Feedback Form

Capacity Auction Enhancements – November 22, 2023

Feedback Provided by:

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To promote transparency, feedback submitted will be posted on the Capacity Auction Enhancements web page unless otherwise requested by the sender.

Following the November 22, 2023, engagement webinar, the Independent Electricity System Operator (IESO) is seeking feedback on performance results and key observations from the summer activations, and the technical session discussion. The webinar presentation and recording can be accessed from the engagement webpage.

Please submit feedback to engagement@ieso.ca by **December 8, 2023**. If you wish to provide confidential feedback, please submit as a separate document, marked "Confidential". Otherwise, to promote transparency, feedback that is not marked "Confidential" will be posted on the engagement webpage.

1) Performance Results and Key Observations from the Summer Activations

Topic	Stakeholder Feedback
Do stakeholders have any questions or comments about the performance results or key observations presented?	The AEMA understands the IESO's rationale for capping HDR performance at 115% when presenting the fleet level performance. However, the AEMA believes that also providing the uncapped fleet level performance is important data to include in order to provide a complete picture of the asset's performance and where the biggest opportunities for improvement exist. Further, during the stakeholder session the IESO said that performance of Capacity Auction resources on the interties was not included because they were not activated during the emergency events as a result of system constraints. With the IESO's stated goal of open and transparent discussion about resource's performance and opportunities for improvement, the AEMA believes it is important for the IESO to provide additional information on the performance of all asset types in order to have a productive discussion about the opportunities for improvements across all assets.

2) Additional Questions from the IESO

D) Capacity Auction testing

Question	Stakeholder Response
How are the costs of responding to dispatch tests worked into your auction offers?	At this time, many AEMA companies reflect the possibility of three dispatches into their offer prices for each season. This means that the shut down cost for each facility must be accounted for each dispatch in the offer price.
Would cost savings on testing directly lead to lower offer prices?	The marginal offer price for HDR resources is likely to fall in the event that dispatch tests are paid at the offer price or dispatch test frequency is reduced.

Question	Stakeholder Response
What other mechanisms could ensure compliance with IESO dispatch instructions?	AEMA and its members began discussing this issue with the Demand Side Vision team on December 6th. This issue is complex and is best addressed in a stakeholder session with members of the DR community.

H) More flexibility to manage commitments

Question	Stakeholder Response
Is there any additional information that the IESO can provide to help facilitate bi-lateral transfers?	
Can participants provide more details on their typical timelines for firming up obligation amounts, whether it be in the forward period or during the obligation period, if it were allowed?	AEMA Members are not comfortable submitting this information through public comment. Some members may be willing to discuss this issue with the IESO in private sessions.

I) Multiple HDR resources per zone

Question	Stakeholder Response
We would like to understand how aggregators would segment their contributors if multiple HDR resources in one zone were enabled. How would aggregators plan to segment their contributors?	Each aggregator may choose to group their contributors in different ways. It is possible to clear them based on resource type as Rodan did through subsidiaries in the 2024 auction. It is also possible to clear large individual contributors or groups of contributors owned by a single corporation into resources to ensure that these companies are subjected to revenues and penalties associated with their specific performance. Because of factors such as the aggregate baseline methodology it makes it extremely difficult to model zonal baselines. With the introduction of multiple aggrigations, aggregators would be able to better model the customers based of customer classes.

Question	Stakeholder Response
How would this improve resource performance and reliability?	If contributors can be grouped by resource type (e.g. C&Is with BTM storage), this can provide insight into the capabilities and performance characteristics of that group. This insight is not available where drastically different resource types are indistinguishable from one another by virtue of being lumped together into a single aggregation. Multiple aggregations is therefore likely to result in improved predictability of performance for both the IESO and aggregators. It also allows aggregators to optimize overall portfolio performance and minimize the risk of various charge types unintentionally negatively impacting high-performing contributors, thereby disincentivizing future participation.
Why are inaccuracies introduced when different types/sizes of resources are combined under one resource?	Two key examples are provided by the AEMA: 1. Customers are not often enrolled for their entire contracted amount. What this means is an outage from a customer site often has a disproportionate effect on the total zonal baseline. If a 50 MW load enrolled for 5 MW participated in a zone with a 200 MW baseline goes on outage (or goes down early for ICI), they can completely destroy the resource's ability to deliver. In this example, if the 50 MW customer has reduced their load to 20 MW as part of an aggregation, the baseline will fall to 170 MW and this customer's performance will be zero. However, if that same customer was participating directly, their baseline would have been floored at 40 MW, and they would be viewed by the IESO to have provided 20 MW of capacity during the activation. 2. If a large weather sensitive site (i.e. a University) is part of an aggregation early in the season. They can cause a resource's IDA to be capped at 1.2 and cause a reduction of the resource's performance despite that resource having delivered its capacity. This happens because the site was consuming 20 MW during the base period, but is now consuming 50 MW during the event. If the resource has a total baseline of 100 MW,

Question	Stakeholder Response
	the adjusted baseline would be capped at 120 MW. However, the site's load begins at 130 MW, so the resource's performance is not properly accounted for.

N) Avoided line losses credit in demand response capacity qualification

Question	Stakeholder Response
What is the rationale for including an avoided line loss factor in capacity qualification if they are only achieved when demand response is activated?	The actual energy and capacity delivered during an activation by a Demand Side Resource is equal to the $\sum[\text{contributor's response x } (1+\text{Loss Factor})]_n$. At this time, the IESO is not accounting for the Loss Factor, which means that both the energy delivered and the capacity delivered by a response is higher than what the IESO is currently procuring and accounting for. In response to this specific question, the IESO has long stated that an HDR Resource's delivered capacity is equal to its energy delivered during Capacity Tests. As a result, AEMA believes that observed energy provided in activations is equal to UCAP delivered. Loss Factor inclusion in HDR Resources should happen indirectly by settling HDR Resources on loss-adjusted utility data. This forces aggregators to understand the loss factors associated with each of their contributors when qualifying capacity with the IESO and will result in loss-adjusted capacity qualifications for demand-side resources.

Other Questions/Comments

Question	Stakeholder Feedback
Do stakeholders have any further questions or comments regarding the potential enhancements presented?	AEMA and its member companies are extremely concerned about the management of virtual limits in the Capacity Auction. The 2024 auction has seen at least 40 MW of HDR capacity left uncleared in the West and at least 15 MW uncleared in the Niagara region. These regions have extremely high physical limits and should not be constrained at these low volumes. This capacity is available to help the IESO meet system needs in 2025 and beyond. We look forward to working with the IESO to find new methods of modelling HDR resources in Virtually constrained zones to unlock this capacity. **Physical Participation Model** The physical participation model continues to create issues for some AEMA participants. In particular, the requirement that collateral is managed through the physical contributor's prudentials account and that Capacity Auction Revenues are released directly to the Physical Invoice. AEMA would like to request that additional optionality be enabled with prudentials and payments to better facilitate physical participation directly with the IESO but managed by the aggregator. **Ratepayer Benefit Clearing Methodology** AEMA member companies are concerned by megawatts that were not cleared in the 2024 auction that were below the clearing price of the auction. This seems to run against auction principles and deprives the IESO of necessary capacity to meet its urgent needs.

General Comments/Feedback

Advanced Energy Management Alliance ("AEMA") is a North American trade association whose members include distributed energy resources, demand response ("DR"), and advanced energy management service and technology providers, as well as some of Ontario's largest consumer resources, who support advanced energy management solutions due to the electricity cost savings those solutions provide to their businesses. The comments herein represent those of the organization, not those of any individual member.