

Stakeholder Feedback and IESO Response

Capacity Auction Stream 1 Enhancements – May 30, 2023

Following the May 16, 2023, Technical Panel meeting, the Independent Electricity System Operator (IESO) invited stakeholders to provide feedback on the proposed market rule and manual amendment package for Stream 1 of the 2023 Capacity Auction Enhancements.

The IESO received feedback from the following stakeholders:

- Advanced Energy Management Alliance

This feedback has been posted on the [Technical Panel](#) 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 Enhancements – Engagement Process

Feedback	IESO Response
<p>Stakeholders appreciate the IESO’s approach to engagement on the Capacity Auction Enhancements. The steps the IESO took in improving engagement opportunities shows a willingness to work with stakeholders in designing the Capacity Auction Enhancements.</p> <p>The proposed rules better align incentives for HDR participants for showing availability and performing in accordance with their obligations.</p>	<p>The IESO appreciates the collaboration of stakeholders to engage in developing these enhancements to the 2023 Capacity Auction and looks forward to engaging on further enhancements to the Auction in the future.</p>

In-Period Adjustment

Feedback	IESO Response
<p>Stakeholders suggest the application of the in-period adjustment and the capacity charge risk double-recovery of resource revenue.</p> <p>Stakeholders suggested the IESO limit recovery of payments through these two charges to no more than the availability payments for the capacity period in question.</p>	<p>The methodologies for HDR and non-HDR capacity qualification aim to achieve transparency, accuracy and fairness across resource types while recognizing the unique characteristics of the specific resource participation model. The IESO’s design for HDR capacity qualification was developed in close consultation with DR stakeholders and was revised after consideration of stakeholder feedback.</p> <p>IESO response on this topic can also be found in the January 24, 2023, feedback response document</p> <p>The IESO disagrees with the assertion that there is risk of double-recovery based on the results of a single test. A capacity charge can be applied to any resource for failure to deliver the requisite capacity during a capacity test and will not be changed as part of the 2023 Capacity Auction Enhancements. The in-period adjustment was designed as an alternative to an availability de-rate for HDR resources and aligns total availability payments with capacity delivered during a capacity test for HDR resources that fail to deliver the capacity obligation during a capacity test. For clarity, only the availability payments that have already been made</p>

Feedback	IESO Response
	<p>to a participant for any undelivered capacity can be recovered by the in-period adjustment charge.</p> <p>The performance assessment framework modifications and capacity qualification designs of the 2023 Capacity Auction Enhancements work together to ensure resources are incentivized to submit capacity into the auction that can reliably be delivered.</p>

Exclusion of HVAC Loads

Feedback	IESO Response
<p>Stakeholders believe that the IESO’s transition to qualifying capacity within the first two months of the season and ambient temperatures will prevent HVAC loads from providing capacity to the grid.</p> <p>Stakeholders request that the IESO explore additional options for the inclusion of HVAC loads in the capacity market.</p>	<p>The IESO’s capacity auction is intended to procure capacity that is available on each business day in a defined 6-month period.</p> <p>It is up to the discretion of auction participants to determine whether the resource they offer into the auction can meet the requirements of the capacity obligation.</p> <p>The IESO is willing to explore the suggestion of a weather-sensitive resource class, in the context of other potential enhancements, as part of upcoming discussions on future enhancements to the Capacity Auction.</p> <p>IESO response on this topic can also be found in the March 17, feedback response document.</p>

Performance Adjustment Factor (PAF)

