

Stakeholder Feedback and IESO Response

Capacity Auction Enhancements – February 22, 2023

Following the February 22, 2023 Capacity Auction Enhancements engagement session, the Independent Electricity System Operator (IESO) invited stakeholders to provide feedback on the updates to the implementation timelines for the Performance Adjustment Factor (PAF) design discussed during the webinar.

The IESO received feedback from the following stakeholders:

- Advanced Energy Management Alliance

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.

Performance Adjustment Factor

Feedback	IESO Response
<p>Stakeholders indicated that 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, and that the proposed design is an improvement.</p> <p>Stakeholders indicated that for the winter obligation period, challenges still exist due to the delay between the testing period and the PAF application.</p>	<p>Thank you for the feedback related to PAF design improvements.</p> <p>Due to the overlap between the winter obligation period and the qualification process, it is not possible to revise timelines for the winter period. For more information about timelines, please refer to the February 22, 2023 engagement webinar.</p>
<p>Stakeholders suggested 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.</p> <p>When UCAP is less than the last capacity test for the qualifying resource, stakeholders suggest the lower of the test result and the ICAP of the resource be used as its UCAP.</p> <p>Stakeholders believe 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.</p>	<p>The IESO is considering this feedback from stakeholders and will be reviewing the design of the PAF based on the suggestions.</p> <p>The final PAF design will be reflected in the following design documents, which will be posted to the engagement webpage in advance of the April engagement session:</p> <ul style="list-style-type: none"> - Design Memo 10.1 - Performance Adjustment Factor - Illustrative examples for the PAF
<p>Stakeholders requested that PAFs be applied at the contributor-level, because contributors could choose to leave for an aggregator with a higher PAF in their zone.</p>	<p>Contributors leaving a portfolio is a contributor management issue to be managed by the aggregator. A resource’s PAF will not be made public, since the IESO only publishes obligation amounts, therefore contributors will not have access to this information.</p>

Engagement Topic 6.0 - HDR Performance Thresholds

Feedback	IESO Response
<p>HDR capacity is being undercounted by equating energy delivered and capacity delivered. This increases performance risk for aggregators.</p> <p>Stakeholders suggest it would be more appropriate to distinguish between capacity and energy delivered, as all other markets in North America do.</p>	<p>The IESO defines the Capacity Auction capacity product as an energy market must-offer/bid requirement, obligating resources to make energy/curtailment available for real-time balancing during specified hours. The IESO’s current baseline methodology and application of that methodology is aligned with this definition.</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>

In-Period Adjustment

Feedback	IESO Response
<p>Stakeholders are supportive of the IESO proposal to add a performance dead-band to the In-period adjustment calculation; they believe that this adjusts issues of fairness between resources as previously raised by stakeholders.</p>	<p>The IESO appreciates stakeholders’ support for this design modification.</p>

Outage Management

Feedback	IESO Response
<p>Stakeholders are concerned that the entire portfolio would face a significant derate for years if one contributor has an outage during the capacity test that is not recognised by the IESO.</p> <p>Stakeholders believe that this issue could be rectified by allowing Resources to use</p>	<p>The final design for the revised testing framework includes multiple features that can assist all resources, including HDR resources, in conducting a successful capacity test, such as the following:</p> <ul style="list-style-type: none"> • Notice of testing will be issued in first two months of obligation period, where possible;

Feedback	IESO Response
<p>the higher of their performance in real events and the Capacity Test when setting the PAF and the In-Period Adjustment.</p>	<ul style="list-style-type: none"> • 10 business-day advance notice leading up to the capacity testing week, • 5 business-day testing period to conduct the capacity test. • Clarity provided regarding the “Allowable Exception” scenarios that would warrant a re-scheduled testing week <p>In addition, the IESO has engaged with stakeholders to develop a new solution to address the potential negative effects of a contributor outage on HDR baselines, that can be used for certain circumstances. The IESO is confident that the added flexibility and optionality these design enhancements provide can be effectively used to conduct a successful capacity test.</p>
<p>Stakeholders believe that there should be additional applications of the contributor outage process being designed by the IESO.</p>	<p>As noted in IESO’s responses to stakeholder feedback from the January engagement session, all resources are required to manage the risk of key equipment outages. Stakeholders have correctly noted that meter outages beginning prior to the event where the meter returns into service following the beginning of the IDAF window or during the event are eligible to be addressed using the solution.</p> <p>The IESO is open to discussing ways to address concerns related to meter outages extending through an activation and the implications of the current Validation, Estimation and Editing (VEE) criteria as part of future auction enhancements.</p> <p>In some cases, a contributor meter outage may qualify as an outage caused by a third-party market participant that may warrant a re-scheduled capacity testing week, as outlined under “Allowable Exceptions” in Design Memo 2.1 – Testing Framework.</p>