

Stakeholder Feedback and IESO Response

Resource Adequacy Engagement, Capacity Auction – February 24, 2022 Webinar

Following the February 24, 2022 Resource Adequacy engagement webinar, the Independent Electricity System Operator (IESO) invited stakeholders to provide feedback on the materials presented. The IESO received feedback from the following stakeholders:

- Advanced Energy Management Alliance
- Energy Storage Canada
- Ontario Power Generation
- Voltus Energy Canada Ltd.

This feedback has been posted on the [engagement webpage](#).

Note on Feedback Summary and IESO Response

The IESO appreciates the feedback received from stakeholders. The table below responds to the feedback received and is organized by each topic. This document is provided for information purposes only. It does not constitute, nor should it be construed to constitute, legal advice or a guarantee, offer, representation or warranty on behalf of the IESO.

Capacity Auction

| Feedback | IESO Response |
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| <p>Stakeholders requested confirmation that the capacity auction capacity test hours will be excluded from the HDR baseline calculation.</p> | <p>Any days in which an activation occurs, including activations that occur as part of the capacity test, will be excluded from the baseline calculation. This can be seen in the definition of "Suitable Business Days" in the baseline calculation in Market Manual 5.5.</p> |
| <p>As HDR do not have a formal outage process, stakeholders requested clarity on whether there will be an option to reschedule the capacity test week if an HDR experiences a forced or unforced outage.</p> | <p>Market Manual 12 has been revised to include language addressing when the IESO would consider scheduling a second testing window, and the process to request a reschedule.</p> <p>The criteria for considering scheduling a second testing window is aligned with the existing criteria, in Market Manual 5.5, for considering a Notice of Disagreement (NOD) to adjust/waive a non-performance charge (i.e., outage due to a third-party market participant, force majeure event).</p> |
| <p>Stakeholders suggest that Market Participants should be compensated based on their actual cost of compliance for any test associated with the Capacity Auction. Capacity test payments are necessary to ensure fair treatment between HDR resources and other market participants and to ensure alignment with payments for dispatch tests.</p> | <p>Under the new capacity testing framework, no resources will receive out-of-market test payments for the capacity test. The new framework will provide Capacity Market Participants with greater flexibility to plan and determine when and how best to demonstrate their ICAP capability in the energy market during the test window. Generators will be compensated according the prevailing market price for energy and loads for the avoided energy cost for curtailment.</p> <p>The IESO had consultations with a number of demand response stakeholders around potential Energy Payments for Economic Activation of DR Resources, which expanded to include consideration of shut-down cost recovery. IESO engaged with stakeholders on potential solutions and to solicit information on the nature and magnitude of shut-down costs. Stakeholders made it clear that they supported introduction of two-part bids as a solution. However, this solution could only practically be implemented post-MRP and stakeholders were unwilling to provide data to demonstrate materiality. IESO concluded the engagement stating that it was open to re-engaging</p> |

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| | <p>on the matter post-MRP if stakeholders are then willing to provide quantitative evidence to demonstrate materiality.</p> <p>HDR resources will continue to receive payments for out-of-market dispatch tests as per the existing framework.</p> |
| <p>Stakeholders suggest IESO should align when HDR are required to communicate test timing within the capacity testing week with when HDR are required to submit meter data to provide aggregators sufficient time to collect test data.</p> | <p>IESO agrees with the rationale for this change and is in the process of amending the draft market manuals to ensure alignment.</p> |
| <p>Stakeholders requested confirmation on whether notice of the timing of the capacity testing week should be reflected in the Market Rules as well as the Market Manuals.</p> | <p>The notice provided to participants of the timing of the testing window for the capacity test will be included in both the Market Rules and Market Manual 12.</p> |
| <p>Stakeholders requested clarity on how an emergency activation or economic dispatch would be addressed if it were to take place during the testing week.</p> | <p>Under the new capacity test framework, it is the responsibility of the participant to notify the IESO as to which day/hour to use for assessment capacity performance. Nothing in this framework prevents a resource being dispatched in or out of market and if this happens to occur during the window, the participant would have the opportunity to use this data for the capacity test performance assessment.</p> |
| <p>Stakeholders requested clarity on whether a successful capacity test will disregard the need for a dispatch test and confirmation that the Performance Adjustment Factor (PAF) will be based on performance in the capacity test only, not the dispatch test.</p> | <p>The PAF will be determined based on the performance assessment criteria and based on the days/hours during the testing window as specified by the participant., Performance against a dispatch test will not have implications for a PAF but will continue to be subject to compliance referrals and dispatch charges as applicable. The IESO may determine that a dispatch test is not necessary if this has been adequately demonstrated in a previous activation, including during the capacity test window. However, the IESO will continue to have discretion to conduct up to two dispatch tests per obligation period, independent of the capacity test.</p> |

