Incremental Capacity Auction (ICA) – *Stakeholder Feedback Form*

Stakeholder Options Phase Meeting #1: August 16th, 2017

Feedback request by: 2017/09/13 **Date Submitted:** *2017/09/13*	**Feedback provided by:** Company Name: _____EnerNOC _____ Contact Name: Sarah Griffiths_____ Phone: _____ Email: _____

By submitting this Stakeholder Feedback Form, the company or individual identified above, as applicable, consents to the disclosure by the IESO of this Stakeholder Feedback Form and its contents, in whole or in part, in stakeholder engagement meetings, on the IESO website or otherwise.

The IESO held the first meeting of the 'Options Phase' of the Incremental Capacity Auction engagement on August 16th, 2017. The meeting covered the design elements related to establishing the demand curve (i.e. Target Capacity, Net CONE, Min/Max Capacity Limits, Maximum Auction Clearing Price, and Slope of Demand Curve).

The presentation can be found here.

In order to maximize the effectiveness of this stakeholder engagement process, the IESO requests that stakeholders use the template below to provide feedback on content presented as follows:

- Provide responses to the questions posed
- For options presented, indicate your preference along with applicable rationale/supporting arguments
- Identify any aspects that you believe require further elaboration or discussion

Feedback received may be shared by the IESO on its website, at future stakeholder engagement meetings, or otherwise and will help inform further discussions at future stakeholder engagement meetings.

Please send this form with your feedback to engagement@ieso.ca

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ICA Goals & Objectives	Stakeholder Feedback
Draft Goal: *Slides 6-14* Do stakeholders agree with the following proposed Goal statement for the ICA Project? *The Incremental Capacity Auction Project will develop and implement an enduring market-based capacity procurement mechanism that will, alongside contracted and rate regulated resources, ensure Ontario's resource adequacy needs are met cost effectively within the broader policy framework.*	EnerNOC supports the goal as outlined, however EnerNOC recommends that the province, the IESO and the stakeholder community strive to create a competitive auction mechanism that is sustainable and could bring the rate regulated resources, and other contracted resources under its purview over time.
Draft Objectives: *Slides 6-14* Do stakeholders agree with the following proposed Objectives for the ICA Project? **1.** Meet incremental resource adequacy needs **2.** Secure incremental capacity at the lowest cost in the long run	EnerNOC supports the proposed objectives.
Draft Strategic Outcomes: *Slides 6-14* Do stakeholders agree that the objectives can be achieved if, within the broader policy framework? • A transparent market price is established for the value of capacity in each zone • Incremental capacity is secured in the locations and timeframes that align with resource adequacy needs • Diverse resource types are enabled to compete to meet resource adequacy needs • Auction design evolves over time to address sector changes and improve auction outcomes • Risk is appropriately allocated	EnerNOC agrees that the objectives can be achieved. Although the auction design will evolve over time as the sector changes, these changes should be minimal with a well-designed auction. The auction should be able to adapt to market needs as they continue to develop with minimal impact.

Design Element	Features	Questions for Stakeholders	Stakeholder Feedback
Target Capacity	Hold-Back *Slides27-32*	Please identify preferred option and provide supporting rationale. **OPTIONS:** 1. With "Hold-back" 2. Without "Hold-back" **QUESTION:** What other considerations could inform this decision?	EnerNOC supports Option 2 – without "Hold-back" EnerNOC supports rebalancing auctions for the purpose to adjust for change in the forecasted peak load. EnerNOC recommends that there be a base residual auction for 100% of target capacity MWs on a three-year forward basis, plus a rebalancing auction for changes in peak load or accelerated participant entry two years and one year before delivery.
	Transparency and certainty *Slides33-36*	**QUESTION:** What information would stakeholders/participants require in order to understand how the reserve requirement, and subsequently the Target Capacity, is determined by the IESO? • To ensure IESO communicate relevant information, it would help to understand the intended use of the requested information	EnerNOC recommends that the IESO provide the following information: - Projected fixed contract expiration by delivery year - Prior system peak loads (by zone and coincident) - Peak load forecast going forward - Loss of Load Expectation (LOLE) sensitivity to reserve margin values considered - Same drivers behind load zone constraints (if any)
	Timelines *Slides37-39*	**QUESTION:** What activities do participants envision typically occurring after the Target Capacity has been published (e.g., arranging financing, vendors, project development work, site selection, permitting, etc.)? • How long, on average, would these activities take? **QUESTION:** How far beyond the commitment period would stakeholders desire that "Target Capacity" <u>projections</u> be published?	EnerNOC activities include auction planning, new customer acquisition, arranging financing and strategic partnership. The key activity, auction planning, takes at least 1 month. There should be adequate time before the auction for project pre-planning and approval and/or MW qualification. There should be adequate time between the auction clearing and delivery period to arrange for credit/collateral, construction, permitting, and testing. There should be at minimum one year between auction and delivery, realistically two or three. EnerNOC recommends that the Target Capacity projections be published as far out as the current auction plus 3 years.

