

# Feedback Form

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## Capacity Auction Enhancements – February, 22, 2023

### Feedback Provided by:

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Date: March 9, 2023

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

Following the February 22, 2023, engagement webinar, the Independent Electricity System Operator (IESO) is seeking feedback on the updates to the implementation timelines for the Performance Adjustment Factor (PAF) design discussed during the webinar. The webinar presentation and recording can be accessed from the [engagement web page](#).

**Please submit feedback to [engagement@ieso.ca](mailto:engagement@ieso.ca) by March 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.

Topic	Feedback
Does this update address the concern raised that the Performance Adjustment Factor (PAF) would be applied to a significantly different aggregator portfolio in later years?	<p>Reducing the time between the test activation to one year does reduce the risk of discrepancies in the aggregator’s portfolio between the testing period and the period in which the PAF will apply. However, this is only the case for the summer obligation period as there is still a delay in the winter season between the testing period and the PAF application. The challenges raised by AEMA still exist in the winter obligation period, but we believe the proposed design is an improvement.</p> <p>Also, AEMA would like to advocate for one particular change: that the PAF be applied in the following season only to the extent that the resulting UCAP is greater than the validated UCAP in the testing period. For example, if a resource qualified 10 MW of UCAP in Summer 2024 and tested to 8 MW. If that portfolio qualified 8 MW in Summer 2024, a PAF should not be applied. This will allow market participants to accurately size their portfolios based on the most recent capacity test results.</p>

## 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.

During our call with the IESO, AEMA members brought up the need to continue to explore additional applications of the contributor outage process being designed by the IESO. The current process is only to be applied in situations where a facility’s meter is on outage but comes back online between the start of the In-Day Adjustment window and the end of the event. However, AEMA members brought up another circumstance that has the same impact but is not currently eligible for the outage process: when a contributor’s utility meter is on outage beginning at any time during the data submission and lasting through the dispatch. At this time, aggregators are forced to use the VEE process that specifies that the contributor with the meter outage be assigned a zero in all periods in which a dispatch did not occur, and the max load observed within the data submission for the dispatch period (MM Ch. 12, p. 30). As applied, this creates the same negative impact as the situation the Contributor Outage Management Process is currently set to govern and results in a large negative impact to resource performance that is impossible to assess or control ahead of a dispatch.

The true impact of a site that did not participate in a DR event is at worst, zero performance and should be treated as such.

AEMA would also like to thank IESO for its proposal to add a performance dead-band to the In-period adjustment calculation. We believe that this adjusts issues of fairness between resources raised by AEMA in our last comments and appreciate the IESO's willingness to address this issue.

AEMA continues to believe that the PAF will not help the IESO achieve its goal of system reliability and will not help the IESO determine a proper UCAP methodology for HDR resources. There are four key reasons for this.

Customers within an aggregator's portfolio that will be derated in a given season could easily choose to leave for an aggregator with a higher PAF in their zone. This could be alleviated by adopting AEMA's suggestion to apply PAFs at the contributor level. This would require some changes to the data submission processes and may take some time to implement but will create a more robust HDR program long-term.

Second, if one contributor has an outage that is not recognised by the IESO, during the capacity test, despite performing in other events throughout the capacity period, the entire portfolio would face a significant derate for years. We believe that this issue could be rectified by allowing Resources to use the higher of their performance in real events and the Capacity Test when setting the PAF and the In-Period Adjustment. This issue could also be addressed through continued improvement of the outage management process improvement.

Third, to drive the right behavior for aggregators in the Capacity Auction, we recommend that the IESO use a test where, when UCAP is less than the last capacity test for the qualifying resource that the lower of the test result and the ICAP of the resource be used as its UCAP. This will ensure that portfolios that right-size based on previous year's performance are qualified properly and that the incentive to over-qualify is removed.

Finally, AEMA continues to advocate for a distinction between capacity and energy delivered. All other markets in North America distinguish between these two concepts and we believe it is important for the IESO to do the same. By equating energy delivered and capacity delivered, the IESO is undercounting the capacity provided by its HDR portfolio and increasing performance risk for aggregators in the province.