

# Stakeholder Feedback and IESO Response

## Capacity Auction Enhancements – September 21, 2022 & September 22, 2022

Following the Capacity Auction Enhancements General Session (September 21, 2022) and Technical Session (September 22, 2022), the Independent Electricity System Operator (IESO) invited stakeholders to provide feedback on the materials presented.

The IESO received feedback from the following stakeholders:

- Advanced Energy Management Alliance
- Ontario Power Generation

This feedback has been posted on the Capacity Auction Enhancements engagement webpage.

### Note on Feedback Summary and IESO Response

The IESO appreciates the feedback received from stakeholders. The table below responds to the feedback received and is organized by each topic. This document is provided for information purposes only. It does not constitute, nor should it be construed to constitute, legal advice or a guarantee, offer, representation or warranty on behalf of the IESO.

#### Engagement Topic 4.0 - HDR Standby Trigger Review

Feedback	IESO Response
Stakeholders suggested the methodology used to update the HDR standby price trigger be documented for repeatability and consistency if it is to be used regularly in the future to address changing local and global conditions.	IESO intends to review the HDR price trigger annually going forward and will take stakeholder feedback into consideration when conducting future annual reviews. The analysis methodology for this review is documented in <a href="#">Design Memo 4.0 - HDR Standby Trigger Review</a> and will remain available on the Capacity Auction Enhancements engagement webpage.

Feedback	IESO Response
<p>Stakeholders suggested the standby trigger be updated to a dynamic trigger, meaning a review would not be required each year.</p>	<p>IESO is willing to explore the methodology for a more dynamic standby trigger as part of the future auction enhancements work plan. IESO plans to begin discussing future enhancement priorities in January 2023.</p>
<p>Stakeholders recommended the IESO provide insight into the forecast of prices and system needs so that there is a better understanding of what the standby trigger should be to ensure HDR resources are available when required.</p>	<p>IESO does not forecast prices. The Annual Planning Outlook (APO) and Annual Acquisition Report (AAR) provide insight into system needs. Standby notices are designed to ensure HDR resources are available to assist the IESO during times of peak system needs alongside other peak-demand resources. The approach used to calculate the updated price trigger preserves this intent. IESO would be willing to explore alternative approaches to triggering an HDR standby notice in coordination with plans to engage on other demand response-related topics that have been identified through discussions with the DR community over the past several months. We expect to provide stakeholders with details of these engagement plans in early 2023.</p>

### Engagement Topic 5.0 - Qualification: HDR Resources (Standby Charge)

Feedback	IESO Response
<p>Stakeholders continue to indicate that the Standby Availability Charge (SAC) proposals put forward by the IESO, including the proposal presented in September 2022, continue to incent the wrong behaviour by HDR participants.</p>	<p>IESO has taken particular note of the point that the SAC may incent undesirable behaviour by participants not updating bids to reflect true capability of their resource. In response, IESO has put forward an alternative preferred proposal to the SAC that would de-rate HDR resources as part of the self-scheduled capacity test. See <a href="#">Discussion Brief 1.2 - HDR Qualification and Standby Availability Charge</a> for further details on the revised preferred proposal.</p>
<p>Stakeholders reiterated that, if applied correctly, the ERCOT Emergency Response Service Availability</p>	<p>IESO acknowledges the ERCOT proposal could better incent HDR resources to update energy bids to reflect availability.</p>

Feedback	IESO Response
<p>Methodology would incentivize availability of load resources and account for outages and load variation throughout the season. Stakeholders believe the IESO’s response that the method does not properly account for the percentage of load that can be reduced can be overcome.</p>	<p>However, IESO continues to have concerns with aspects of the proposal including the degree to which actual availability is highly reliant on the aggregator/resource owner’s submission of firm service level and IESO’s ability to verify firm service level values. A process for validating the firm service level would likely need to be developed, which would have additional time, resource, and tool impacts. Beyond this, the proposal as a whole would introduce significant complexity in terms of implementation, particularly due to the interdependencies between existing Capacity Auction processes (e.g., registration, metering, settlement).</p>
<p>Stakeholders put forward two alternative proposals to the IESO SAC proposal which would more closely align with the methodology used to qualify Dispatchable Loads and hydroelectric generation.</p> <ol style="list-style-type: none"> <li>1) De-rate equal to the minimum percentage of the total capacity obligation offered in the day-ahead or real-time market across the top 200 hours of Ontario demand</li> <li>2) De-rate equal to the baseline available across the top 200 hours of Ontario demand, calculated using historic meter data</li> </ol>	<p>IESO thanks stakeholders for bringing forward these proposals as alternatives to the SAC. Concerns remain about how accurately HDR resource bids reflect availability, particularly in the period preceding the introduction of performance assessment enhancements. The proposals may also not encourage resources to update bids based on actual availability given the impacts on future de-rating. Historical bid data was reviewed and revealed that during the top 200 hours HDR resources predominately bid their obligation. Further, proposal 2) does not separate out curtailable load from non-curtailable load.</p>