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| <p>Stakeholders requested clarification on the timing of the testing window to ensure that one Market Participant is not scheduled during a period of relatively low energy prices, while another is scheduled during a period of relatively high energy prices.</p> | <p>The IESO will establish a single 5-day testing window for all Market Participants, ensuring fairness across all Market Participants. Under circumstances, such as outage due to a third-party market participant, or force majeure event the IESO may consider re-establishing the test window for the affected participant, on a case-by-case basis.</p> |
| <p>Stakeholders raised concerns regarding the removal of HDR resource’s ability to qualify for reduced testing during the commitment period and requested this eligibility be re-instated.</p> | <p>The reduced testing features are no longer applicable as the testing framework has been substantially revised which will allow the participant with greater certainty to plan when and how to demonstrate their capability –which includes a 4-hour requirement –once per obligation period. For the purposes of dispatch compliance testing, the IESO has the discretion to conduct a dispatch test for <u>up to</u> 4 hours.</p> |
| <p>Stakeholders raised concerns over the proposed Augmented Availability charge, suggesting it introduces significant risk for HDR resources, fails to create a level UCAP value for HDR resources and does not align the economic incentives of HDR resources with the two stated objectives the IESO is trying to achieve by introducing the charge.</p> | <p>IESO continues to stakeholder the implementation details of the Augmented Availability charge, including the application scope and magnitude.</p> |
| <p>Stakeholders requested confirmation that Availability Charges will be assessed based on the resources ICAP value, not UCAP value.</p> | <p>Market Participants will be subject to the Availability Charge for any energy market offers/bids below the resource’s cleared UCAP value.</p> |
| <p>Stakeholders are concerned that the current design of the augmented availability charge incentivizes resources to declare complete outages to avoid penalties and suggest the design be revised to enable partial outages.</p> | <p>IESO continues to stakeholder the implementation details of the Augmented Availability charge, including the application scope and magnitude.</p> |

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| <p>Stakeholders disagree with shifting the 1 MW minimum capacity qualification requirement from ICAP to UCAP, stating that ICAP values are offered into the energy market and this change risks a net reduction in capacity being made available to the market due to resources no longer being large enough to qualify.</p> | <p>A resource is expected to offer its real-time capability into the energy market. The minimum capacity a resource can offer into the energy market is 1 MW.</p> <p>For the purposes of the capacity auction, the 1 MW minimum must apply in UCAP values because the energy market offers are compared against the cleared UCAP for availability assessment.</p> |
| <p>Stakeholders requested that the IESO establish a concrete definition for the advisory notice that indicates there is potential for the declaration of an emergency operating state.</p> | <p>An advisory notice issued by the IESO is a transparent and established method to signal to all IESO resources that a system emergency event may be declared. Emergency advisory notices are posted on the IESO website here.</p> <p>Stakeholders are also encouraged to review materials associated with the recent 'Improving Awareness of System Operating Conditions' engagement here.</p> |
| <p>Stakeholders requested clarification on how Market Participants should manage energy offers if notified by email that a buyout has been accepted, but notification has not been received in Online IESO.</p> | <p>A participant is responsible for managing their energy offers or bids in the energy market and should ensure they reflect their real-time capability.</p> <p>Subject to IESO approval, a capacity obligation buy-out will be effective as of the effective date provided by the participant in the buy-out request. Once approved, the resource will be settled based on the revised obligation as of the effective date, though it may take a few business days for the revised obligation to be reflected in the Online IESO system. We will review the language in Market Manual 12 and ensure this process is clear.</p> |

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| <p>Stakeholders requested clarity on how the IESO is determining an HDR resource's Registered Capability in order to understand how the True-Up payment would be applied to this resource type.</p> | <p>The inclusion of the registered capability in the assessment of the availability true-up for HDR resources applies to virtual HDRs only. In the case of a virtual HDR resource, the registered capability represents the sum of capacity for all contributors registered under a resource. This value may be greater than, equal to or less than the cleared ICAP amount depending on the amount of capacity provided by contributors registered under the resource.</p> |
| <p>Stakeholders raised concerns regarding the reasonableness of the 5% equivalent forced outage rate on demand (EFOR_d) assumption in the UCAP calculation for dispatchable storage resources.</p> | <p>As there is a limited data set available on historical performance for storage resources that have been operating in Ontario, a 5% EFOR_d will be used for all dispatchable storage resources in the 2022 Auction. An EFOR_d that is reflective of actual performance will be developed as more production data becomes available. Until such time, a proxy value is required to ensure fair treatment to other capacity auction resource types with limited historical data.</p> |
| <p>Stakeholders requested that the 10% performance threshold for HDR resources and the Augmented Availability charge should not be implemented until an outage solution is developed for load resources, noting generator-backed imports are enabled to request and receive approval for planned outages despite not being connected to the IESO grid.</p> | <p>The 10% performance threshold for HDR resources is intended to balance competing considerations with respect to fairness and system reliability while still accounting for inherent differences in resource participation and assessment. IESO continues to develop options to address the potential impacts of contributor outages on measured performance and stakeholder the implementation details of the Augmented Availability charge, including the application scope and magnitude.</p> |