

Feedback Form

Capacity Auction Enhancements – January 26, 2023

Feedback Provided by:

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Following the January 26 Capacity Auction Enhancements engagement session, the Independent Electricity System Operator (IESO) is interested in any feedback from participants on the information presented at the session.

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

Please provide feedback by February 6, 2023 to engagement@ieso.ca.

This feedback will be posted on the Capacity Auction Enhancements engagement webpage **unless otherwise requested by the sender or noted as confidential**.

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

Thank you for your contribution.

General Comments/Feedback:

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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.

Performance threshold for in-period adjustment

As discussed with the IESO at the January 26th stakeholder session and the February 3rd meeting with IESO staff, AEMA members are requesting the inclusion of a 90% performance threshold for the in-period adjustment. This performance threshold currently applies to the performance factor for future periods. In addition, all generator and load resources that offer into the energy market have compliance deadbands applied to their energy schedules. In practice, this means that a 30 MW resource must deliver between 20 MW and 40 MW when called on for 30 MW of energy (Source: IMO_MKRI_0001 Version 7.0). This means that a resource could offer in a 30 MW bid at a time when it is only able to provide 20 MWh of energy, avoiding all availability derates for the season, and all availability penalties for the day. This energy compliance deadband for all resources acts as a de facto deadband for the availability derate of all non-HDR capacity resources. In order to maintain a level playing field between capacity resources, the IESO must include a performance deadband for the HDR In-period Adjustment.

HVAC Resources

The AEMA is concerned with the IESO’s direction in the October 2021 - 2022 Capacity Auction Enhancements -DRAFT, stating that all resources should be qualified on the basis of Ambient Conditions. This will cause the removal of all HVAC resources from HDR portfolios in the province and lead to increased capacity burdens on the system and higher costs to ratepayers. The AEMA would like to confirm with the IESO that it is its intention to remove HVAC resources from the Capacity Auction?

If so, the AEMA believes that this is outside of the current policy direction in Ontario.

The Ontario Ministry of Energy and the IESO announced a program to be rolled out by the IESO on October 4, 2022, where homeowners could be compensated for offering capacity to the Ontario system.

AEMA believes that a weather-sensitive resource class could help bridge the current gap with these two policy directions and allow heavily HVAC dependent resources to qualify a more limited capacity product in the peak cooling and heating months. This would provide the IESO with another tool to

manage peak demand that materializes in these months without compensating these resources for the shoulder periods in which they may not meet the must-offer requirement.

Outage management

The AEMA appreciates the efforts that the IESO has taken to design and implement an outage management system for contributors in HDR resources. We believe that this system can provide an important tool to manage key risks to HDR resource performance caused by contributor equipment and metering outages. However, the IESO's singular circumstance in which this system can be used limits nearly all utility of the system in managing these risks.

When the IESO first brought forward the in-period adjustment as a possible pathway for the availability derate of HDR resources, aggregators said that they would consider supporting this pathway in the event the IESO made additional tools available to manage performance risk. Outage management was identified as one of those tools, and the AEMA would like the IESO to expand the circumstances in which this process could be used as a prerequisite for its support of this broader rule change. At a minimum, the outage management process should be eligible for the following circumstances:

Meter outages spanning the DR event in question. This circumstance currently results in Aggregators being forced to submit VEE sheets that dramatically alter the result of a dispatch. We are forced to assume that a contributor was consuming 0 MW during all periods except for the event in which we are forced to assume that the contributor consumed at its maximum usage during the 3 month period covered by the dispatch. This results in a large amount of negative performance that is unrepresentative of the actual behavior of the contributor. If aggregators were able to declare outages for contributors in this circumstance, it would create a more accurate view of resource performance and limit risks caused by utility meter outages.

Meter outages beginning prior to the event where the meter returns into service following the beginning of the in-day adjustment window or during the event. This circumstance is currently covered by the proposed outage management process.

Contributor key equipment outages. This case was covered in Voltus' comments and should be included in the outage management process to remove the baseline and in-day adjustment impacts of sites that are not curtailing during the event due to reported equipment outages. These contributors have the potential to erroneously impact an HDR Resources baseline by causing the capping or flooring of its IDA. This would lead to the resource delivering performance that is not captured by the current baseline methodology used by the IESO. Moreover, because the contributor is not participating in the event, its performance should be viewed as 0 MW and not a negative number.

Testing framework

As highlighted in several engagements and comments, it is crucial to maintain the deadband for HDR resources for the capacity test, dispatch test, and emergency activations. The examples referenced earlier clearly demonstrate that other resource types are provided mechanisms very similar in concept to the deadband. In addition, the significant in-day adjustments to HDR participants' baselines also add a factor of unpredictability that cannot be accounted for prior to the capacity test. The AEMA has repeatedly raised concerns over the blanket use of the in-day adjustment methodology and has proposed options for resources to opt-out of the mechanism. A solution to this uncertainty is critical as the IESO moves to shrink or remove the deadband. Nevertheless, in order to implement a fair market design, it is necessary to maintain at minimum, the 90% deadband for HDR resources for the In-Period Adjustment and Performance Adjustment Factor assessments.

AEMA also remains supportive of maintaining an out-of-market activation payment for the capacity test. All resource types excluding HDR resources are compensated for their participation in the capacity test through the energy market. In the absence of this ability to receive energy payments, the IESO should implement an out-of-market activation payment similar to the one in place for the current market rules. In order to participate in the capacity test, HDR resources are forced to artificially lower their bids below the market rule threshold of \$100. This clearly signals that a market action is taking place in order to execute the capacity test, so the payment should apply in order to fairly account for all resource types.

Charges and true-ups

AEMA and its members have requested additional insight from the IESO on how the Availability True-up mechanism will be applied for HDR resources that have been subjected to an in-period adjustment. For example, it is unclear whether this true-up can be used to recover payments that have been lost due to the in-period adjustment or if it is limited to the recovery of availability charges that have been incurred below the resulting UCAP number assigned after the in-period adjustment is applied.

Please provide additional clarification for stakeholders to review ahead of finalizing the policy direction for this mechanism.

Standby trigger review

The AEMA is supportive of the decision to adjust the current \$100 standby trigger due to the ineffectiveness it has in the current market conditions. While AEMA agrees that raising the trigger is a good first step, this issue needs to be revisited to develop a more dynamic and sustainable standby trigger.

HDR Qualifications

The current design of the Capacity Auction Enhancements places an unreasonable amount of risk onto the Capacity Test. AEMA has proposed numerous ideas and improvements to the current design that would make these risks more commercially viable to manage, including changes to the outage process, application of deadbands, enrolling multiple resources in one zone, etc. The current design and qualification of HDRs does not achieve the optimal results for the IESO or taxpayers. There will be cost-effective capacity that is not procured due to the flawed design and high-risk structure in a time when the province is in need of these MWs. AEMA is supportive of penalizing underperformance and being efficient in qualifying capacity but have flagged several times during the stakeholding process the flaws of the current design.

Performance Adjustment Factor

AEMA is supportive of the IESO's decision to extend the stakeholding period to discuss the design and application of the PAF. However, it is important that the PAF discussion timelines are clearly communicated and do not impact the other list of priorities that AEMA has proposed to the IESO for 2024.

General

Given the number of changes throughout this engagement, the AEMA recommends that the IESO produce a consolidated document with all the proposed changes in order to support AEMA members ability to evaluate and incorporate those changes.

It would also be helpful if the IESO could provide a practical example that would illustrate the application of all the new rules.