

October 20, 2020

Independent Electricity System Operator
120 Adelaide Street West, Suite 1600
Toronto, ON
M5H 1T1
Attn: Mr. L. Kula
Vice-President Planning, Acquisition and Operations, and Chief Operating Officer

Dear Mr. Kula,

Re: **Resource Adequacy Engagement**
Feedback in response to IESO's webinar on September 28, 2020

Ontario's local distribution companies (LDCs) take delivery of approximately 125 TWh - or about 90% of all the electricity used in the province - from the Independent Electricity System Operator (IESO) and redeliver it to the over 5 million customers they serve. Ontario's LDCs are the face of the industry to the overwhelming majority of the end users in the province who look to LDCs for the answers and insights they need to manage in Ontario's electricity marketplace. These are the comments of the Electricity Distributors Association (EDA) with respect to the IESO's Resource Adequacy Engagement and its proposed draft framework.

In principle, the EDA supports the draft framework. We recognize that it is written at a high level and anticipate that the IESO will continue to engage with all industry stakeholders as the framework becomes more detailed and granular. We commend the IESO for listening to stakeholders' concerns (e.g., on the proposed Incremental Capacity Auctions (ICAs)) and acknowledge that the IESO is taking steps to present a balanced approach with respect to managing risks and uncertainty.

In February 2018, we published *Power to Connect: A Roadmap to a Brighter Ontario* ("the Roadmap") that outlined the barriers to, and opportunities for, Ontario's LDCs to take on new roles in the electricity sector with respect to enabling, integrating, and controlling and operating distributed energy resources (DERs).¹ The Roadmap outlines several opportunities for improved coordination between LDCs and the IESO that is expected to reduce costs to consumers as the IESO ensures electricity supply adequacy. Further, as the IESO acknowledges,² DER uptake is expected to continue in Ontario and to have a more

¹ EDA. February 2018. *Power to Connect: Roadmap to a Brighter Ontario*. Retrieved from: <https://www.eda-on.ca/Advocacy/Research-and-Reports/Power-to-Connect-A-Roadmap-to-a-Brighter-Ontario>

² See for example, the IESO's Innovation and Sector Evolution Whitepaper Series. Retrieved from: <http://www.ieso.ca/Sector-Participants/Engagement-Initiatives/Engagements/Innovation-and-Sector-Evolution-White-Paper-Series>

prominent role in meeting resource requirements. Given that the IESO is reassessing the overall Resource Adequacy framework, we propose that the IESO consider new procurement approaches that would lead to cost savings for customers. Among the market constructs/attributes identified in the Roadmap that will assist in realizing the objectives of supply adequacy and cost savings are:

- Ensuring there is a level playing field for DERs to participate;
- Ensuring that LDCs are able to participate in future procurements; and
- Enabling ‘value-stacking’ of resources (e.g., non-wires alternatives (NWAs)) that can provide capacity that contributes to resource adequacy, as well as other wholesale market services and distribution-level services.

We submit that LDCs’ investment in DERs for the purpose of distribution services may contribute to meeting Ontario’s resource adequacy needs and may also be capable of providing other ancillary services in the IESO Administered Market. We wish to note that the IESO’s draft framework does not address this or other potential roles for LDCs.

We suggest that the IESO plan to address outstanding questions and concerns raised by stakeholders (e.g., during the consultation of the ICA high-level design) during future engagement sessions. We look forward to learning the IESO’s position on its past ICA submission³, particularly its points on the need for clarity with respect to:

- The LDC’s role as a provider of energy efficiency, whether energy efficiency is to be procured through auctions (i.e., following results of Energy Efficiency Pilot Auction), programs (i.e., new CDM framework), or other mechanisms;
- Eligibility of DERs to participate including whether resources less than 1 MW or aggregated resources, other than demand response (DR) resources⁴, will be eligible to participate; and
- The alignment of connection processes (e.g., between the timelines for connecting new resources participating in IESO Capacity Auctions or RFPs with the timelines for DERs requesting Connection Impact Assessments (CIAs) to ultimately connect to an LDC’s system).

Finally, we propose that the IESO’s Resource Adequacy framework explicitly consider the cost-allocation, or cost recovery, of resources participating in Capacity Auctions, RFPs or other procurement activities. We seek a clear understanding of which costs will be recovered through the Global Adjustment cost allocation framework, that is administered through government regulation, which costs will be recovered through uplift charges or if the IESO intends to revisit these cost allocation, cost recovery processes in the future. Cost allocation and cost recovery informs DER investment decisions that will be made by LDCs and LDC customers.

