

Capacity Auction

Information Session

August 22, 2019

Engagement Objective for August 22

- Status update on Transitional Capacity Auction (TCA) Phase I
- Present the high-level roadmap and timing for Capacity Auction stakeholder engagement
 - Gather feedback from stakeholders on proposed timing and design features under consideration for next two auctions

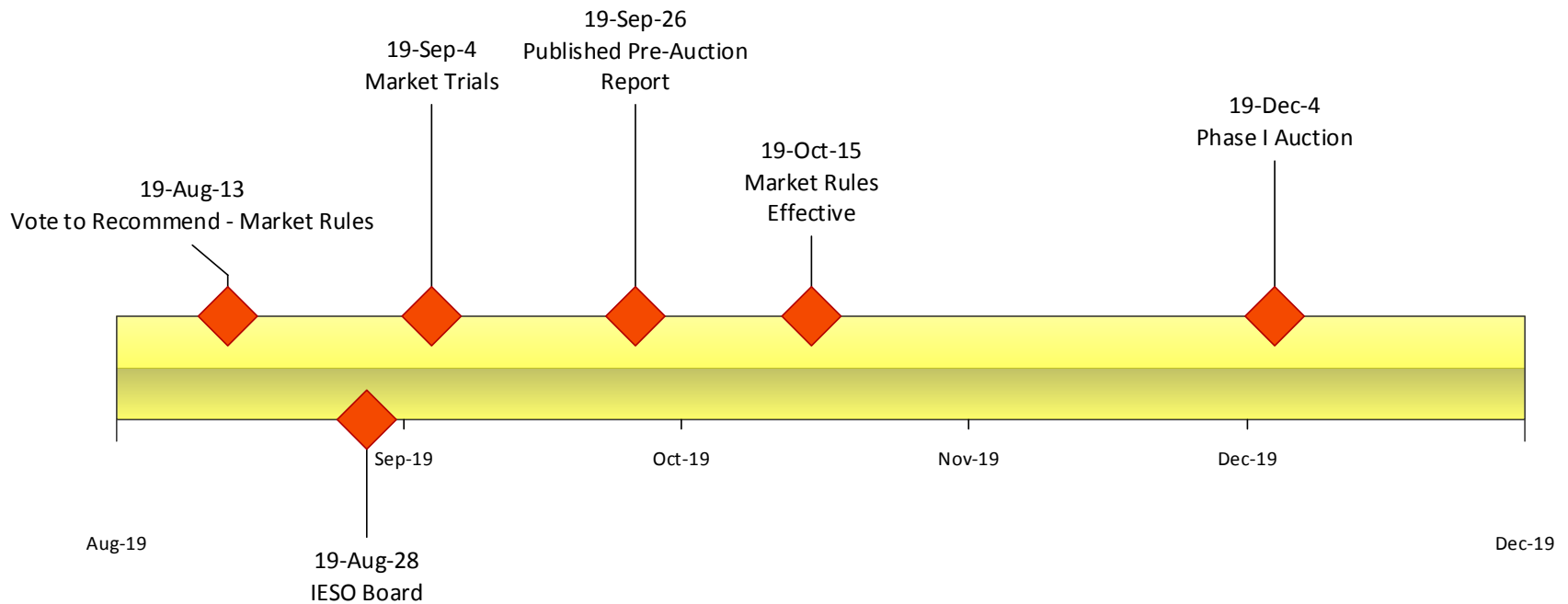
Today's Overview

- TCA Phase I Timeline
- Capacity Auction
 - Stakeholder Engagement Plan
 - Stakeholder Engagement Timelines
- 2020 Capacity Auctions Proposed Design Features
 - June 2020 auction
 - December 2020 auction
 - Timelines
- Next Steps

