving a ministerial directive from the Ministry of Energy and Mines in March to formally launch the LLT RFP and provide corresponding policy guidance. This directive is now expected in April. Additionally, although the IESO indicated in its March engagement session that it will target April 30, 2026 for the release of the final LLT RFP and contract, the draft RFPs no longer reference that proposed deadline.

As a result of this delay, the IESO has extended the proposal submission deadline from October 1, 2026 to November 26, 2026.

Milestone	Date
Final RFP guidelines and contracts posted	TBD
Proposal registration window opens	September 23, 2026
Proposal registration window closes	October 6, 2026
Proposal submission deadline	November 26, 2026
Selected proponent notification deadline	May 25, 2027 (180 days after submission deadline)

Stakeholders have raised concerns regarding the ability to obtain municipal support confirmations in light of Ontario’s province-wide municipal elections scheduled for October 2026. To address this risk, the IESO has released final prescribed forms for municipal support evidence and is encouraging proponents to begin engagement with municipalities as early as possible.

## Supply chain disclosure/“buy Canada” domestic content policy

Ontario continues to advance its policy of prioritizing Ontario and Canadian goods and services in public procurement, as reflected in its recent Buy Ontario Procurement Directive (Buy Ontario Directive)<sup>1</sup>. The Buy Ontario Directive excludes US businesses from procurements unless certain requirements are met. While the Buy Ontario Directive applies to IESO procurements for “goods and services”, its requirements have not been incorporated into the draft RFPs and contracts. We note that the Ontario Procurement Restriction Policy, which had similar requirements, was also not applied to Window 1 of the LT2 procurement.

Relatedly, regulations have yet to be enacted under Ontario’s *Protect Ontario by Unleashing our Economy Act, 2025*, which would restrict the IESO from entering into a procurement contract for electricity supply, capacity, or storage goods and services based on prescribed country-of-origin requirements<sup>2</sup>. It remains to be seen whether any regulations under that Act would restrict US or other businesses from participating in the procurements. Proponents should continue to monitor Ontario’s evolving policy direction in the area.

The IESO has dropped the Canadian Status Proponents incentive used under the LT2 Window 1 procurement and has instead introduced new Canadian content requirements for the LLT RFP. The policy consists of two components: a mandatory disclosure requirement and a voluntary pricing incentive. These components are similar but ultimately less onerous to the Domestic Supply Chain Plan requirements pertaining to capital infrastructure under the Buy Ontario Directive (the capital infrastructure section of the Buy Ontario Directive does not apply to the IESO)<sup>3</sup>.

First, all proponents must submit a Supply Chain Disclosure Plan (SCDP) setting out the proportion of total project supply chain costs expected to be sourced from Canadian suppliers. The SCDP must identify both the anticipated percentage of Canadian sourcing and provide explanations where goods or services are not expected to be sourced from Canadian suppliers. There are no minimum Canadian content thresholds, and the IESO has indicated there is no required standard for what constitutes an acceptable rationale. Only the SCDPs of successful proponents will be shared with the Minister of Energy and Mines.

Second, proponents may voluntarily commit to sourcing a minimum percentage of construction materials and labour from Canadian sources. Proponents making such a commitment may receive a reduction of up to 3% of their evaluated proposal price. Proponents must specify the minimum sourcing percentage commitment in their proposal and submit an attestation at commercial operation confirming that the committed percentage was achieved.

Committed Canadian content percentage	Evaluated proposal price reduction
100%	3%
≥ 90% but less than 100%	2.5%
≥ 80% but less than 90%	2%
≥ 70% but less than 80%	1.5%
≥ 60% but less than 70%	1%
≥ less than 60%	0%

**Goods** are considered supplied by a Canadian supplier if they have been or will be manufactured in Canada. The IESO clarified that goods manufactured in Canada from components made outside of Canada will be considered supplied by a Canadian supplier.

**Services** are considered provided by a Canadian supplier where the main office of the entity/natural person or ultimate controlling entity has headquarters or their main office in Canada; or all of the natural persons physically performing the services are (i) performing the services in Canada; and (ii) ordinarily reside in Canada.

The IESO is considering whether to assess liquidated damages (up to a maximum of \$5M) if a supplier cannot demonstrate that it met the committed percentage. The IESO has stated that, while this domestic content policy is far along, they are interested in stakeholder feedback regarding this liquidated damages approach, postulating whether to instead make it a supplier event of default. The IESO has also indicated these requirements remain subject to the forthcoming ministerial directive.

Proponents should carefully assess the Canadian content requirements when developing their proposals, including whether they are able to make and support a binding sourcing commitment.

## Early commercial operation

Successful projects are expected to begin commercial operation by the eighth anniversary of the contract date. Early commercial operation (ECO) is restricted:

- Before Year 5, no ECO is permitted.
- Between Years 5-7, ECO is permitted only with IESO consent.
- After Year 7, ECO is permitted without the need for IESO consent.

