

Feedback Form

Resource Adequacy webinar – March 22, 2021

Feedback Provided by:

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Following the March 22, 2021 Resource Adequacy engagement webinar, the Independent Electricity System Operator (IESO) is welcoming feedback from stakeholders on the items discussed during the webinar. The webinar presentation and recording can be accessed from the [engagement web page](#).

Please submit feedback to engagement@ieso.ca by April 14, 2021. 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.

General Comments/Feedback

ESC is pleased to provide this submission to the IESO. As demonstrated in our recent paper, “Unlocking Potential: An Economic Valuation of Energy Storage in Ontario”, energy storage can provide immediate benefit to Ontario’s electricity sector, however, there are a number of limitations preventing the realization of these benefits. Given the inability to fully integrate energy storage within the market, we recommend that IESO contract for the full suite of services energy storage can deliver, particularly during the transition period identified by the IESO prior to 2026.

ESC is supportive of the IESO’s plans to use a mixture of procurement tools (e.g., Capacity Auctions and RFPs/Contracts) as needed to meet future capacity needs, and we are supportive of the IESO’s plans to develop a Annual Acquisition Report (AAR). We offer the following input to support IESO in meeting its objective through competitive processes, leading to lowest costs and highest value for Ontario customers.

- The IESO should identify a path to procure new energy storage resources to provide capacity and other electricity services during the transition period. Currently, new energy storage resources are not permitted in the Capacity Auction (only existing energy storage resources are eligible). The IESO has proposed that it will conduct an RFP in the “mid-term” to “provide competitive opportunity for resources coming off contract”. Currently, only a few energy storage resources would qualify as “coming off contract”. ESC is concerned that this framework does not provide opportunity for new energy storage to compete in the near-term. Therefore, the IESO’s proposal restricts competitive tensions and may result in higher than necessary prices for Ontario electricity customers.
- As part of the Energy Storage Design Project, the IESO has identified a long-term design vision to remove barriers and ensure full integration of energy storage within the IESO-administered markets (IAMs). The long-term design vision is to be implemented following the IESO’s implementation of the Market Renewal Program (MRP). On March 22, the IESO also announced that the MRP go-live date is delayed, therefore it is assumed that implementation the long-term design vision for energy storage is also delayed. Further, there is uncertainty with respect to how the interim design for energy storage will be integrated into the MRP as the IESO has not included energy storage in the Detailed Design. As a result, IESO’s ability to obtain the full suite of services from energy storage is delayed and there is uncertainty with respect to how energy storage will be valued post-MRP. Given the uncertainty, there is further justification for the IESO’s AAR to outline an option for energy storage to compete for a contract that recognizes the value of the capacity and other energy services provided.
- The IESO has announced that the first AAR will be released in mid-2021. We seek clarification from the IESO with respect to opportunities to provide comment on the IESO’s plans, as well as clarity with respect to the governance and transparency informing the IESO’s acquisition plan. Further, we look forward to reviewing an updated Resource Adequacy engagement plan, which the IESO has stated is under development.
- With respect to the IESO’s Capacity Auctions, ESC is supportive of the IESO’s decision to consider a minimum capacity floor and a target capacity trajectory through 2026. This will

increase investment confidence, particularly for behind-the-meter resources that are eligible to participate in Capacity Auctions as demand response resources.

- ESC is encouraged that the IESO is moving forward with a new engagement initiative to remove barriers for DER participation in the IAM, including distributed energy storage. As clarity with the IESO's plan to enable DERs emerges, we would anticipate that the AAR and Capacity Auction design will be adjusted to account for participation by DERs.
- IESO has provided a general approach to engage on proposed enhancements to Capacity Auctions. ESC requests that the IESO provide a more detailed plan for stakeholder engagement, including a timeline to implement market rule amendments. ESC members with behind-the-meter storage resources will be particularly interested in each of the upcoming engagement "goals" (e.g., UCAP, performance baselines for HDR, expanding participation). ESC suggests that for each topic identified, the IESO provide a clear problem statement.

Thank you again for your careful consideration of our submission. We look forward to next steps.