

Feedback Form

2022 Capacity Auction Enhancements – October 25, 2022

Feedback Provided by:

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Following the October 25 General and Technical 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 November 4, 2022 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.

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

Topic	Feedback
<p>Please provide comments on the benefits, risks, pros and cons, and considerations the IESO should be aware of related to the IESO's preferred proposal and other stakeholder and IESO proposals described in Discussion Brief 1.2 - HDR Qualification and Standby Availability Charge</p>	<p>With regards to the IESO's preferred proposal, the AEMA recognizes some of the benefits of this new proposal versus the IESO's previous proposal including:</p> <ul style="list-style-type: none"> - Better alignment of financial incentives with desired behavior - Closer alignment with other UCAP methodologies - Less sensitivity to the standby trigger <p>The main downside / risk AEMA sees associated with the new proposal is the significant concentration of risk around the Capacity Test. Since this test will now apply a derate both in-period and the next period, the financial impact is very large.</p> <p>To mitigate this risk, the AEMA suggests the following pieces be added to the IESO's current proposal:</p> <ol style="list-style-type: none"> 1) Allow for the Capacity Test to be deferred to a different week under extraordinary circumstances such as transmission outages, forced outages due to equipment failure or pre-planned plant outages. 2) Allow for multiple aggregations within a zone so aggregators can break up their portfolios to mitigate the concentration of risk. <p>In addition, AEMA is seeking clarity on the IESO preferred proposal on the following points:</p> <ol style="list-style-type: none"> 1) Will the current Capacity Charge apply to a Dispatch Test if it occurs? The AEMA understands the Capacity Charge will not apply to the Capacity Test but is unclear if there will be changes to the Dispatch Test.

- 2) How does the IESO plan on handling settlement of the new charge if the data submission from the Capacity Test occurs after the end of the obligation period?

With regards to the IESO's previous preferred proposal, AEMA's concerns with that proposal remain consistent with those provided in previous feedback. In addition, AEMA is seeking more information on what specific changes the IESO is contemplating to the Dispatch Charge under this option.

Finally, the AEMA would like to better understand IESO's issue with the previous proposal to use the existing bids to establish the Availability Derate. IESO has stated that those bids can't be relied upon. AEMA would like to see the data which indicates to the IESO that bids are not accurate enough to be relied upon and would be interested to discuss with the IESO ideas to improve bid accuracy to meet IESO's requirements.

Please provide any other general feedback on [Discussion Brief 1.2 – HDR Qualification and Standby Availability Charge](#)

Engagement Topic 7.0 – Demand Curve Review

Topic	Feedback
<p>Please provide any feedback related to the approach presented for updating the reference price.</p>	<p>The AEMA is supportive of the process of updating the Demand Curve. While reviewing the methodology for setting the Reference Price, the AEMA is seeking clarification on how the UCAP for the reference technology was calculated.</p> <p>From the Brattle presentation, AEMA understands the reference technology was taken as the Net CONE of Gas CT plants in Ontario. The ICAP value used was \$611 which arrived at a UCAP reference price of \$644 using a 5.13% EFORD.</p> <p>In Ontario, ICAP for Gas plants is determined by $ICAP = Nameplate * Seasonal Derate$</p> <p>And</p> $UCAP = ICAP * EFORD$ <p>Therefore,</p> $UCAP = Nameplate * Seasonal Derate * EFORD$ <p>In the Brattle analysis was the \$611 used for the ICAP of a Gas plant inclusive of the Seasonal Derate or was it based on Nameplate? If $ICAP = Nameplate$ in the Brattle analysis then AEMA believes the Seasonal Derate must be added to the calculation to arrive at a true UCAP value.</p>
<p>Please provide feedback on additional considerations the IESO should be aware of when determining the maximum auction clearing price.</p>	<p>AEMA agrees any changes to the demand curve should ensure competition from imports but not at the risk of the growth of Ontario-based resources. AEMA would like additional time to analyze the Brattle report in more detail before providing further comments.</p>

Market Rules

Market Rule Chapter	Sub-section	Design Enhancement (Capacity Qualification/Testing Framework)	Feedback
7 – System Operations and Physical Markets			AEMA will provide comments upon review of the second set of Market Rules Amendments for the 2023 Capacity Auction.
11 - Definitions			AEMA will provide comments upon review of the second set of Market Rules Amendments for the 2023 Capacity Auction.

Market Manuals

Market Manual	Sub-section	Design Enhancement (Capacity Qualification/Testing Framework)	Feedback
12 – Capacity Auctions			AEMA will provide comments upon review of the second set of Market Rules Amendments/Market Manuals for the 2023 Capacity Auction.
5.5 - Physical Markets Settlement Statements			AEMA will provide comments upon review of the second set of Market Rules Amendments/Market Manuals for the 2023 Capacity Auction.
4.3 - Real-time Scheduling of the Physical Markets			AEMA will provide comments upon review of the second set of Market Rules Amendments/Market Manuals for the 2023 Capacity Auction.

General Comments/Feedback:

As it relates to the 3x availability charge the AEMA continues to disagree with the path the IESO is taking on this topic. As noted throughout the initial phase of consultation on this topic (Winter/Spring 2022), the proposals put forward by IESO in September 2022 continue to incent the wrong behaviour of HDR resources.

The IESO has indicated that they will be looking at the Measurement Audit Enhancements as part of the 2024 Capacity Auction enhancements. The AEMA has brought up concerns about the Measurement Audit dating back to the 2022 Capacity Auction enhancements as a high priority for the stakeholder community. The AEMA is concerned as now any discussions and changes around the Measurement Audit will not go into effect until 2024 Auction for delivery in 2026/2026.

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.