

Stakeholder Feedback and IESO Response

Capacity Auction Enhancements – November 22, 2023

Following the November 22, 2023, Capacity Auction engagement webinar, the Independent Electricity System Operator (IESO) invited stakeholders to provide comments and feedback on the materials presented by December 8, 2023.

The IESO received written feedback submissions from:

- Advanced Energy Management Alliance
- Evolgen by Brookfield Renewable

The presentation materials and stakeholder feedback submissions have been posted on the [Capacity Auction Enhancements](#) engagement webpage for this engagement. Please reference the material for specific feedback as the information below provides excerpts and/or a summary only.

1) Performance Results and Key Observations from the Summer Activations

Stakeholder Feedback	IESO Response
Stakeholders believe that reporting on uncapped fleet level performance for HDR resources and performance of all Capacity Auction asset types is important to providing a complete picture for discussing where opportunities for improvement may exist.	The IESO's concern with presenting uncapped fleet level performance data for HDR resources is that it is not consistent with the expectation that specific resources deliver according to the dispatch instructions they are provided by the IESO. The IESO will, however, consider this suggestion for future engagement sessions if the risk of misinterpretation can be addressed.

2) Additional Questions from the IESO

The IESO thanks participants for providing feedback in this area following the November 2023 CAE session. The IESO will continue to investigate enhancement suggestions and stakeholder feedback before presenting a proposed list of priority enhancements for future Capacity Auctions at the next engagement session. Find supplementary responses to stakeholder feedback below.

I) Multiple HDR resources per zone

Stakeholder Feedback	IESO Response
<p>Why are inaccuracies introduced when different types/sizes of resources are combined under one resource?</p> <p>Two key examples are provided by stakeholders:</p> <ol style="list-style-type: none"> 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, 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. 	<p>Thank you for your providing these examples and feedback. The IESO looks forward to discussing these examples and the topic of the HDR baseline methodology as part of a future Demand-Side Vision (DSV) engagement session. The Capacity Auction team will coordinate with the DSV team to share these comments.</p> <p>The IESO would like to clarify that the baseline activity described in example #1 is not strictly the result of a single, large contributor within an aggregation or independently within their own HDR resource. Rather, it is more a result of the size of the baseline, outage, and the corresponding calculation of the in-day adjustment factor.</p>

Other Questions/Comments

Stakeholder Feedback	IESO Response
<p>Do stakeholders have any further questions or comments regarding the potential enhancements presented?</p> <p>Stakeholders indicate that they are extremely concerned about the management of virtual limits in the Capacity Auction and MWs that have been left un-cleared in the West and Niagara zones.</p> <p>Stakeholders also indicate that the physical participation model is creating issues for participants. In particular, the requirement that collateral is managed through the physical contributor’s prudential account and that Capacity Auction revenues are released directly to the Physical Invoice. Stakeholders request that additional optionality be enabled with payments to better facilitate physical participation that is managed by the aggregator.</p> <p>Stakeholders also expressed their concern with MWs that were not cleared in the 2024 auction that were below the clearing price of the auction.</p>	<p>If HDR participants and aggregators can provide additional contributor information for resources in the Niagara and West zones, the IESO can conduct additional analysis to determine if the virtual zonal limits in these two zones could change. The information that aggregators could provide us with to proceed with this analysis is the closest transmission system bus to where the contributor is electrically connected (the point of connection to the transmission system). If aggregators are able to provide this information, it is recommended that they distinguish between contributors that are already included in a resource in one of those zones and the incremental resources that could be added if the limits were increased. You can submit this information using a modified recent contributor management spreadsheet.</p> <p>At this time, there can only be one set of banking information to receive all IESO payments per participant. Participants have the flexibility to choose an aggregators banking information if they wish. Additionally, capacity payments cannot be separated from other physical market activities for an alternative account.</p> <p>The IESO cannot discuss market sensitive information publicly (i.e., capacity auction offer prices and quantities) but is willing to provide further general clarity to participants on the auction engine and clearing process.</p>
<p>General Comments/Feedback</p> <p>Stakeholders recommend that the IESO align how its Market Manual qualification processes treat internal and external generators, so that internal generator facilities can offer a portion of their non-contracted, merchant capacity in the IESO auctions. Stakeholders indicate that this change would increase auction supply, align the IESO’s qualification</p>	<p>The IESO is interested in discussing this and other opportunities to increase participation and offered capacity into the Capacity Auction and will be in contact for further information.</p>

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rules, and align the IESO's rules with those of neighbouring ISOs.	