

NOVEMBER 18, 2020

Resource Adequacy Engagement

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Purpose

- Summarize stakeholder feedback received following the September 28 webinar
- Present the proposed approach for the next phase of engagement to discuss details needed to operationalize and implement the Resource Adequacy framework

Background

- Resource Adequacy stakeholder engagement launched September 28
- Draft, high-level Resource Adequacy framework presented:
 - Framework based on previous feedback received plus IESO objectives for flexibility and ratepayer value
- Stakeholder engagement plan presented:
 - Establish high-level framework by end of 2020
 - Commence subsequent engagements in 2021 to discuss details needed to operationalize and implement mechanisms

Resource Adequacy Engagement Objectives

- Establish a framework to competitively acquire capacity to meet short, mid, and long-term electricity system needs in a way that:
 - effectively balances cost and risk and;
 - ensures full implementation in time to address larger capacity needs that emerge later in the decade as Pickering retires and contracts expire



High-level Resource Adequacy Framework

Clarification on High-level Framework

- Examples of potential resource types were included in the previous version of the high-level framework to illustrate the types of resources that might be likely to participate
- For clarity, eligibility for the various mechanisms will depend on a resource's ability to meet the requirements of each mechanism/competition

High-level Framework

Timeframe

Competitive Mechanism

Short-term

Capacity Auction

- Seasonal commitment
- Short lead time/forward period (e.g., < 12 months in advance)
- Run auction annually on a fixed schedule
- Auction acts as a balancing mechanism (e.g., target capacity adjusted to latest forecast)
- Acquire unbundled capacity

Mid-term

Capacity Auction with enhancements, or RFP/Contract with focus on existing resources

- Multi-year commitment, with longer forward period (up to 3-4 years)
- Run as needed based on Planning criteria triggers
- Acquire unbundled capacity

High-level Framework (continued)