TCA PHASE I

TCA Phase I Timeline

Capacity Auction Project Schedule – Phase I: December 2019 Auction



CAPACITY AUCTION

Capacity Auction (CA) Engagement Plan

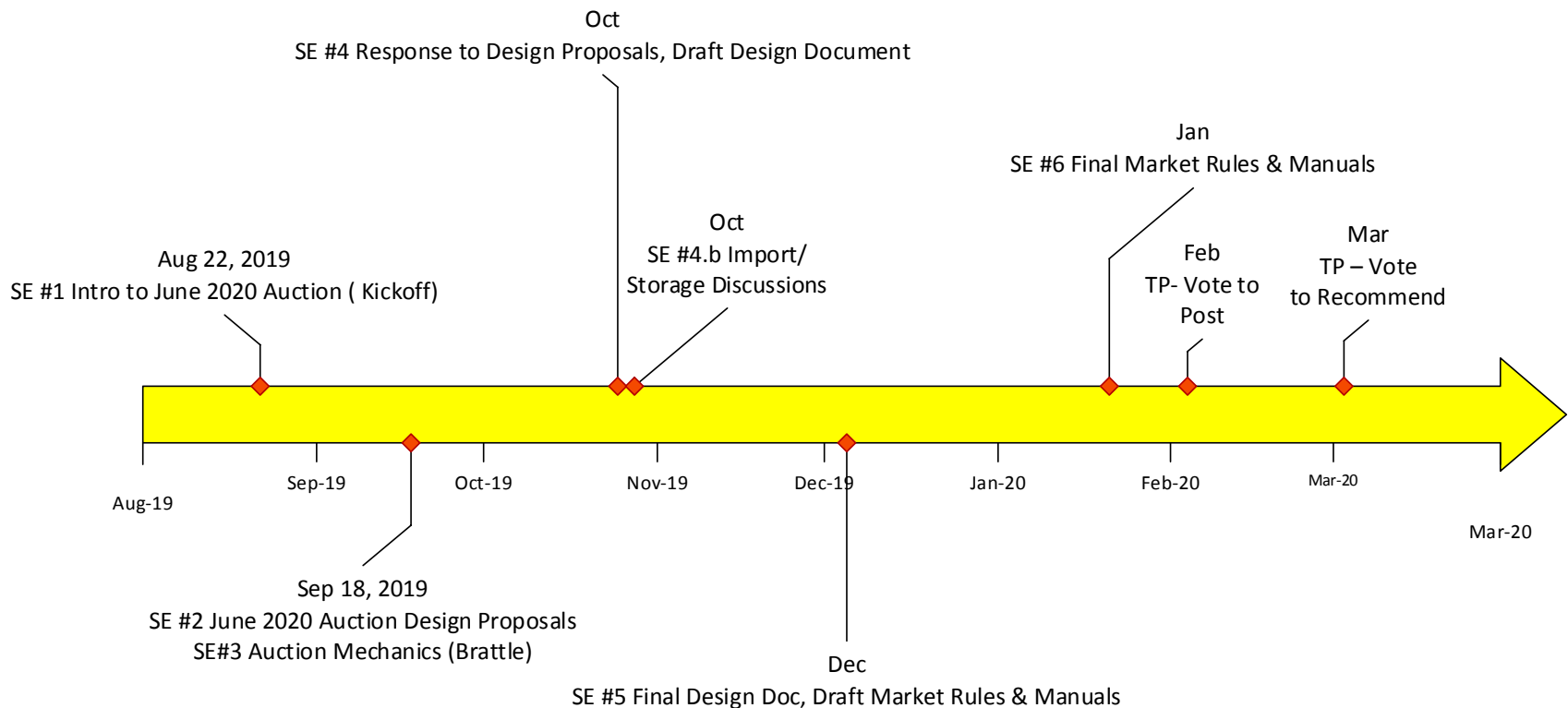
- June 2020 auction
 - Design improvements to be implemented for the second Capacity Auction
- December 2020 auction
 - Design improvements to be implemented for the third Capacity Auction
 - The engagement plan for the December 2020 auction has yet to be finalized and will be updated before the completion of the June 2020 auction engagement
- Today we are seeking stakeholder feedback on design proposals to be discussed for June and December 2020 auctions

