

Feedback Form

Capacity Auction Enhancements – August 25 & 26, 2022

Feedback Provided by:

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Following the August 25 and 26 sessions on the Capacity Auction Enhancements, the Independent Electricity System Operator (IESO) is seeking feedback from participants on the information presented at those two respective sessions that are outlined in the table below.

The meeting materials from these sessions can be found on the [Capacity Auction Enhancements engagement initiative](#).

Please provide feedback by September 9, 2022 to engagement@ieso.ca.

This feedback will be posted on the Capacity Auction Enhancements engagement webpage unless otherwise requested by the sender.

The IESO will work to consider and incorporate comments as appropriate and post responses on the webpage.

Thank you for your contribution.

Draft Engagement Plan – 2023 Capacity Auction Enhancements

Topic	Feedback
<p>Please provide any feedback on the draft Engagement Plan, specifically with respect to the approach and design topics included in the plan</p>	<p>ESC is generally supportive with the revised approach for stakeholder engagement which includes IESO’s preparation of memos and technical briefings on IESO’s proposed reforms to the Capacity Auction, as well as opportunities for stakeholders to present feedback and advice to the IESO.</p> <p>That said, overall, we believe the magnitude of changes the IESO is proposing is far too aggressive considering both substance of the proposed changes and the timelines to evaluate the implications of the proposed changes. We recommend that the IESO scale back expectations and prioritize efforts in 2022/2023. Given the desire to obtain Technical Panel Approvals by March 2023, perhaps the IESO should prioritize “quick wins”, and provide more time for deeper analysis on more controversial proposals.</p>

Engagement Topic 1.0 - Qualification: Non-HDR Resources

Topic	Feedback
<p>Please provide any feedback on Design Memo 1.0 - Capacity Qualification (Non-HDR)</p>	<p>Previously, ESC has commented with respect to our concerns related to the arbitrary EFORD value applied in the UCAP definition. IESO has not provided its explanation for the reasonableness of 5% availability de-rating factor. We recommend that the IESO establish a plan for revisiting this number, perhaps as more historical information is available.</p> <p>IESO has proposed that HDR resources will no longer be eligible for an out-of-market payment for test activations. ESC disagrees with this recommendation, and further notes that IESO has not provided rationale for why the payment ought to be removed. We note that this amount was agreed to with stakeholders following disagreement over whether DR resources should be eligible for energy payments.</p>

Engagement Topic 2.0 – Performance Assessment: Testing Framework

Topic	Feedback
Please provide any feedback on Design Memo 2.0 – Testing Framework	<p>The ability to self-schedule tests is a welcomed change to the capacity auction.</p> <p>IESO should clarify what energy bids/offers are would ensure a schedule or activation. For example, should HDR and energy storage submit at \$0, or -\$1?</p>

Engagement Topic 3.0 – Performance Assessment: Charges/True-ups

Topic	Feedback
Please provide any feedback on Design Memo 3.0 – Charges & True-ups	ESC makes no comment.

Engagement Topic 4.0 – Hourly Demand Response Standby Trigger Review

Topic	Feedback
Please provide any feedback on the proposed scope of the hourly demand response (HDR) standby trigger review. General feedback is also welcome.	ESC is supportive of the IESO’s proposal to review the standby trigger for HDR resources.

Engagement Topic 5.0 – Qualification: HDR Resources (Standby Charge)

Topic	Feedback
<p>Discussion with stakeholders during the August 26 Technical Session indicated stakeholder support for the use of a charge or penalty that would apply within the relevant obligation period, as a method for HDR resources to “self de-rate” their capacity in lieu of an availability de-rate.</p> <p>Do stakeholders support investigating further options for a charge/penalty that would apply within the obligation period as a next step for discussion on the HDR capacity qualification methodology?</p>	<p>IESO has indicated that the core challenge it is trying to address is lack of access and visibility into the real-time availability of an HDR resource. We recommend that the scope of this review consider alternative to the standby charge that would provide the IESO with the information required to accurately calculate an appropriate availability de-rating factor.</p> <p>The IESO’s proposal is the same as the proposal that was not accepted by the Technical Panel earlier this year.</p>

Topic	Feedback
<p>Stakeholders are invited to submit suggestions on potential options for this availability charge/penalty. IESO will compare stakeholder proposals (including a proposal to double the existing availability charge) with the current proposal of a standby availability charge that involves a multiplier of 5x during peak months of the auction year, limited to 25 standby events per obligation period. This comparison of options will be presented to stakeholders for discussion and comment at the September engagement and technical sessions.</p>	<p>ESC supports a review of methodologies from other jurisdictions. As noted during the stakeholder technical session, ERCOT allows for the submission of monthly data for assessment and access to contributor data through a central repository.</p>

Engagement Topic 6.0 – HDR Performance Thresholds

Topic	Feedback
<p>Do stakeholders support the IESO further pursuing the proposed solution of removing contributors on forced outages from the HDR baseline methodology and presenting the proposal at an upcoming engagement session?</p>	<p>ESC makes no comment.</p>
<p>If the proposed solution addresses stakeholder concerns about contributors on forced outages unfairly impacting measurement within the HDR baseline methodology, are there any further issues stakeholders have with the capacity test performance assessment threshold changes enhancement?</p>	<p>ESC makes no comment.</p>
<p>Do stakeholders have any initial feedback regarding the high-level proposed solution?</p>	<p>ESC makes no comment.</p>

Engagement Topic 7.0 – Demand Curve Review

Topic	Feedback
Do stakeholders support the proposed scope of the demand curve review?	As noted above, ESC asserts that the IESO is taking on too many changes during this period. Given multiple changes are underway (including significant changes to the supply mix in Ontario pending federal regulatory changes), IESO may consider postponing review of the demand curve.
Are there other aspects of the demand curve that should be addressed in the review?	If the IESO is to move forward with the demand curve review at this time, it should consider that the reference technology may be inadequate given the desire to transition to a clean electricity grid, and potential moratorium on new gas-fired generation.

Engagement Topic 8.0 – Forward Capacity Auction (FCA) Design

Topic	Feedback
Based on the clarifications regarding the intent, design, and pros and cons of the FCA commitment length options presented, do stakeholders continue to support a single auction for a multi-year commitment for the FCA, or is there support for 3 sequential auctions each with a one year commitment?	ESC remains skeptical of a proposed FCA. Given that the IESO proposes to continue with MT RFPs for the re-acquisition of existing resources and the LT RFP for the acquisition of new/expanded capacity, we question the need for an FCA. We also question the need for an FCA if the existing Capacity Auction, in the IESO’s own words is meant for “Balancing.”
The IESO is requesting further elaboration from stakeholders on the specific risks, limiting factors or general preferences associated with holding a capacity auction (FCA and/or ACA) earlier in the year during the summer months as opposed to the current end of year timing.	<p>Given ESC’s skepticism with respect to the need for an FCA, we believe it is premature to suggest moving the auction window to the summer period.</p> <p>In the long-term, if the IESO wishes to revise the pre-auction timelines and forward periods, we suggest that there be a longer transition period to enable participants sufficient time to implement new procedures internal and external to their organization.</p>

General Comments/Feedback

While the revised engagement approach that invites stakeholder input is welcomed, we believe that overall, the IESO’s plan is too aggressive and does not allow for careful evaluation of impacts of the

IESO's proposed changes. Given the magnitude of system needs, we want the IESO to be set-up for success as it continues to acquire the needed electricity resources.