Proponents will not receive any incentives for ECOs, nor will successful proponents receive contract extensions. The 40-year contract begins on the date of commercial operation, without regard to whether it is early.

When considering whether to consent to an ECO, the IESO will consider the potential deliverability impacts and transmission upgrades coming online between 2030-2035. Proponents will need to evaluate the financial feasibility of their projects with the end of the Clean Technology Investment Tax Credit in 2034.

## Rated criteria

Like the LT2 RFP, LLT proponents can receive reductions to the evaluated proposal price in return for their proposal meeting certain key characteristics:

<b>LLT energy stream (up to 10% of evaluated proposal price)</b>	
Indigenous economic participation	Up to 3 pts
Local Indigenous economic participation	Up to 3 pts

<b>LLT capacity stream (up to 15% of evaluated proposal price)</b>	
Indigenous economic participation	Up to 3 pts
Local Indigenous economic participation	Up to 3 pts
Ability to continuously provide contract capacity exceeding eight hours	Up to 3 pts

Unlike the LT2 Window 1 RFP, neither of the LLT streams currently feature rated criteria for avoiding Prime Agricultural Areas (PAAs) or being located in the “Northern Zone” (defined to include specific areas such as Kenora, Thunder Bay, and Nipissing). LLT projects built in PAAs must still meet the same agricultural impact assessment requirements as in the LT2 Window 1 RFP.

## Reserve price

The IESO intends to apply a confidential reserve price as a price ceiling, reflecting its willingness to pay for LLT resources. Proposals with a submitted fixed price exceeding the reserve price will be rejected and not evaluated further. The IESO has confirmed that the reserve price will be applied to the submitted fixed price, rather than the calculated evaluated proposal price.

The reserve price will be determined based on the results of LT2 Window 1 (adjusted for inflation), the cost of new entry expected to apply to the future (given that the LLT contract is for an additional 20 years from LT2 contracts), as well as a valuation of other attributes, including supply diversity, longer lifetime, duration, and domestication. The IESO has encouraged stakeholders to submit additional information for consideration in setting the reserve price.

## Update to LT2 RFP Window 2

At a February stakeholder engagement session, the IESO announced several key updates to the scope, timing, and structure of LT2 Window 2.

### Adjusted procurement timeline

In response to stakeholder concerns regarding the overlap with the LLT procurement and Ontario's province-wide municipal elections, the IESO is shifting the LT2 Window 2 proposal submission deadline to Q2 2027. As a result, the milestone date for commercial operation for projects under Window 2 has been moved from 2031 to 2032. The IESO currently expects to post the final RFP and contracts in Q4 2026.

### Repowered facilities

The IESO also plans to permit existing facilities to participate in Window 2 as “repowered facilities”. The IESO is taking an agnostic position regarding these facilities, noting that many that have been paid for are not at the end of their useful life.

Eligible repowered facilities must be at least 1 MW, capable of registering as market participants, and, as of May 1, 2032, must have completed:

- an IESO or OEFC contract of at least 20 years; and
- one full medium-term contract of at least five years.

Repowered facilities will be eligible for the same 20-year contracts as new builds and must meet the same performance obligations. The IESO has expressed flexibility towards staging LT2 commercial operation dates for repowered facilities with existing contracts expiring at different times.

### Build targets and competition

LT2 Window 2 will have a new build target based on the Integrated Resource Plan, set using the results of LT2 Window 1. Repowered facilities will have a maximum TWh cap, after which no further repowered facility bids will be accepted. The IESO intends to accept LT2 Window 2 bids using a project-agnostic price stack; new builds and repowered facilities will both be placed in the stack from lowest to highest price, until the target is reached.

## Next steps for the IESO procurements

The past months have seen a flurry of LLT activity, and the procurement process is developing quickly. Stakeholders have until April 15, 2026 to submit feedback to the IESO on the March session and revised RFPs and contract materials. The IESO's next engagement session on the LLT is scheduled for April 23. In addition, the IESO expects to release a deliverability testing methodology by mid-April, outlining pre-deliverability and deliverability considerations. Given the condensed timelines and upcoming municipal elections, interested proponents should begin their site surveying and optioning, as well as negotiations with municipalities and Indigenous communities, as soon as possible.

For LT2 Window 2, the IESO will require a new directive from the Minister of Energy and Mines to inform its repowered facilities plan and outline agricultural land and environmental policies. These discussions are ongoing, and stakeholders should expect further clarity on eligibility and permitting requirements once the new directive is released.

## FOOTNOTES

- [1.](#) Ontario, [Buy Ontario Procurement Directive](#), April, 2026.
- [2.](#) *Electricity Act, 1998*, [S.O. 1998, c. 15, Sched. A](#), Sections 25.32(2) and 12.
- [3.](#) Buy Ontario Procurement Directive, 4.4.2 Capital Infrastructure, Scope.

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

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