



NOVEMBER 3, 2020

Resource Adequacy Engagement Update

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Purpose

- Update Stakeholder Advisory Committee (SAC) members on Resource Adequacy engagement activities to date
- Gather SAC member input on the engagement approach for the next phase of engagement on the key areas that need to be discussed with stakeholder to operationalize and implement the high-level Resource Adequacy framework

Agenda

- Background
 - Recap of September 28 Webinar
- Summary of Stakeholder Feedback Received
- Resource Adequacy Engagement Detailed Work
- Questions for SAC/Discussion

Questions for SAC

- 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 key discussion areas that should be prioritized or discussed before others?

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 forecast to begin in 2028

Proposed High-level Framework

Timeframe	Competitive Mechanism
Short-term	Capacity Auction <ul style="list-style-type: none">• 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 <ul style="list-style-type: none">• Multi-year commitment, with longer forward period (up to 3-4 years)• Run as needed based on Planning criteria triggers• Acquire unbundled capacity

Proposed High-level Framework (continued)

Timeframe	Competitive Mechanism
Long-term	<p data-bbox="444 311 975 354">RFP/Contract for new resources</p> <ul data-bbox="444 354 1839 568" style="list-style-type: none"><li data-bbox="444 354 1839 431">• Longer term commitments and forward period aligned with financing needs and life of the facility<li data-bbox="444 431 1839 475">• Run as needed based on Planning criteria triggers<li data-bbox="444 475 1839 518">• Consider forecast confidence when setting target value<li data-bbox="444 518 1839 568">• Consideration to acquire attributes beyond capacity

Engagement Plan Timeline

- **October:**

- Stakeholder feedback due on the proposed framework and areas to be discussed in next phase of engagement
- IESO to review stakeholder feedback and incorporate into the evolving framework. More detailed comments will help inform further engagement

- **November:**

- Engagement webinar to review feedback received, identify and seek further stakeholder feedback on work for next phase of engagement

Engagement Plan Timeline (continued)

- **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

September 28 Webinar Summary

- Attendance high – 133 external stakeholders
- Stakeholders submitted 38 questions throughout the webinar
 - Topics summarized on the following slides
- Informal feedback received prior to and during the webinar suggested general support for the framework and interest in seeing details

September 28 Webinar – Stakeholder Questions

- Eligibility for the various mechanisms and concern that some resource types may only be eligible for the Capacity Auction
- What reliability services, if any, beyond capacity would be acquired through these mechanisms
- The timing and proposed enhancements for the next Capacity Auctions
- Timing of implementation of the framework and the mechanisms

September 28 Webinar – Stakeholder Questions (cont'd)

- How IESO will manage generators that come off of contract before these mechanisms are ready
- How the government's 'unsolicited proposals' process will fit with this framework
- Planning considerations and target capacity-setting
- Would IESO procurements consider emissions targets or other environmental attributes?

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

- Approximately 15 written stakeholder feedback submissions were received
- IESO is reviewing feedback and incorporating into future engagement plans. A cursory review of feedback has provided the following insights:
 - General support indicated for use of the MRP Guiding Principles to guide discussion in the engagement with various suggestions for modification
 - Various suggestions for IESO to consider in further scoping the engagement

Key Areas for Discussion

- Based on initial stakeholder feedback received at the engagement meeting, the following key areas will need to be discussed with stakeholders:
 - Eligibility requirements
 - Target capacity setting for the different mechanisms
 - Transparent system planning triggers for the different mechanisms and the integration between them to avoid over/under-acquiring capacity
 - Transition approach