Engagement Schedule

Timing	Engagement Activity
August 22, 2019	Introductory discussion and presentation of the purpose, high-level scope, and timing of this engagement <ul style="list-style-type: none"> • Discuss areas for feedback; solicit initial feedback on proposed engagement approach
September 5, 2019	Stakeholder feedback due on draft engagement plan, and high-level scope
September 18, 2019	Meeting to begin discussion on June 2020 auction design <ul style="list-style-type: none"> • Review initial feedback on scope of the work plan • Discuss initial set of design proposals for June 2020 auction, including design proposals specific to auction mechanics (reference price and maximum auction clearing price)
October, 2019	Stakeholder feedback due on draft design proposals for June 2020 auction
October, 2019	Meeting to review feedback on design proposals and present draft design document for June 2020 auction
October/November, 2019	Stakeholder feedback due on draft design document
November, 2019	Meeting to present final design document and draft market rules for June 2020 auction <ul style="list-style-type: none"> • Seeking feedback on key challenges, barriers, and opportunities
December, 2019	Stakeholder feedback due on draft market rules for June 2020 auction
Post-2019	Additional in-person meetings or webinars as required

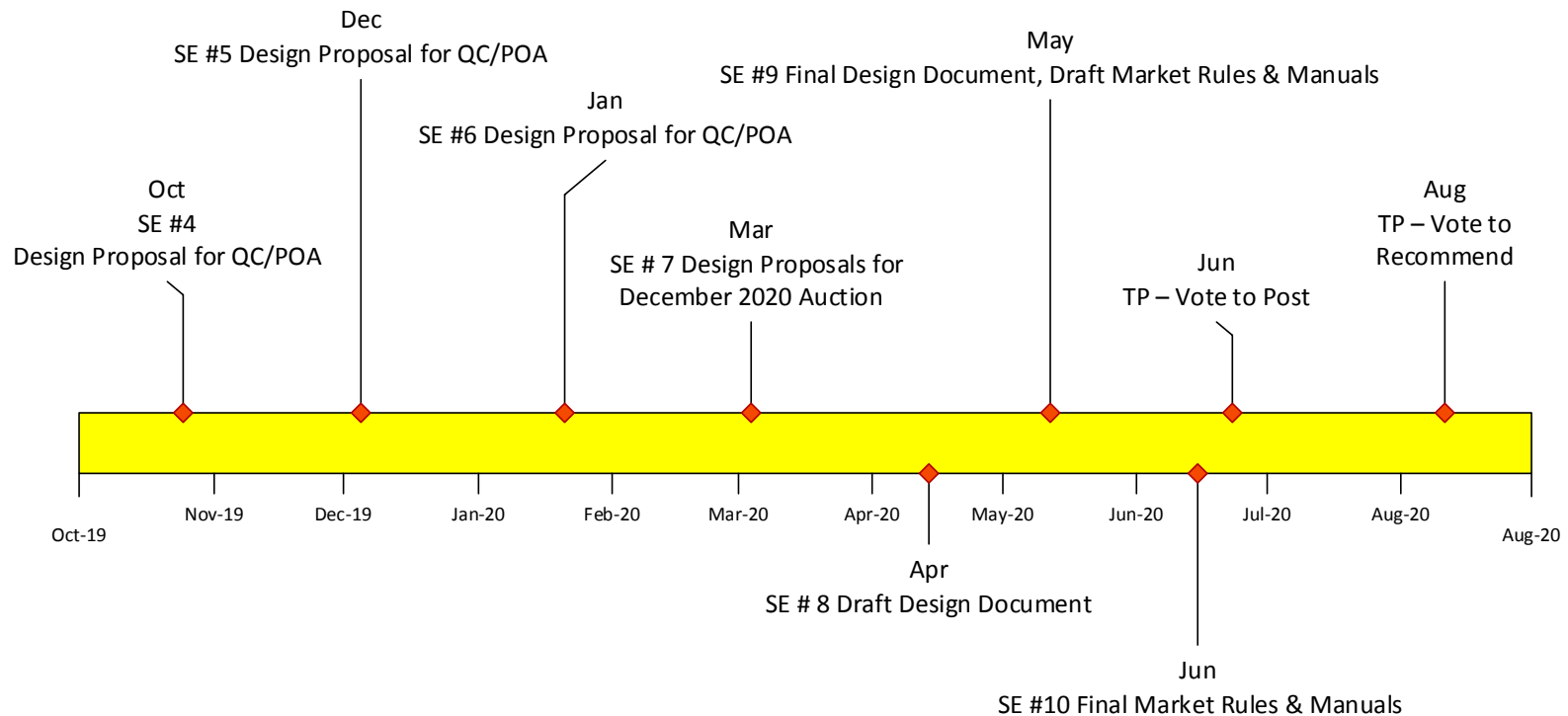
Stakeholder Engagement Timelines – June 2020 Auction

