

Feedback Form

Capacity Auction Enhancements – September 20, 2023

Feedback Provided by:

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Date: Oct 4, 2023

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

Following the September 20, 2023, engagement webinar, the Independent Electricity System Operator (IESO) is seeking feedback on a draft objective statement, lessons learned from the previous Capacity Auction Enhancements engagement, and recent stakeholder enhancement suggestions. The webinar presentation and recording can be accessed from the [engagement webpage](#).

Please submit feedback to engagement@ieso.ca by October 4, 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.

1) Draft Enhancements Objective Statement

Question	Stakeholder Feedback
Does the statement reflect the value that the Capacity Auction contributes to the Resource Adequacy Framework and IESO-Administered Markets?	Evolugen by Brookfield Renewable generally supports the objective statement.
Will the objective make clear what future enhancements should be prioritized and how they can contribute to the Capacity Auction's success?	We would also suggest that including "valuing stakeholder and participant input" as an objective would contribute to the Capacity Auction's success.

2) 2023 Lessons Learned

Question	Stakeholder Feedback
Do stakeholders have any other lessons learned from the 2023 Enhancements process? If so please list them and elaborate.	

3) Recent Stakeholder Enhancement Suggestions

A) Review of audit parameters/process

Question	Stakeholder Feedback
How would this enhancement improve CA participant and ratepayer outcomes?	We recommend that auditing parameters and process should be flexible to accommodate operational realities. For example, outage management, for both internal and external resources, can be challenging to coordinate between the ISOs, the transmission owner/planner, and facility staff. Outages also sometimes need to take place unexpectedly or are forced. As such, the IESO's auditing and testing processes should allow for rescheduling whenever possible.

Question	Stakeholder Feedback
<p>Would the benefits of this enhancement be quantifiable (e.g., improved resource performance, reliability, ratepayer value, etc.)? If so, please elaborate.</p>	<p>An inflexible auditing and testing process would unfairly penalize operators that need to manage competing obligations, whose facilities can otherwise successfully demonstrate their performance to the IESO. This would discourage and lower participation and reduce auction supply, and potentially over-commit resources that could otherwise perform adequately.</p>
<p>Please indicate and elaborate on which of the following categories best describes how this change would enhance the Capacity Auction: <i>competition, reliability, transparency, accessibility, administrative efficiency, resource performance, resource diversity, accuracy, general/other.</i></p>	<p>Competition, Resource Performance, Administrative Efficiency.</p>

B) Review of reference technology that is the basis of the Reference Price

Question	Stakeholder Feedback
<p>How would this enhancement improve CA participant and ratepayer outcomes?</p>	
<p>Would the benefits of this enhancement be quantifiable (e.g., improved resource performance, reliability, ratepayer value, etc.)? If so, please elaborate.</p>	
<p>Please indicate and elaborate on which of the following categories best describes how this change would enhance the Capacity Auction: <i>competition, reliability, transparency, accessibility, administrative efficiency, resource performance, resource diversity, accuracy, general/other.</i></p>	

C) Understanding how import and virtual zonal limits are determined

Question	Stakeholder Feedback
How would this enhancement improve CA participant and ratepayer outcomes?	
Would the benefits of this enhancement be quantifiable (e.g., improved resource performance, reliability, ratepayer value, etc.)? If so, please elaborate.	
Please indicate and elaborate on which of the following categories best describes how this change would enhance the Capacity Auction: <i>competition, reliability, transparency, accessibility, administrative efficiency, resource performance, resource diversity, accuracy, general/other.</i>	

D) Consider reducing dispatch test to one per obligation period

Question	Stakeholder Feedback
How would this enhancement improve CA participant and ratepayer outcomes?	We support lowering dispatch test numbers and allowing for flexible rescheduling of tests.
Would the benefits of this enhancement be quantifiable (e.g., improved resource performance, reliability, ratepayer value, etc.)? If so, please elaborate.	Lowering the testing burden on participants would lower the barrier to entry to the capacity auctions.
Please indicate and elaborate on which of the following categories best describes how this change would enhance the Capacity Auction: <i>competition, reliability, transparency, accessibility, administrative efficiency, resource performance, resource diversity, accuracy, general/other.</i>	Competition, Administrative Efficiency.

