

2022 Capacity Auction Enhancements - Implementation – February 24, 2022

Feedback Provided by:

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Date: March 16, 2022

To promote transparency, feedback submitted will be posted on the Resource Adequacy webpage unless otherwise requested by the sender.

- Following the February 24, 2022 Resource Adequacy webinar, the Independent Electricity System Operator (IESO) is seeking feedback from stakeholders on the following items: **Capacity Auction proposed Market Rule amendments and draft Market Manuals for the 2022 Capacity Auction**
- Background 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 March 17, 2022.** If you wish to provide confidential feedback, please mark the document "Confidential". Otherwise, to promote transparency, feedback that is not marked "Confidential" will be posted on the engagement webpage.

Market Rules

Market Rule Chapter	Title	Sub-section	Feedback
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Ch. 7	System Operations and Physical Markets		<p>Voltus does not agree with the IESO’s removal of energy payments from HDR Resources for the capacity auction’s capacity tests. The IESO identified in its September 2019 DRWG session that compensating resources for capacity tests resulted in more efficient auction outcomes. Additionally, The DR Community and the IESO agreed in 2019 and 2020 that during an out-of-market dispatch (Tests and Emergencies), HDR resources are eligible for energy payments (\$250/MWh for tests and Offer Price minus HOEP for emergencies). The IESO’s argument is that HDR Resources are now scheduling economically for tests, and as a result, the dispatch does not qualify as an out-of-market activation. This argument looks over the fact that the IESO is removing all standard rules in place for HDR Resources for the testing week. This removal of the price floor for HDR Resources qualifies as an IESO administrative action and leads to HDR resources being dispatched out-of-market.</p> <p>To this end, we request that the IESO amend Chapter 7, Market Rule 19.4.15 to read: “The hourly demand response resource shall be entitled to compensation for valid capacity auction dispatch tests and capacity auction capacity tests conducted during a commitment period pursuant to this section 19.4 and in accordance with the applicable market manuals.”</p>
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		<p>Voltus disagrees with the inclusion of 18.2.1.2a and believes that there is no reason to shift minimum capacity qualification requirements from ICAP to UCAP. ICAP values are offered into the energy market each day and as a result, the minimum participation threshold should remain at 1 MW of ICAP. Transitioning this threshold to UCAP may lead to a number of resources being unable to qualify for the auction and will cause a net reduction of capacity being available to the IESO.</p> <p>The IESO has stated in Stakeholder sessions that good performance on the new “capacity auction capacity test” would be expected to eliminate the need for the capacity auction dispatch test. Can the IESO please confirm and point to where in the market rules or manuals this is stated?</p> <p>From stakeholdering, Voltus understands the PAF will be set only by performance on the “capacity auction capacity test”. Can the IESO please confirm and provide clarity in the market rules?</p> <p>For all resource types, performance on the ‘capacity auction capacity test’ is very important to future UCAP values. The IESO has proposed to provide a week in which participants can self schedule this test. Voltus is seeking clarity on how a market participant can mitigate PAF impact if there is a forced outage during the week designated by the IESO. Will there be a mechanism to reschedule the test week? For HDR resources, which do not have a formal outage process, how does the IESO want HDR resources to deal with unforced outages during this period?</p>
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Market Rule Chapter	Title	Sub-section	Feedback
			<p>Voltus notes that, if the performance of the 'capacity auction capacity test' is included in the baseline of HDR resources, the baseline will be unfairly low. Voltus would like to confirm that the hours of the test will be excluded from the baseline of HDR Resources.</p> <p>Market Manual 12 states that the IESO will provide 5 business days notice for the capacity testing window. Will the IESO ensure this is also reflected in the market rules?</p>