Capacity Auction Stakeholder Engagement Schedule – June 2020 Auction



Stakeholder Engagement Timelines – December 2020 Auction

Capacity Auction Stakeholder Engagement Schedule – December 2020 Auction



2020 CAPACITY AUCTIONS PROPOSED DESIGN FEATURES

June 2020 Auction – Design Features under Consideration

1. Broadening Participation: Energy Storage and System-backed Imports
2. Demand Curve Parameters
3. Resource-Level Obligations
4. Revisions to Obligation Transfer Requirements
5. Zonal Maximum
6. Connection Assessment and Approval (CAA)

Resource-Level Obligation/Qualification

- Moving from organizational-specific obligations to resource-specific obligations
- This design change will affect:
 - capacity qualification
 - auction offers
 - settlements
 - capacity obligation transfers

Broadening Participation

- Energy Storage
 - Will allow energy storage with IESO-revenue meters to offer into the auction
 - An interim approach for storage specific performance assessments will be introduced as part of the June 2020 auction; followed by capacity qualification process starting from December 2020
- System-backed Imports
 - Neighbouring jurisdictions, who are willing to supply capacity backed by their system, will be enabled

Zonal Maximums

- Informed by the IESO's resource adequacy requirements, the IESO will review the process for determining the zonal maximums
- The virtual zonal limits for demand response (DR) will remain unchanged

Connection Assessment and Approval (CAA)

- If an organization plans to establish or modify a connection to the IESO-controlled grid, it must obtain IESO approval through the (CAA) process
- June 2020 auction will propose to remove the requirement for hourly demand response (HDR) resources to obtain IESO approval for new or existing load facilities (transmission-connected load facility or embedded load facility) providing DR capacity greater than 10 MW at the IESO-controlled grid connection point (CAA is not required for DR capacity less than 10MW)

Obligation Transfers

- Less restrictive like-for-like requirement:
 - the *capacity obligation* transfer shall consist of the same attributes (e.g. physical or virtual).
 - remove the requirement that the *capacity obligation* transfer be the same resource type (demand response, generation, import, etc.)
- Less restrictive transfers between zones:
 - Transfers between any zone will be allowed (as long as it will not result in an exceedance of zonal constraints)

Note that transfers within an organization are permitted as long as all aforementioned requirements are met.

Demand Curve Parameters

- The IESO's consultant on capacity, Brattle, will develop new demand curve parameters
 - Reference Price and Maximum Auction Clearing Price
- The shape of the curve will not be changed
- A separate meeting will be devoted to discussing the methodology and proposed values for the demand curve parameters with stakeholders