E) Evaluate the benefits of enabling monthly buyouts

Question	Stakeholder Feedback
<p>How would this enhancement improve CA participant and ratepayer outcomes?</p>	<p>This initiative would encourage participants to offer more MWs in the auctions, as parts of the obligation can be subsequently transferred in a responsible manner to another party. At the same time, allowing regular buyouts would give participants the opportunity, when possible, to take on shorter obligations that do not necessarily match the two seasonal obligation time periods. These buyout decisions, whether to shed or take on obligations, would increase market liquidity, and more importantly reflect the participants’ operational and business realities (e.g., outages) via market signals without compromising reliability. The IESO would thus reduce the need for administrative measures—for example to manually replace capacity obligations that cannot be delivered and/or administer penalties.</p> <p>Fundamentally, monthly buy-outs via market mechanisms and bilateral transfers allow participants to manage risks related to unplanned outages or other unpredictable factors that might limit their ability to perform.</p> <p>We recommend the IESO to implement both monthly market rebalancing mechanisms and enable bilateral transfers.</p>
<p>Would the benefits of this enhancement be quantifiable (e.g., improved resource performance, reliability, ratepayer value, etc.)? If so, please elaborate.</p>	<p>An analysis based on past auction performances, and for example, outages and non-delivery that could have been resolved between market participants via buyouts would be a good place to start. Another benefit of this mechanism would be to further leverage market forces to allow participants the agency to manage their obligations (both buying and shedding) in accordance with their internal information.</p>

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Please indicate and elaborate on which of the following categories best describes how this change would enhance the Capacity Auction: <i>competition, reliability, transparency, accessibility, administrative efficiency, resource performance, resource diversity, accuracy, general/other.</i>	Competition, Accessibility, and Administrative Efficiency.

F) Review of 4-hour duration requirement for energy storage

Question	Stakeholder Feedback
How would this enhancement improve CA participant and ratepayer outcomes?	<p>We do not support adding a minimum duration requirement for energy storage.</p> <p>The current capacity qualification mechanism for storage already incentivizes maximizing the energy and power ratings of participating storage facilities. A minimum duration requirement would only impose an administrative burden without improving competition, accessibility, and resource performance.</p>
Would the benefits of this enhancement be quantifiable (e.g., improved resource performance, reliability, ratepayer value, etc.)? If so, please elaborate.	Including a minimum duration requirement would quantitatively reduce the number of offers from storage facilities.
Please indicate and elaborate on which of the following categories best describes how this change would enhance the Capacity Auction: <i>competition, reliability, transparency, accessibility, administrative efficiency, resource performance, resource diversity, accuracy, general/other.</i>	Competition, Accessibility, Administrative Efficiency, Resource Performance.

G) Benefits of enabling a weather-sensitive resource class and/or moving to four seasonal obligation periods to more accurately value HVAC load contributions

Question	Stakeholder Feedback
How would this enhancement improve CA participant and ratepayer outcomes?	<p>We support allowing wind, solar, and other intermittent technology types to participate in the capacity auction, provided that their capacity qualification mechanisms would be adequately stakeholdered and determined.</p> <p>We oppose the implementation of four seasonal obligation periods. The capacity auction is meant to be technology neutral and to enable Resource Diversity. The current obligation periods already enable all technology to participate, and in a manner that matches the IESO's own reliability outlook periods.</p>
Would the benefits of this enhancement be quantifiable (e.g., improved resource performance, reliability, ratepayer value, etc.)? If so, please elaborate.	Intermittent technology types would directly increase auction participation supply.
Please indicate and elaborate on which of the following categories best describes how this change would enhance the Capacity Auction: <i>competition, reliability, transparency, accessibility, administrative efficiency, resource performance, resource diversity, accuracy, general/other.</i>	Competition, Accessibility, and Resource Diversity.

H) Provide more flexibility options for participants to manage/adjust commitments

Question	Stakeholder Feedback
How would this enhancement improve CA participant and ratepayer outcomes?	Please see our comments to E). Again, we support monthly buy-out market mechanisms and enabling bilateral transfers.
Would the benefits of this enhancement be quantifiable (e.g., improved resource performance, reliability, ratepayer value, etc.)? If so, please elaborate.	

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<p>Please indicate and elaborate on which of the following categories best describes how this change would enhance the Capacity Auction: <i>competition, reliability, transparency, accessibility, administrative efficiency, resource performance, resource diversity, accuracy, general/other.</i></p>	

I) Enable HDR participants to register more than one resource per zone

Question	Stakeholder Feedback
<p>How would this enhancement improve CA participant and ratepayer outcomes?</p>	
<p>Would the benefits of this enhancement be quantifiable (e.g., improved resource performance, reliability, ratepayer value, etc.)? If so, please elaborate.</p>	
<p>Please indicate and elaborate on which of the following categories best describes how this change would enhance the Capacity Auction: <i>competition, reliability, transparency, accessibility, administrative efficiency, resource performance, resource diversity, accuracy, general/other.</i></p>	

J) Additional review of in-day adjustment factor in baseline methodology

Question	Stakeholder Feedback
<p>How would this enhancement improve CA participant and ratepayer outcomes?</p>	
<p>Would the benefits of this enhancement be quantifiable (e.g., improved resource performance, reliability, ratepayer value, etc.)? If so, please elaborate.</p>	

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K) Reduce minimum resource requirement to less than 1 MW

Question	Stakeholder Feedback
How would this enhancement improve CA participant and ratepayer outcomes?	We oppose this enhancement as it would be administratively burdensome, and aggregation mechanisms already allow participation for <1MW resources.
Would the benefits of this enhancement be quantifiable (e.g., improved resource performance, reliability, ratepayer value, etc.)? If so, please elaborate.	
Please indicate and elaborate on which of the following categories best describes how this change would enhance the Capacity Auction: <i>competition, reliability, transparency, accessibility, administrative efficiency, resource performance, resource diversity, accuracy, general/other.</i>	Administrative Efficiency.