Ch. 9	Settlements and Billing	4.7J.2.1B	<p>Voltus acknowledges the IESO's goal of creating equal UCAP methodologies across all resource types. Voltus, however, continues to believe that the current proposed implementation of the augmented availability charge fails to create a level UCAP value for HDR resources and also fails to align the economic incentives of the HDR resource type with the IESO's stated goals. Voltus strongly recommends that the IESO revisit the design of this element and would be pleased to engage with the IESO on more viable options to accomplish their goals.</p> <p>The IESO's declared intent of market rules related to the Augmented Availability Charge (I.E. 4.7J.2.1B) is two-fold: 1) provide the ability for resources to take an outage by not submitting into the DACP. By doing so, they would be subjected to the Availability Charge, but not the Augmented Availability Charge. And 2) Assess the Augmented Availability Charge on HDR resources who are issued a stand-by notice and whose offers into market are less than their capacity obligation. Voltus continues to have significant issues with the penalty structure and believes it will cause inappropriate incentives for market participants. Moreover, as written, Voltus believes this does not accomplish either goal.</p>
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Market Rule Chapter	Title	Sub-section	Feedback
			<p>First, Market Rule 4.7J.2.1B, only applies the augmented availability charge to an HDR resource in the event of reduced availability on a day that the IESO has issued an emergency advisory or declared an emergency operating state. This does not allow resources to declare outages prior to the DACP, nor does it establish a stand-by notice being issued to an HDR resource as a deciding factor for that resource to be subject to an augmented charge. Moreover, Voltus believes that to meet the intent of the IESO’s rulemaking, the augmented availability charge must allow for partial outages to be declared for resources. Failing to do this will incentivize resources with partial outages to declare complete outages to reduce their penalties.</p> <p>To this end, Voltus proposes the following changes: “Where the IESO has issued an advisory notice that there is the potential for declaration or has declared an emergency operating, or has placed a resource on standby, a capacity market participant participating with an hourly demand response resource or a capacity dispatchable load resource shall be subject to an availability charge in the amount of ten (10) times the availability charge determined under section 4.7J.2.1 for every hour of the availability window in which it reduces its energy bids below the bids entered into the day-ahead commitment process, where those bids are less than the resource’s capacity obligation. ”</p>

Market Rule Chapter	Title	Sub-section	Feedback
Ch. 11	Definitions		Voltus requests that the IESO establish a concrete definition for an “advisory notice that there is the potential for declaration of an emergency operating state.”

Market Manuals

Market Manual	Title	Sub-section	Feedback
12	Capacity Auctions		<p>Voltus requests that the IESO reinstate language allowing HDR resources that have previously passed a test and have not changed its obligation by more than 5 MW to be eligible for reduced tests. The IESO has at no point stated that it was its objective to remove this option.</p> <p>It is unclear to Voltus when the Capacity test would be viewed as a sign of completion for the Dispatch test. Voltus requests additional clarity on this matter.</p> <p>On buy-outs, can the IESO provide greater clarity on how market participants should manage offers once buyouts have been submitted? Often, market participants are notified by email that buyouts have been accepted prior to notification in Online IESO. The new language creates a lack of clarity on what market participants should do.</p> <p>Voltus disagrees with a section of Market Manual 12, Capacity Auction Tests, HDR Resources... that requires CMPs to notify the IESO of which window to use for the test within 5 days of the close of the testing window. Performance Data is not due to the IESO until 6 business days before the month after the test. Voltus believes that the IESO should be notified at this time of which testing window to use for HDR Resources. Voltus was unable to find any market rules that required this notification to occur within 5 days of the close of the testing window.</p>

Market Manual	Title	Sub-section	Feedback
4.2	Submission of Dispatch Data in the Real Time Energy and Operating Reserve Markets		Click or tap here to enter text.
4.3	Real Time Scheduling of the Physical Markets		Click or tap here to enter text.

Market Manual	Title	Sub-section	Feedback
5.5	Physical Markets Settlement Statements		<p>Voltus does not agree with the IESO's removal of energy payments from HDR Resources for the capacity auction's capacity tests. The IESO identified in its September 2019 DRWG session that compensating resources for capacity tests resulted in more efficient auction outcomes. Moreover, the proposed structure for the new capacity tests amounts to an IESO administrative action to effectively dispatch HDR resources out-of-market. The fact that this is done through self-scheduling actions by the aggregators does not change this reality. Moreover, at no point did the IESO declare its intent to remove energy payments from capacity tests prior to release of these amendments.</p> <p>Section 1.6.26.3 states: "Augmented availability charges (i.e. when availability requirements are not met to the <i>cleared UCAP</i> for a declaration or a potential declaration of an emergency operating state or after an HDR resource has received a standby notification);" - It is Voltus' understanding that offers must be submitted to the IESO for the ICAP value of the resource, not the UCAP value of the resource in order to not be subjected to availability charges. Can the IESO clarify?</p> <p>As written, 1.6.26.3.2A suggests that HDR Resources are eligible for True-Up payments in the event that their registered capability is greater than the cleared ICAP value of the resource. How is the IESO determining an HDR Resource's Registered Capability?</p>

Market Manual	Title	Sub-section	Feedback
	IESO Charge Types and Equations		Voltus believes that to meet the IESO's intention, the Augmented availability charge calculations should be amended to: $\sum h_n (-1) \times \text{Max}(0, (\text{DREBQDACP} - \text{DREBQh})) \times \text{CACPh} \times (10 - \text{CNPFm})$
7.3	Outage Management		Click or tap here to enter text.

General Comments/Feedback

Click or tap here to enter text.