December 2020 Auction - Design Features under Consideration

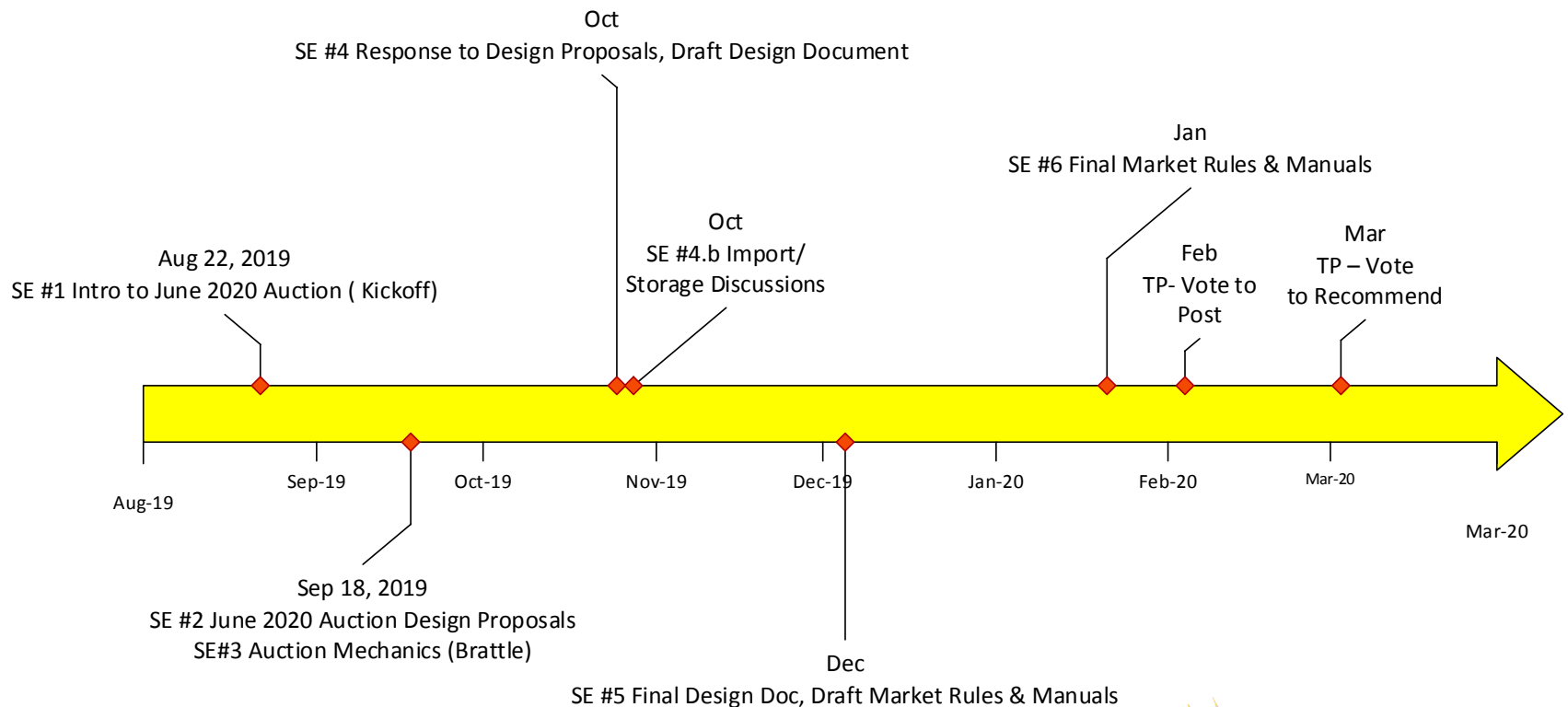
1. Capacity Qualification Process
2. Performance Obligation Assessment
 - Non-Performance Factors
 - Non-Performance Charges
 - Treatment of Planned Outages
 - Testing
 - Availability assessments
 - Resource specific assessments
3. Exploring potential to broaden participation:
Self-Schedulers, Resource-backed Imports,
Uprates and Merchant Capacity
4. Contingent Offers

December 2020 Auction - Design Features under Consideration (cont'd)

