

Feedback Form

Capacity Auction – July 25, 2024

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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?	<p>IESO's presentation of testing results on Slide 10 was misleading. IESO identified that only 57% of HDR resources that were tested passed. However, the results of the test as presented show that resources delivered 90% of their real-time bid quantity, but only 57% of day-ahead bid quantity. Therefore, tested resources reduced the bid capacity to reflect to the IESO what was available. This is what the IESO requires for day-to-day operation so that the dispatch algorithm reflects curtailment capability in real-time, though it does not constitute a failure. IESO Market Manual 12, Issue 14.0, Section 5, Page 33, the point-in-time manual for the 2023-2024 winter period states,</p> <p><i>"In advance of the test activation, if the capacity market participant is aware of a non-performance event that will make the HDR resource being tested unable to comply with the test activation on the dispatch day, it is the responsibility of the capacity market participant manage its non-performance as described in "Market Manual 7.3: Outage Management". If the non-performance event indicates that the entirety of the HDR resource's demand response capacity is unavailable, the test activation will not be deemed a failure and may be rescheduled by the IESO following the completion of the non-performance event."</i></p> <p>Going forward, this is a moot point. Due to the changing capacity market framework in summer 2024, the winter 2023-2024 testing results are not reflective of the effectiveness of the program as it exists now.</p>

2024 Enhancement Updates

Topic	Response
Do you have any feedback regarding the enhancement updates for 2024?	The enhancement updates for the 2024 auction (2025-2026 delivery period) do not include any rules integration errors ahead of the next auction. Market Participants highlighted to the IESO in earlier stakeholder sessions that

this timeline was tight. IESO intends to seek approval for the enhancements for November 2024 auction for capacity delivered May 2025-April 2026 from the TP in August 2024 and the Board in September 2024. However, this timeline does not allow MPs to assess or IESO to address errors or issues with the current rule set.

1. Because the IESO has not been able to produce results or settlements for the May 2024 test, Participants cannot have confidence or faith that the current rules and processes are functioning as designed. The IESO's updated target to release these results abuts the capacity qualification process for the next auction. Any errors, questions or clarifications will not have time to be addressed. This is an unacceptable delay. IESO must include the ability to correct for issues in the current rule set before the next auction.
2. There have been several errors or issue with respect to the operationalizing of the current rule set. For example, HDR resources have been issued erroneous DR-Activation Reports based on pre-dispatch market conditions, with issues such as:
 - a. Partial MW Curtailment on physical curtailment resources
 - b. DR-Activation Reports with changing capacity curtailments in PD-3, PD-2, PD-1 reports.
 - c. IESO recalling of DR-Activations in some, but not all cases.

The conditions that led to these erroneous reports have not been addressed or explained, and the initiation of these DR-Activation Reports has been inconsistent over the period.

The settlement associated with these errors has not occurred, and therefore the scope of the issue is not clear, nor is the resolution.

3. IESO has not provided the results of the assessment of the virtual zonal capacity limits for the 2024-2025 auction. Providing that value in a subsequent meeting does not allow stakeholders enough information or time to comment.

	Urgent enhancements to correct for these IESO system issues must be included ahead of the next auction and obligation period. If IESO is unable to review and amend MR and MM changes for Capacity Auction in the appropriate timeframe, these changes can be addressed in the MRP final alignment package for implementation for the obligation period Summer 2025.
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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. Yes. Correcting the restrictive nature of capacity transfers between physical and virtual resources would be a significant benefit to participants. IESO should make clear that physical resource types include dispatchable load, generation, storage and physical HDR, both for participant understanding on options and to ensure registration system configuration is enabled. 2. In our experience, this would provide a significant benefit, and would reduce the requirement for capacity buy-outs.

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-</p>	<p>This seems an unnecessary formalization and causes undue financial burden on proponents.</p> <p>As IESO is considering enabling capacity transfers between different resource characteristics, IESO should also enable a resource with a capacity obligation to change its characteristics, between physical and virtual, or between dispatchable and HDR, to ensure that a single resource</p>

Question	Response
<p>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? 	<p>isn't required to place two deposits to enable its participation.</p>

