Capacity Auction – July 25, 2024

Feedback Provided by:

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To promote transparency, feedback submitted will be posted on the Capacity Auction Enhancements engagement page unless otherwise requested by the sender. If you wish to provide confidential feedback, please mark "Confidential".

Following the Capacity Auction Enhancements Webinar on July 25, 2024, the Independent Electricity System Operator (IESO) is seeking feedback and comments from stakeholders on the items discussed. The webinar presentation and recording can be accessed from the engagement web page.

Please submit feedback to engagement@ieso.ca by August 8, 2024.

Winter Testing Results

Торіс

Stakeholder Feedback

Do you have any comments regarding the winter 2023-2024 testing results?	The Winter 2023-2024 testing results revealed significant results when comparing obligation amounts, real-time bid quantities, activated bid quantities and delivered bid quantities. The new testing framework aims to address these issues, and it is expected to provide more reliable results in the future. To ensure performance is properly evaluated, the IESO should strongly consider allowing the option for aggregators and CMP to declare a contributor outage during a testing week, if the contributor meets the market rules or make adjustments to better capture and notify the IESO of outages during the testing week. We look forward to seeing the results of the Summer 2024
	forward to seeing the results of the Summer 2024 capacity test.

2024 Enhancement Updates

Торіс	Response
Do you have any feedback regarding the enhancement updates for 2024?	While we appreciate the IESO for the revisions made to the virtual limits for the 2025/2026 Capacity Auctions, we are concerned that limits in the West could not be increased at this time. It is our view that substantial virtual capacity exists and will not be able to participate due these limits. We recommend that we continue to discuss this issue with the goal of increasing virtual limits.

Commitment Management Options – Physical-Virtual Obligation Transfers

Question

The Capacity Auction team proposes enabling transfers between physical and virtual resource types.

- Is this something that would be of benefit to participants?
- 2. To what extent would this reduce the need to buy-out of commitments?

AEMA agrees that enabling transfers between physical and virtual resource types would be a benefit. Enabling transfers would improve liquidity and reduce the need for buy-outs. The IESO should, however, consider removing the transfer deadline and allow transfers within the capacity season.

1. The enablement of transfers between physical and virtual resource types would be beneficial to participants by providing them with more flexibility in managing their capacity obligations. This allows for strategic transfers that can better match operational realities, offering a way to optimize resource utilization and hedge against unforeseen issues. It broadens the options for participants to manage their commitments and adapt to changing circumstances, potentially increasing the overall efficiency and reliability of the market.

2. This proposal could reduce the need to buy out commitments. By allowing transfers between resource types, participants gain more options to align their obligations with available resources, thus avoiding the cost and penalties associated with buy-outs. It would decrease the number of unfulfilled obligations by giving participants more pathways to meet their commitments, particularly in situations where a participant may have more virtual resources available than physical ones or vice versa. This flexibility should mitigate the risk of failing to meet commitments, reducing buy-out occurrences, and enhancing market stability

Commitment Management Options – New Dispatchable Load Registration

Question

The IESO proposes to formalize an existing solution that can be used by participants to avoid having to buy-out of their obligation.

At the time of capacity qualification, a participant would submit two qualification requests and two auction deposits: one for the existing non-dispatchable load resource participating as a physical HDR, and one for the future dispatchable load resource.

- Is this something that would be of benefit to participants?
- 2. To what extent would this reduce the need to buy-out of commitments?

AEMA supports this proposal, however, the submission of two auction deposits poses a considerable barrier. If the market participant is only intending to clear capacity once, it should not have to post collateral twice.

Commitment Management Options – Review of Current Buy-out Charge

Question

The IESO proposes to re-assess and modify the buy-out charge to more accurately reflect the cost of procuring capacity in the auction. The proposal is to revise the buy- out charge to match the availability	AEMA recommends that the IESO not increase buy-out charges. There are many reasons that a resource may choose to buy-out of capacity at a given time. For example, outages may occur that impact the future capability of the resource, but not reflect capacity that may have been delivered to date.
payment that would have been earned by the participant for the obligation amount that is being bought out.	AEMA also supports Voltus' comments regarding IESO's assertion that other jurisdictions assess buy-out charges equal to the availability payments plus a penalty rate. PJM for example does assess a delinquency charge equal to the blended capacity rate
Do you have any feedback on how this might impact future Capacity Auction participation?	+ \$20/MW-day (it is slightly more complex when capacity prices are high, but we are using the simpler example here). However, this is done alongside the availability payments for the period. As a result, the true buy-out charge is equal to \$20/MW-day.
	Therefore, AEMA, agrees that existing buy-out charges provide a sufficient incentive to avoid buy-outs whenever possible and the IESO should instead focus on improving the liquidity and flexibility of capacity transfers. This would better enable capacity providers to avoid buy-outs by finding others that can provide capacity during these periods.