³ EDA submission on May 17, 2020 to IESO with respect to the ICA high-level design. Retrieved: <http://www.ieso.ca/en/Market-Renewal/Stakeholder-Engagements/Market-Renewal-Incremental-Capacity-Auction>

⁴ The EDA notes following FERC Order 2222 that US wholesale markets will be increasingly accessible to DERs, including DERs that participate as part of aggregations.

As well as the comments made herein, we attach a completed feedback form as Attachment A.

We thank you for your consideration of our submission. Should you have any questions, please feel free to contact Kathi Farmer, the EDA's Senior Regulatory Affairs Advisor, at kfarmer@eda-on.ca or at 416.659.1546.

Sincerely,

A handwritten signature in cursive script, appearing to read "Teresa Sarkesian".

Teresa Sarkesian
President & Chief Executive Officer

cc: Mr. T. Young, Interim President and Chief Executive Officer

Comments on Resource Adequacy – Attachment A

Resource Adequacy – Feedback Form

Meeting Date: September 28, 2020

<p><u>Date Submitted:</u></p> <p><i>2020/10/20</i></p>	<p><u>Feedback Provided By:</u></p> <p>Organization: Electricity Distributors Association (EDA)</p> <hr/> <p>Main Contact: Kathi Farmer</p> <hr/> <p>Email: [REDACTED]</p>
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Following the September 28, 2020 Resource Adequacy webinar, the Independent Electricity System Operator (IESO) is seeking feedback from stakeholders on the following items discussed during the webinar. More information related to these feedback requests can be found in the presentation, which can be accessed from the [engagement web page](#).

Please submit feedback to engagement@ieso.ca by October 20, 2020. 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.

Stakeholder Feedback Table

IESO Requests	Stakeholder Feedback
<u>Principles to Guide the Resource Adequacy Framework Conversation</u>	
<p>The IESO proposes to use the MRP guiding principles to guide the discussion with stakeholders on the development of a high-level Resource Adequacy framework. Are there other principles that should be considered throughout this discussion?</p>	<p>The EDA supports the MRP’s guiding principles of efficiency, competition, implementability, certainty and transparency.</p>
<u>Draft Resource Adequacy Framework</u>	
<p>Do these three capacity acquisition timeframes (commitment and forward periods) provide sufficient options for meeting the needs of your resource type?</p>	<p>Generally speaking, the timeframes presented are reasonable. Please refer to the EDA’s cover letter discussion of opportunities to align distribution system planning and other distribution centric processes with the IESO’s timelines.</p>
<p>Which option(s) are most suited to your resource type?</p>	<p>EDA members may consider the development of non-wires alternatives (NWA), which represent a variety of different technologies and resource types. The EDA supports the flexibility of the IESO’s approach and that it includes options for participants.</p>
<p>Based on timing when various mechanisms are going to be available, do you see timing gaps when a resource needs a mechanism before that mechanism is ready?</p>	<p>The timing for when the various mechanisms would become available may not be ideal for LDCs considering NWA opportunities. For example, the IESO’s proposal that the first capacity auction with multi-year commitments be in 2024/2025 for an in-service date of 2028/2029 could limit certain LDC opportunities that benefit from or need longer commitment periods.</p>
<u>Resource Adequacy Engagement Plan</u>	
<p>What needs to be considered in future engagement phases to develop the details of the mechanisms in the framework?</p>	<p>The EDA recommends that the IESO explicitly consider the role of distributed energy resources (DERs) in this framework and whether a ‘level-playing field’ exists for them and all other resources. In the near-term and the mid-term, the IESO proposes to procure ‘unbundled capacity’, specifically that the IESO will only pay for the value of the capacity and, by implication, not for the other services that the resource can also provide. The IESO acknowledges this outcome; it recognizes that certain resources (e.g., energy storage, other DERs) are currently unable to participate fully within the IESO-administered market and are, therefore, unable to access certain revenue streams that</p>

	traditional supply sources are permitted to access. The EDA seeks clarification from the IESO with respect to if, or how, it will ensure that a 'level-playing field' is available to all resources participating in IESO capacity auctions and other procurement processes.
What other areas need to be discussed with stakeholders to operationalize the framework?	As articulated in our cover letter, we recommend that the IESO consider the role of LDCs and LDC customers within its framework, and that the IESO improve the alignment of its processes with those used by LDCs (e.g., planning processes) to achieve a procurement process that leads to cost-effective outcomes for customers.