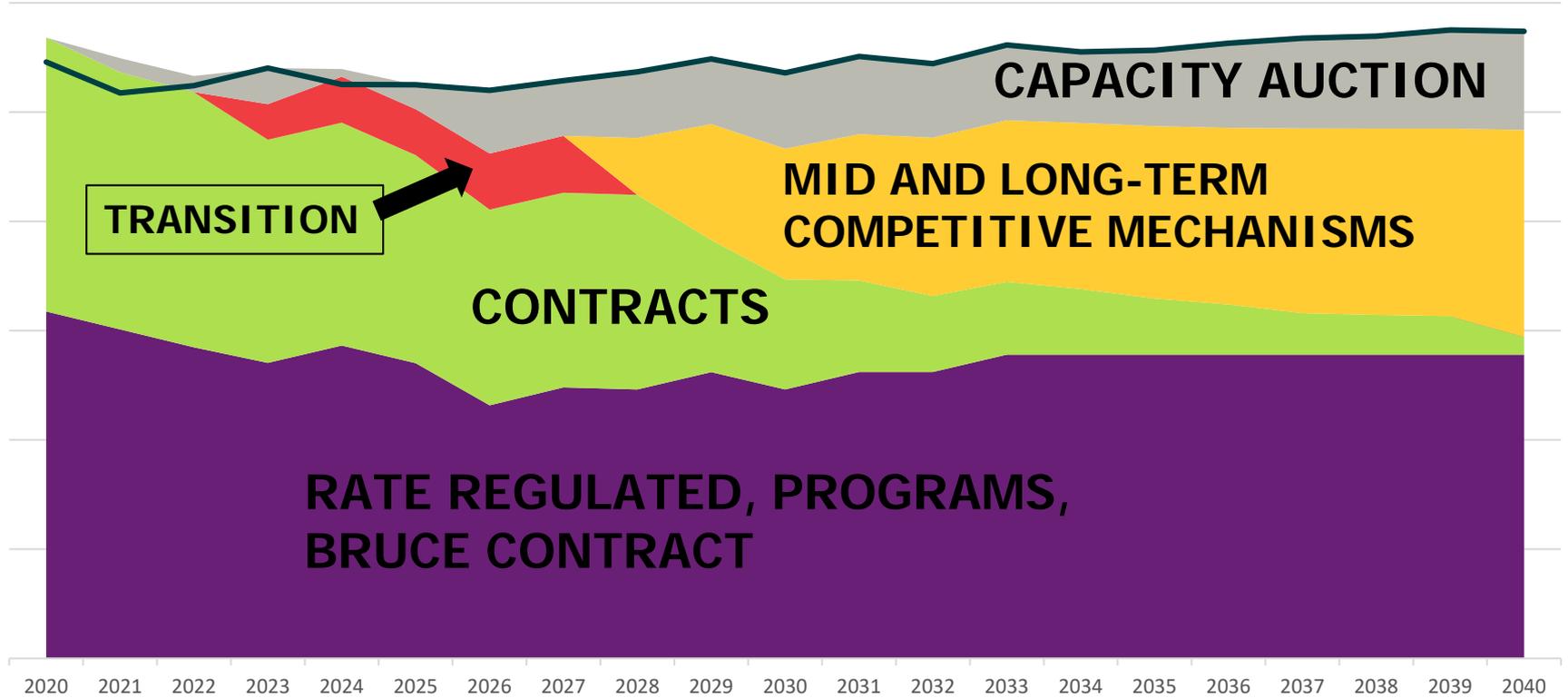
Engagement Approach – Resource Adequacy Details

- In addition to these key discussion areas, the engagement will cover:
 - Integration of the various mechanisms
 - Updates on related engagement activities (i.e. Planning Outlook, DER Survey, etc.)
 - Framework documentation (i.e. design and scoping documents, market rules and manuals, etc.)
 - Government/regulatory policy interaction
- In the near term, enhancements to the Capacity Auction will be discussed in the Capacity Auction engagement

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
 - IESO will engage stakeholders in early 2021 regarding features and timing for the next phase of auction enhancements

Supply Forecast by Commitment Type (illustrative)



Questions for SAC

- 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 key discussion areas that should be prioritized or discussed before others?

Thank You

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