Timeframe

Competitive Mechanism

Long-term

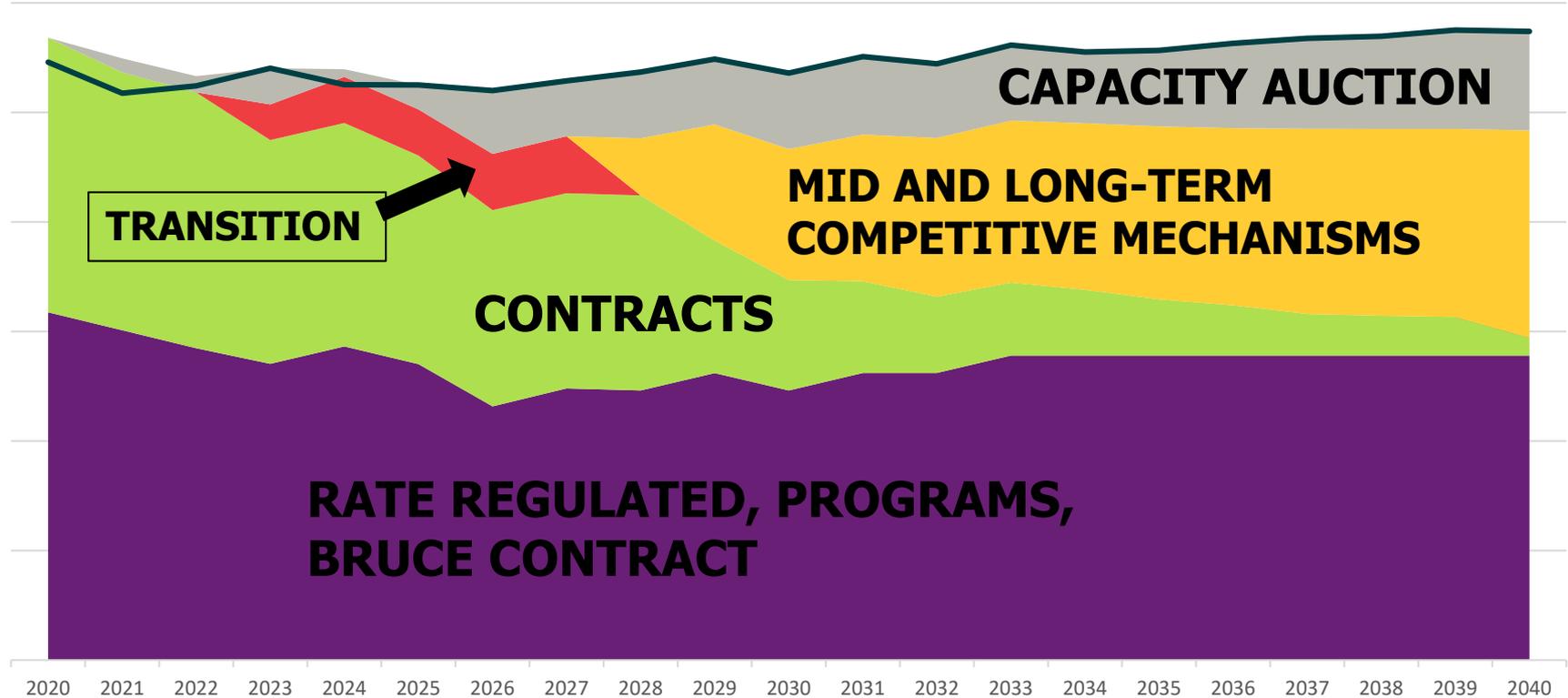
RFP/Contract for new resources

- Longer term commitments and forward period aligned with financing needs and life of the facility
- Run as needed based on Planning criteria triggers and in some cases, policy triggers
- Consider forecast confidence when setting target value
- Consideration to acquire attributes beyond capacity

Future Vision for Resource Adequacy

- As we move forward with the mechanisms in this framework, we will ensure we can meet all of our system needs in a timely, flexible and cost-effective manner
- We can build on lessons learned from past procurement practices and lower the total cost of the system by keeping acquisitions better aligned with evolving system needs
- The following slide provides a conceptual view of how reliability could be maintained through the Resource Adequacy framework

Supply Forecast by Commitment Type (illustrative)





Summary of Stakeholder Feedback

Stakeholder Feedback Requested

- Stakeholder feedback was requested on:
 - The use of the Market Renewal Program (MRP) Guiding Principles to guide discussion in the engagement
 - Questions/concerns/issues based on the high-level framework presented
 - The engagement approach and areas that should be considered for the subsequent engagements to discuss details needed to operationalize the framework

Written Stakeholder Feedback Received

- 15 written stakeholder feedback submissions were received
- After reviewing all feedback submissions, some common themes emerged which will be identified in the following slides
- Much of this feedback provides important context that the IESO will refer to throughout the detailed phase of the Resource Adequacy engagement
- Thank you to all stakeholders for participating in this engagement and providing feedback

High-level Resource Adequacy Framework

- During the September 28 webinar and in written feedback submissions received after the webinar, stakeholders indicated general support for the high-level framework presented with interest in seeing the details

Use of Market Renewal Program Guiding Principles

Stakeholder Feedback

- Stakeholders support the IESO's proposal to use the Market Renewal Program (MRP) guiding principles with various suggestions for additions or modifications
- Suggestions include:
 - Certainty should be amended to ensure resource adequacy needs are met in a timely manner
 - Recognition of role of distribution-connected generation in resource adequacy
 - Include reference to outcomes for end-use customers
 - Preserve system reliability
 - Fairness
 - Technology agnosticism
 - Commercial Effectiveness
 - Commercially reasonable investment

Resource Adequacy Mechanism Details

- **Eligibility:** Stakeholders had various comments regarding eligibility for the various mechanisms, particularly that the IESO shouldn't specify which resource types can participate in each mechanism
 - Some stakeholders indicated they were unclear on how their resource type fit into the framework (e.g. small hydro, DERs, aggregations)
- **Target capacity:** A transparent approach to setting target capacity for each mechanism and how the targets complement one another will be important for the success of the framework
- **Decision-making:** Stakeholders requested clarity and transparency in decision-making for the ongoing use of the framework and mechanisms