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 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>IESO should consider implementing the commitment management options in sequence. If physical-virtual transfers are enabled, and the IESO enables new dispatchable load resources to manage obligation risk, these two items may resolve the IESO's buy-out concerns.</p> <p>As mentioned by a participant in the session, the IESO's information on how buy-out charges are calculated in other markets are incorrect. The current calculation is better aligned with other jurisdictions' buy-out calculations than the IESO's proposal.</p> <p>It is understood that the main challenge IESO faces with buy-outs and buy-downs is that the procured capacity in the auction is not all available when the obligation period arises. Part of this may be related to securing obligations that are unattainable, though that is partially mitigated with the first two items above. Another part may be related to the changes in curtailment capability across an obligation period. The IESO should consider alternatives to resolve this challenge that do not reduce interest in the auction. Some items to consider include:</p>

Question	Response
	<ol style="list-style-type: none"> 1. Enabling monthly capacity transfers or partial buy-outs, buy-downs or buy-ups that allow resources to better reflect capability and flexibility across a season. 2. Where a resource has incremental capacity available in a month that is not part of its obligation, the participant should be encouraged to offer capacity in excess of its obligation for incremental standby and activation, with associated revenue adjustments, including activation payments, Performance Factors, etc.

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>As noted in the prior item, the IESO should seek to address the source issue in sequence, such that changes in deposit and forfeiture rules provide a final resort if the first three items are unsuccessful in addressing the issue.</p> <p>IESO should be seeking to encourage reliable auction participation from any and all resources that meet eligibility criteria, with capacity obligations that align with the available capacity for curtailment every day of the obligation period.</p> <p>By approaching the challenges with “sticks” instead of “carrots”, these changes add administrative burden and complexity that may discourage participation from smaller, reliable prospective capacity market participants.</p>

Expanding Participation – Purpose and Overview

Topic	Response
Do you have any feedback regarding the purpose and/or overview of this enhancement?	No comments.

Expanding Participation – Resource Eligibility and Capacity Qualification

Topic	Response
Do you have any feedback regarding the proposed eligibility for variable generation (VG) resources?	No comments.
Do you have any feedback regarding the proposed capacity qualification methodology for variable generation (VG) resources?	No comments.
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?	No comments.
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?	No comments.

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?	No comments.

Expanding Participation – Capacity Testing and PAF Delivered MWs

Question	Response
<p>Are any of the proposed testing requirements incompatible with the performance capabilities of eligible VG resources?</p> <p>If so, please indicate which testing requirements cannot be met and why they are incompatible with eligible VG resources.</p>	<p>IESO has noted that if the capacity testing week is not compatible with eligible VGs, the IESO may consider the resources completing the capacity test in the first two months of the obligation period via self-scheduling.</p> <p>This flexibility, if applied to one resource type, should be applied to all resource types.</p>
<p>Do you have any suggestions on alternative testing requirements that are feasible for eligible VG resources to prove their maximum capability?</p>	<p>No comments.</p>

Expanding Participation – Dispatch Testing

Question	Response
<p>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?</p>	<p>No comments.</p>

Expanding Participation – Settlement Charges

Question	Response
<p>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?</p>	<p>No comments.</p>
<p>Do you believe that eligible VG resources may require different settlement treatment from what is currently applicable to Capacity Auction generation resources?</p>	<p>No comments.</p>

General Comments/Feedback

In general, the IESO's implementation of the last round of Capacity Auction and Market Enhancements has not provided stakeholders with confidence in the ability for IESO to deliver on future enhancements in a reliable and timely fashion. While the Market Rules and Manuals for the last round of enhancements were under development for several years, reviewed and approved by the TP and Board ahead of implementation, the implementation failure highlighted gaps in the IESO's procedures to operationalize market rule changes. While IESO acknowledged the delays in processing test performance assessments and resulting settlements, the implication of those delays, and other related settlement errors, is significant to stakeholders not only in the Capacity Market environment, but leading into the Market Renewal Program launch in 2025. Specifically, the last round of enhancement implementation included:

1. A drafting error in the rules that will require a full year to resolve.
2. Settlements errors resulting in under-payment to all Capacity Market Participants
3. IESO not meeting its documented timelines for the assessment of Capacity Test results, and implementation of any related settlement changes
4. Delays in timelines resulting in insufficient time to identify and correct any additional errors in the documentation and drafting.
5. Undocumented and uncommunicated changes to the IESO's production of DR-Activation reports, leading to inappropriate Activations
6. Inaccurate and confusing settlements of buy-out and buy-down capacity transactions.

It is prudent for future changes to include complete testing ahead of implementation, including settlements, and for the results of market changes to be fully understood and assessed prior to stacking multiple changes aiming to achieve the same result.