## Engagement Topic 6.0 - HDR Performance Thresholds

Feedback	IESO Response
<p>Stakeholders requested clarity regarding whether, in the event of a contributor outage, the resource should reduce bids by the registered capacity or the offered capacity of the contributor.</p>	<p>During the contributor management process, market participants register the MW capacity of each contributor within a resource. This MW capacity is at the contributor level and different from the registered or offered capacity of the resource. IESO’s proposed solution requires that market participants reduce energy market bids by up to the sum of the</p>

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	<p>registered MW capacity of the contributors on forced outage.</p>
<p>Stakeholders indicated general support for the proposed solution to address forced contributor outages. Stakeholders recommended the solution extend to forced outages up to 15 days in length and provided an illustrative example of the impact of longer outages on assessed performance.</p>	<p>Based on IESO internal analysis, when a site declares an outage in the week prior to activation and remains on outage for the activation, there would be minimum to no negative impact for the market participant as the load loss due to outage is automatically considered as load reduction during activation. Using high 15 of 20 methodology, the baseline would not be eroded since contributor’s load is still part of baseline.</p> <p>IESO appreciates the feedback provided in response to the example shown during September session. It would be beneficial for IESO to better understand stakeholder concerns if stakeholders provided specific numerical examples that demonstrate the erosion of baseline and/or muting of the actual load reduction that takes place.</p>
<p>Stakeholders are interested in engaging with the IESO further on methods of communication and documentation required from aggregators to track and submit outages to the IESO.</p>	<p>IESO looks forward to these discussions with stakeholders. A proposal for communication and documentation of outages will be included in the detailed design to be presented in November 2022.</p>
<p>Stakeholders recommended the IESO to use both a capacity baseline and an energy baseline like other system operators in North America. Capacity and energy are different products that must be accounted for separately in order to properly assess HDR performance.</p>	<p>The IESO’s position that a baseline should represent load in the absence of an activation is consistent with other North American system operators, and the North American Energy Standards Board’s baseline definition. The IESO’s current baseline methodology and application of that methodology is aligned with the capacity product being procured through the Capacity Auction.</p>

Feedback	IESO Response
	<p>The IESO will consider including further discussion on this topic through an engagement to address HDR-related topics that have been identified as outside the scope of the Capacity Auction Enhancement engagements. We expect to propose engagement plans in early 2023.</p>

## Engagement Topic 9.0 - Audit

Feedback	IESO Response
<p>Stakeholders requested the IESO review the following Measurement Data Audit Process topics:</p> <ol style="list-style-type: none"> <li>1) A definition outlining the purpose and objective of the Audit;</li> <li>2) What the IESO considers to be evidence given that each utility is unique and there can be variances between how utilities apply losses and other factors;</li> <li>3) Changing the variance from 1%; and</li> <li>4) Applying proportionality to appropriately penalize the customers that did not satisfy the Audit.</li> </ol> <p>Stakeholders noted topic 4) is of critical importance as a number of data errors can occur through no fault of the Aggregator, and many errors do not impact performance of the resource. Stakeholders suggested penalties issued for audit failure should be proportionate to the impact on resource performance.</p>	<p>The IESO proposes to include discussions on these measurement data audit-related topics in future auction enhancements discussions expected to begin in 2023.</p> <p>The IESO will consider including further discussion on this topic through an engagement to address HDR-related topics that have been identified as outside the scope of the Capacity Auction Enhancement engagements. We expect to propose engagement plans in early 2023.</p>

## General Feedback

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<p>Stakeholders requested clarification on how a generator-backed import resource that successfully</p>	<p>If a generator-backed import resource holds an obligation in Ontario's Capacity Auction,</p>

<b>Feedback</b>	<b>IESO Response</b>
<p>clears the Ontario capacity auction should indicate the resource is not available to provide capacity in the jurisdiction it is located in.</p>	<p>the owner of the resource will be required to submit and seek approval from the IESO for any planned or forced outages in accordance with the process described in Market Manuals 12 and 7.3. The resource owner should also reflect their unavailability to provide capacity through their import offers. Reporting outages or unavailability to the resource’s home/source jurisdiction should follow the obligations and requirements of that jurisdiction’s system operator or reliability coordinator.</p>