5. Zonal Minimum Limits
6. Market Power Mitigation
7. Consider Declining Offers

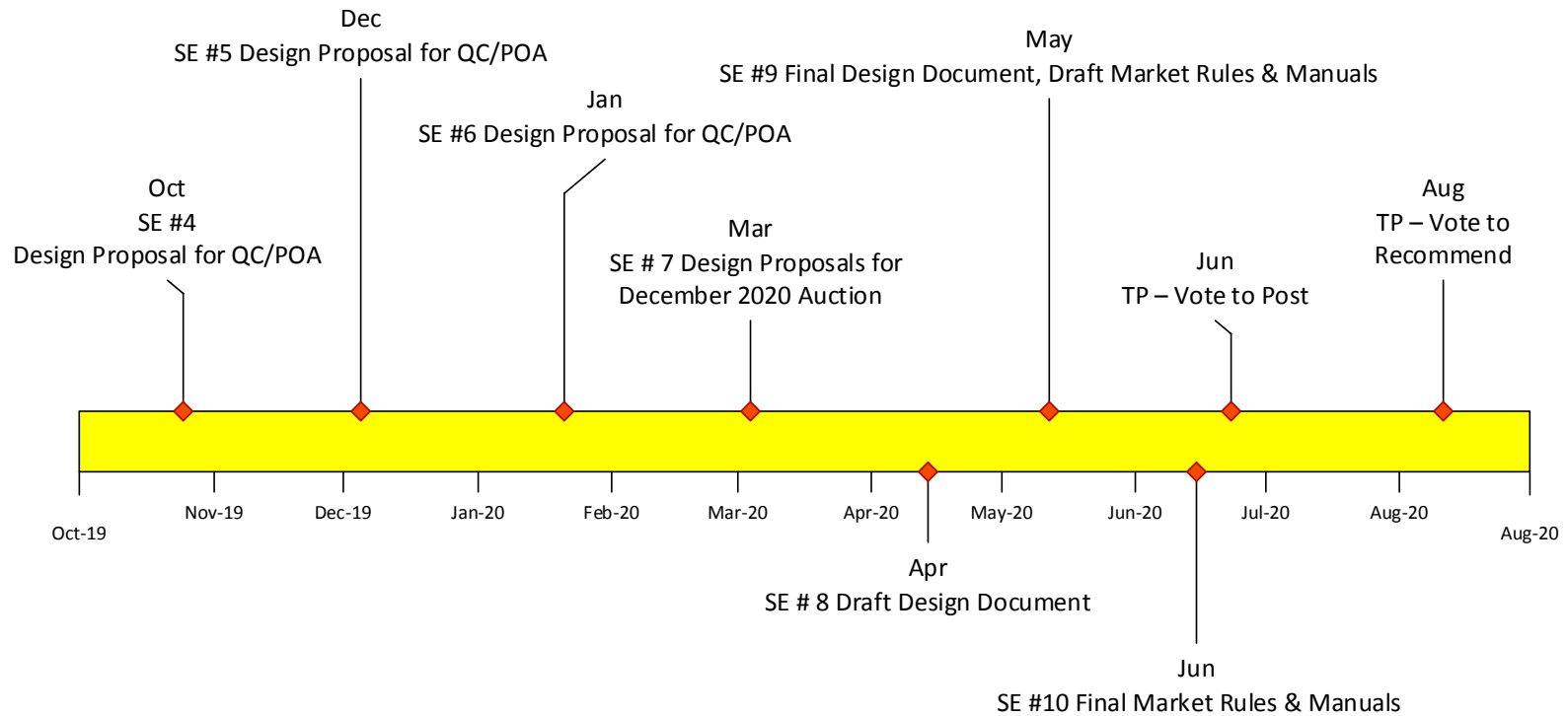
Stakeholder Engagement Timelines – 2020 Capacity Auctions

Capacity Auction Stakeholder Engagement Schedule – June 2020 Auction



Stakeholder Engagement Timelines – 2020 Capacity Auctions (cont'd)

Capacity Auction Stakeholder Engagement Schedule – December 2020 Auction



Stakeholder Feedback

- Items for consideration:
 - Are there any design features proposed for the 2020 Capacity Auctions that should be reconsidered with respect to:
 - Timing
 - Scope
 - Interdependencies
 - Is the proposed engagement approach and timeline adequate to identify major issues and concerns?
 - Please provide context with your responses
- Please submit feedback to engagement@ieso.ca by Sept. 5, 2019

Next Steps

- September 18: Stakeholder engagement meeting on June 2020 auction design proposals
- Capacity Auction webpage is now live