Feedback	IESO Response
<p>Stakeholders requested that PAFs be applied at the contributor-level, as contributors could choose to leave for an aggregator with a higher PAF in their zone.</p>	<p>For clarity, the Performance Adjustment Factor (PAF) is not part of this proposed market rule and manual amendment package for the Stream 1 Enhancements. Stakeholders may consider submitting this feedback through the Capacity Auction Enhancements engagement. Stakeholder feedback on the proposed market rule and manual amendments for the Stream 2 enhancements are due by June 8, 2023.</p> <p>In addition, as mentioned in the March 28, feedback response document, contributors leaving a portfolio is a contributor management issue to be managed by the aggregator.</p>
<p>Stakeholders are concerned that the entire portfolio would face a significant derate for years if one contributor has an outage during the capacity test that is not recognised by the IESO.</p> <p>Stakeholders suggest this issue could be rectified by allowing Resources to use the higher of their performance in real events and the Capacity Test when setting the PAF and the In-Period Adjustment.</p> <p>Stakeholders suggest this issue could also be addressed through continued improvement of the outage management process improvement.</p>	<p>The final design for the revised testing framework includes multiple features that can assist all resources, including HDR resources, in conducting a successful capacity test, such as the following:</p> <ul style="list-style-type: none"> • Notice of testing will be issued in first two months of obligation period, where possible; • 10 business-day advance notice leading up to the capacity testing week, • 5 business-day testing period to conduct the capacity test. • Clarity provided regarding the “Allowable Exception” scenarios that would warrant a re-scheduled testing week <p>In addition, the IESO engaged with stakeholders to develop a new solution to address the potential negative effects of a contributor outage on HDR baselines, that can be used for certain circumstances. The IESO is confident that the added flexibility and optionality these design enhancements provide, can be effectively used to conduct a successful capacity test.</p> <p>The IESO is open to discussing ways to address concerns related to meter outages extending</p>

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	<p>through an activation and the implications of the current Validation, Estimation and Editing (VEE) criteria as part of future auction enhancements.</p> <p>The PAF design will be brought to the Technical Panel for consideration as part of a subsequent proposed market rule and manual amendment package for Stream 2 of the 2023 Capacity Auction Enhancements. The PAF design will encourage participants to offer capacity that can be reliably delivered, as supported by historical performance data, while applying a derating factor based on historical data for offered capacity that exceeds previously demonstrated performance. If a PAF is applicable, it would be calculated for the 6-month seasonal obligation period for which capacity is being qualified and would not apply to more than one obligation period.</p> <p>IESO response on this topic can also be found in the March 28, feedback response document.</p>
<p>Stakeholders requested IESO to consider an enhancement to enable aggregators to register multiple HDR resources per IESO zone, and that any de-rating should occur at the facility or utility account level.</p>	<p>Additional stakeholder engagement is required to understand the potential benefits of enabling multiple HDR resources per zone to stakeholders and the IESO.</p> <p>Considering this, the IESO will not be including this new proposal in the enhancements for the 2023 Capacity Auction, and instead will include this topic in future auction enhancements discussions.</p> <p>IESO response on this topic can also be found in the December 16, 2022, feedback response document.</p>
<p>HDR capacity is being undercounted by equating energy delivered and capacity delivered. This increases performance risk for aggregators.</p>	<p>The IESO defines the Capacity Auction capacity product as an energy market must-offer/bid requirement, obligating resources to make energy/curtailment available for real-time balancing during specified hours. The IESO's current baseline</p>

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<p>Stakeholders suggest it would be more appropriate to distinguish between capacity and energy delivered, as all other markets in North America do.</p>	<p>methodology and application of that methodology is aligned with this definition.</p> <p>The IESO’s position that a baseline should represent load in the absence of an activation is consistent with other North American system operators, and the North American Energy Standards Board’s baseline definition. The IESO’s current baseline methodology and application of that methodology is aligned with the capacity product being procured through the Capacity Auction.</p> <p>IESO response on this topic can also be found in the March 28, feedback response document.</p>

Outage Management Process

Feedback	IESO Response
<p>Stakeholders suggest the Outage Management Process should not be included under the Measurement Data Audit program.</p>	<p>Any change or impact to HDR measurement data submissions will inherently need to be considered in the audit, since the purpose of the audit is to validate the integrity of HDR measurement data submissions.</p> <p>In order to verify that the contributor outage solution was used appropriately, the IESO must evaluate the contributor’s interval data, which is only available at the time of an audit.</p> <p>Declaring a contributor outage is entirely optional. Participants may choose to (but are not obligated to) use the contributor outage process in order to offer relief where a contributor outage has occurred.</p> <p>IESO response on this topic can also be found in the April 25, feedback response document.</p>