L) Introduce performance-based incentives

Question	Stakeholder Feedback
How would this enhancement improve CA participant and ratepayer outcomes?	We welcome and support further stakeholdering that could provide participants with more incentive, agency, and flexibility to follow market signals more closely.

Question	Stakeholder Feedback
<p>Would the benefits of this enhancement be quantifiable (e.g., improved resource performance, reliability, ratepayer value, etc.)? If so, please elaborate.</p>	<p>Competition and reliability could be enhanced significantly if dispatchable assets are incentivized to increase their performance and/or obligation by following market signals.</p>
<p>Please indicate and elaborate on which of the following categories best describes how this change would enhance the Capacity Auction: <i>competition, reliability, transparency, accessibility, administrative efficiency, resource performance, resource diversity, accuracy, general/other.</i></p>	<p>Competition, Reliability, Resource Performance.</p>

M) Utilize resource-specific data to determine EFORd for storage resources

Question	Stakeholder Feedback
<p>How would this enhancement improve CA participant and ratepayer outcomes?</p>	<p>We generally support this proposal.</p>
<p>Would the benefits of this enhancement be quantifiable (e.g., improved resource performance, reliability, ratepayer value, etc.)? If so, please elaborate.</p>	
<p>Please indicate and elaborate on which of the following categories best describes how this change would enhance the Capacity Auction: <i>competition, reliability, transparency, accessibility, administrative efficiency, resource performance, resource diversity, accuracy, general/other.</i></p>	<p>Accuracy.</p>

N) Include loss factors in UCAP methodology for demand response resources

Question	Stakeholder Feedback
<p>How would this enhancement improve CA participant and ratepayer outcomes?</p>	

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<p>Would the benefits of this enhancement be quantifiable (e.g., improved resource performance, reliability, ratepayer value, etc.)? If so, please elaborate.</p>	
<p>Please indicate and elaborate on which of the following categories best describes how this change would enhance the Capacity Auction: <i>competition, reliability, transparency, accessibility, administrative efficiency, resource performance, resource diversity, accuracy, general/other.</i></p>	

O) Various suggestions that increase scope of contributor management process

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<p>Please indicate and elaborate on which of the following categories best describes how this change would enhance the Capacity Auction: <i>competition, reliability, transparency, accessibility, administrative efficiency, resource performance, resource diversity, accuracy, general/other.</i></p>	

P) Review of HDR standby trigger process

Question	Stakeholder Feedback
<p>How would this enhancement improve CA participant and ratepayer outcomes?</p>	

Question	Stakeholder Feedback
<p>Would the benefits of this enhancement be quantifiable (e.g., improved resource performance, reliability, ratepayer value, etc.)? If so, please elaborate.</p>	
<p>Please indicate and elaborate on which of the following categories best describes how this change would enhance the Capacity Auction: <i>competition, reliability, transparency, accessibility, administrative efficiency, resource performance, resource diversity, accuracy, general/other.</i></p>	

General Comments/Feedback

With regards to the IESO Potential Enhancement: Updates to some requirements for generator-backed imports

We recommend that the IESO standardize how internal generators and external generators can qualify their capacity. The IESO’s Manual 12 outlines the attestation conditions for external and internal generators in Appendix D and G. We note that internal generators (Appendix D) can only qualify as a non-committed resource (defined per Market Rule 11 as a “*registered facility* that is neither - in whole or in part – rate-regulated, contracted to the *IESO*, contracted to the *OEFC*, or obligated as a resource backed capacity export to another jurisdiction during the entire duration of a given *obligation period*”), whereas external generators do not need to satisfy this condition.

As a result, this non-committed resource requirement prevents internal facility owners from participating in market auctions unless they can offer the full capacity volume of their facility, hence reducing capacity offers and competition. In contrast, external generators have more flexibility in how much they could commit their facility, and can freely offer a portion of their merchant capacity to the IESO’s capacity market, thereby increasing competition in Ontario.

This flexible approach, where a given facility can freely offer in whole or in part their merchant capacity, is the industry norm in most capacity markets, including NYISO, PJM, and ISO-NE.

We recommend that the IESO standardize Attestations D and G by adopting the more flexible approach currently already in place for external generators, and in doing so adopt the industry standard in the capacity qualification process. More precisely, we urge the IESO to remove the requirement for internal facilities to be non-committed “in whole or in part”. This change would allow

upgrades from existing facilities ("partly non-committed") to provide incremental capacity in the IESO auctions.

Finally, we also support adding greater flexibility for managing PTIDs per offer and allowing more offer configurations for import resources. In general, we support harmonizing outage management designs and other market rules and mechanisms with external ISO to reduce regulatory overlap and burden.