Power System Planning Information

- Stakeholders indicated that clear, transparent and timely planning information is critical for investment decision-making and the success of the framework
- Stakeholders recommended the framework include consideration of transmission or distribution wires options as a means to ensuring reliable and cost-effective resource adequacy
- Stakeholders noted more information was required on the role of programs in the framework and the importance of ensuring policy and programs are factored into planning

Approach to Transition

- Stakeholders requested clarity on how IESO will manage generators that come off of contract before these mechanisms are ready

Role of Government and Regulation

- Stakeholders requested clarity on how government and regulatory policy may interact with the framework
- Stakeholders recommended a formalized and transparent process to assess unsolicited proposals

Resource Adequacy Revenue Analysis

- Some stakeholders believed the IESO should conduct a revenue sufficiency analysis/net revenue analysis to inform the Resource Adequacy discussion



Resource Adequacy Engagement – Detailed Phase

Resource Adequacy Engagement – Detailed Phase

- In Q1 2021, the next phase of the Resource Adequacy engagement will discuss the details needed to operationalize and implement the framework
- Stakeholder feedback received thus far has identified several important areas where further discussion is needed related to details of the framework
- Based on this feedback, the IESO proposes to structure the next phase of engagement based on four major discussion areas

Major Resource Adequacy Discussion Areas

General Framework Details

- Discussion of items such as eligibility, commitment details, role of government and regulatory policy, decision-making, capacity auction enhancements and other framework details

Acquisition Target Setting

- Methodology for setting targets for amount to be acquired and how the different targets will be allocated and coordinated

Planning Considerations

- Discussion of changes needed to IESO Power System Planning information and products to align with framework objectives

Transition

- Discussion of period between when existing resource contracts expire and capacity need in 2028

Other Considerations

- In addition to these key discussion areas, the engagement will cover:
 - Integration of the various mechanisms
 - Updates on related engagement activities
 - Framework documentation (i.e. design and scoping documents, market rules and manuals, etc.)
 - Government/regulatory policy interaction

Engagement Timeline

- **December:**
 - Recommendation to IESO Board on high-level framework
 - Stakeholder feedback due on November webinar materials. Feedback will help guide development of subsequent engagement work
- **Q1 2021:**
 - Present final high-level framework to stakeholders, outline plans for next phase of engagement to develop details needed to operationalize and implement the mechanisms

Capacity Auction Updates

- IESO is committed to running the Capacity Auction as the mechanism to ensure short-term Resource Adequacy
 - IESO plans to run annual Capacity Auctions in Dec. 2021 and 2022
 - Beyond 2022, we intend to continue with regular auctions, and ensure alignment with the mid-term mechanism
- IESO intends to regularly enhance the Capacity Auction to increase competition and performance consistent with the proposed Framework
 - Engagement on features and timing of next phase of auction enhancements will begin in early 2021 as part of the RA engagement



Stakeholder Feedback and Next Steps

Stakeholder Feedback Requested

- Will the key discussion areas proposed cover the major areas that need to be discussed with stakeholders to develop and operationalize the framework? Are there any major areas missing?
- Are there key discussion areas that should be prioritized or discussed before others?

Submitting Stakeholder Feedback

- Written feedback can be provided to engagement@ieso.ca using the feedback form on the [engagement web page](#) by December 9.
- Please use the feedback form provided to ensure stakeholder feedback is compliant with the Accessibility for Ontarians with Disabilities Act (AODA). If you choose not use the IESO feedback form, please provide an AODA compliant pdf document.

Next Steps

- Stakeholder feedback received following today's webinar will be used to further scope the next phase of engagement
- An updated engagement approach and timeline will be provided to stakeholders in January with further information on upcoming engagement activities

Thank You

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