

Feedback Form

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

Topic	Stakeholder Feedback
Do you have any comments regarding the winter 2023-2024 testing results?	

2024 Enhancement Updates

Topic	Response
Do you have any feedback regarding the enhancement updates for 2024?	Voltus commends the IESO for its work on revising Virtual limits for the 25/26 Capacity Auctions. We are disappointed that limits in the West could not be increased at this time. There remains a large amount of Virtual Capacity that is unable to participate because of these limits. We are hopeful that on-going efforts by the IESO can drive improvements in this area in 2025.

Commitment Management Options – Physical-Virtual Obligation Transfers

Question	Response
<p>The Capacity Auction team proposes enabling transfers between physical and virtual resource types.</p> <ol style="list-style-type: none">1. Is this something that would be of benefit to participants?2. To what extent would this reduce the need to buy-out of commitments?	<ol style="list-style-type: none">1. This would be of benefit to Voltus. There is currently a limited market for transfers and expanding this by enabling virtual to physical transfers could help with liquidity.2. Enabling transfers between physical and virtual resources should reduce the need for buy-outs as it will increase the number of parties that could conduct transfers.3. The IESO should also look to remove the transfer deadline and allow transfers within the capacity

Question	Response
	season. This change would likely have an even greater effect than the current proposed change.

Commitment Management Options – New Dispatchable Load Registration

Question	Response
<p>The IESO proposes to formalize an existing solution that can be used by participants to avoid having to buy-out of their obligation.</p> <p>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.</p> <ol style="list-style-type: none"> 1. Is this something that would be of benefit to participants? 2. To what extent would this reduce the need to buy-out of commitments? 	<ol style="list-style-type: none"> 1. This would certainly provide additional flexibility for non-dispatchable loads that are changing their registrations with the IESO. However, the submission of two auction deposits poses a serious 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	Response
<p>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</p>	<p>Voltus cautions the IESO to not increase buy-out charges. There are a large number of reasons that a resource may choose to buy-out of capacity at a given time. One of these reasons may be outages that impact the future capability of the resource, but not reflect capacity that may have been delivered to date. For example, a resource may have provided capacity to the system for May-September, but</p>

Question	Response
<p>payment that would have been earned by the participant for the obligation amount that is being bought out.</p> <p>Do you have any feedback on how this might impact future Capacity Auction participation?</p>	<p>have to buy-out of its obligation in October due to equipment or facility outages. In this case, the IESO would be wrong to claw back availability payments from the May-September time period and the existing charge structure makes sense.</p> <p>Voltus also challenges the IESO in its 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 + \$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.</p> <p>To this end, Voltus believes 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.</p>

Commitment Management Options – Review Deposit and Forfeiture Rules

Question	Response
<p>Regarding the proposed revisions to the deposit calculation and forfeiture rule, do stakeholders have any feedback on the following:</p> <p>How might the proposed changes outlined on slide 47 of the July engagement presentation impact future Capacity Auction participation?</p>	<p>Voltus wants to clarify the IESO's proposal: in the case where a capacity auction participant cleared the auction, but has not registered adequate capacity resources to fulfill the obligation, the IESO would:</p> <ol style="list-style-type: none"> 1. Enforce a buy-out charge for the capacity period for the unfulfilled portion of the capacity auction, 2. If this amount is not paid, the IESO would use the capacity auction deposit to pay for the buy-out charge.

Question	Response
	<p>3. The IESO would then refund any remaining deposit not required for post-auction prudentials.</p> <p>Does that summarize the proposal?</p>

Expanding Participation – Purpose and Overview

Topic	Response
Do you have any feedback regarding the purpose and/or overview of this enhancement?	Voltus is concerned that the IESO is putting its energy into expanding the Capacity Auction to include Variable Generation at this time. 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. As a result, this does not seem to be a good use of constrained IESO resources.

Expanding Participation – Resource Eligibility and Capacity Qualification

Topic	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 methodology 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?	Voltus believes that an ELCC qualification process similar to what is used in PJM is appropriate. This methodology looks at the average delivery of the variable generation technology in Ontario (i.e. Solar Fixed Panel) and qualifies it accordingly. Alternatively, if available, the resource should be qualified based on its own historic average delivery during the capacity window.
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Expanding Participation – Obligation Periods and Availability Windows

Topic	Response
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.	Voltus is unsure that a dispatchable capacity test, a test in which a resource schedules and dispatches into the IESO Administered Markets, is the appropriate test for a variable generator. A better test might be to assess the NPF-weighted delivery of the resource over the capacity window. This would allow for a better understanding of how that variable generator did relative to its qualification.
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	Response
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?	
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

Given the growing capacity needs in Ontario, Voltus continues to encourage the IESO to expand its procurement targets in 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 hundreds of affordable demand response MW in these territories that can provide capacity that are not currently able to clear the auction.