Commitment Management Options – Review Deposit and Forfeiture Rules

Question

Regarding the proposed revisions	AEMA seeks further clarification on this proposal. It is
to the deposit calculation and	our understanding that in the case where a capacity
forfeiture rule, do stakeholders	auction participant cleared the auction, but has not
have any feedback on the	registered adequate capacity resources to fulfill the
following:	obligation, the IESO would:
How might the proposed changes	 Enforce a buy-out charge for the capacity period
outlined on slide 47 of the July	for the unfulfilled portion of the capacity auction, If this amount is not paid, the IESO would use
<u>engagement presentation</u> impact	the capacity auction deposit to pay for the buy-
future Capacity Auction	out charge. The IESO would then refund any remaining
participation?	deposit not required for post-auction prudentials. Please confirm our understanding.

Expanding Participation – Purpose and Overview

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Торіс	Response
Do you have any feedback regarding the purpose and/or overview of this enhancement?	AEMA is concerned that the IESO is considering including variable generation into the Capacity Auction. Given the Capacity Auction current prices and the other procurement mechanisms available, it seems unlikely renewables will be recontracted or built using the Capacity Auction. Therefore, we recommend that IESO reconsider this proposal and focus on other priority areas.

Expanding Participation – Resource Eligibility and Capacity Qualification

Торіс	Response
Do you have any feedback regarding the proposed eligibility	

for variable generation (VG) resources?	
Do you have any feedback regarding the proposed capacity qualification methodology for variable generation (VG) resources?	
Is there any part of the MT1 qualification <u>methodology</u> for eligible variable generation (VG) that should be changed/enhanced for use in the Capacity Auction?	
Does the proposed eligible VG qualification methodology accurately represent the resource adequacy contributions wind and solar resources provide to the system at times of peak?	AEMA is concerned about the use of a capacity testing methodology for variable generating resources. This could cause a dramatic over-qualification of the resource. An appropriate methodology would be an ELCC qualification process similar to what is used in PJM. This methodology would look at the average delivery of the variable generation technology in Ontario (i.e. Solar Fixed Panel) and qualify it accordingly. Alternatively, if available, the resource should be qualified based on its own historic average delivery during the capacity window.

Expanding Participation – Obligation Periods and Availability Windows

Торіс

Do you have any feedback regarding the proposal that availability windows, obligation periods, and commitment period can remain unchanged for eligible variable generation (VG) resources?

Expanding Participation – Capacity Testing and PAF Delivered MWs

Question	Response
Are any of the proposed testing requirements incompatible with the performance capabilities of eligible VG resources?	
If so, please indicate which testing requirements cannot be met and why they are incompatible with eligible VG resources.	
Do you have any suggestions on alternative testing requirements that are feasible for eligible VG resources to prove their maximum capability?	

Expanding Participation – Dispatch Testing

Question

Do you have any feedback regarding the proposal that eligible VG resources may not be required to complete dispatch testing to prove their ability to follow dispatch instructions?

Expanding Participation – Settlement Charges

Question	Response
Do you have any feedback regarding the proposal that settlement charge types applicable to Capacity Auction generation resources can also be applicable to eligible VG resources?	Applying the same settlement charge types to eligible variable generation (VG) resources as those used for traditional Capacity Auction generation resources may not fully account for the unique characteristics of VG resources like wind and solar. VG resources operate differently from conventional generation due to their dependence on environmental factors, which can lead to variability in their output. This variability means that standard settlement charges, which are typically designed for dispatchable and predictable resources, may not accurately reflect the operational realities of VG resources.
Do you believe that eligible VG resources may require different settlement treatment from what is currently applicable to Capacity Auction generation resources?	

General Comments/Feedback

In summary, AEMA urges the IESO to expand its procurement targets within the capacity auction and to look for ways of expanding participation of virtual and physical demand resources in constrained territories (NW/NE/Niagara/West). There are significant untapped resources in these territories that will help Ontario meet continued load growth.

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.