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			For example, if the next auction is for 2020/2021, Target Capacity values through 2023/2024 are published.
Net CONE	Reference Technology *Slides46-49*	**QUESTION:** What considerations should drive the selection of the reference technology in Ontario?	The reference technology must comply with all known environmental regulations and practical renewable portfolio standard constraints. The reference technology should be the most reliable resource that will actually be built if pricing rises and there is a need for new resources.
	Gross CONE *Slides50-52*	**QUESTION:** Are there Ontario-specific considerations that should be reflected when establishing the methodology for estimating Gross CONE?	The IESO should ensure that the time/costs it will take to have a new project approved, constructed and interconnection, aligns with the auction cycle in the province. The IESO should also reflect inflation in Gross CONE.
	Energy & Ancillary Services Offset *Slides53-55*	**QUESTION:** What considerations do stakeholders feel is important to consider when defining the methodology for forecasting the E&AS Offset?	EnerNOC recommends taking a long term view for this, as the main purpose of forecasting is to reduce the year-to-year volatility in forecasted E&AS revenues.
	Stakeholder Involvement *Slides56-59*	**QUESTION:** What expectations do participants have for their level of involvement in setting the inputs that will feed into the Net CONE study? **QUESTION:** To what extent should the outputs from the Net CONE study be open to debate or revisiting?	EnerNOC would expect stakeholder's ability to work with the IESO and any 3rd party consultants on the development of inputs for the Net CONE study. EnerNOC supports the review of the outputs and open discussion on how they were achieved with the IESO and the 3rd party consultants. From a governance standpoint, all interested stakeholders should be able to vote on the results of the study and this vote should be recorded. Prior to this vote, the IESO should conduct and publish a study informing stakeholders of any implied changes to the clearing price of

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			the most recently completed Incremental Capacity Auction.
	Frequency of Revision *Slides60-64*	Please identify preferred option and provide supporting rationale. **OPTIONS:** 1. Reset performed > 4 year cycle 2. Reset performed every 3-4 years 3. Reset performed < 3 year cycle **QUESTION:** What other considerations could inform the decision of how frequently the Net CONE components need to be updated?	EnerNOC supports Option 2 – Reset preformed every 3-4 years. Resetting every year would be inefficient and greater than 4 years could miss some substantial market changes.
	Zonal Net CONE *Slides65-69*	Please identify preferred option and provide supporting rationale. **OPTIONS:** 1. Single Net CONE for Ontario 2. Use zonal Net CONE estimates **QUESTION:** What other considerations could inform the decision of whether to estimate zonal Net CONE values?	EnerNOC supports a Net CONE for each locational load zone in Ontario, as applicable. EnerNOC supports a single capacity zone for Ontario unless system constraints necessitate the creation of a locational capacity zone. If a locational capacity zone is required, then a 'new capacity zone' review process should be developed and implemented similar to NYISO that outlines the strong reason for its creation. NYISO has a 3 year 'new capacity zone' review process that is conducted on a 3 year basis to determine whether they should create a new zone with its own demand curve.

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Min/Max Capacity Limit	Methodology for determining limits *Slides78-82*	Please identify preferred option and provide supporting rationale. **OPTIONS:** 1. Set as a percentage of Target requirement 2. Based on specified LOLE 3. Based on low/high demand outlooks **QUESTION**: Are there any other considerations that should be taken into account when establishing the mechanism for setting minimum/maximum limits for the base auction?	EnerNOC requests that the IESO provide information on the constraints that would exist on these options. A demand curve should be developed that minimizes extreme movements in price except under scarcity. Extreme price swings make it difficult to plan for resource adequacy.
Maximum Auction Clearing Price (MACP)	Methodology for calculating MACP *Slides90-94*	Please identify preferred option and provide supporting rationale. **OPTIONS:** 1. Function of Net CONE 2. Function of Gross CONE **QUESTION:** What other considerations could inform the decision of how to establish the MACP? – Gross CONE vs. Net CONE – Magnitude of multiplier	EnerNOC recommends that MACP should be a function of Net CONE with a multiplier of 1.7x.
	Price Floor for MACP *Slides95-99*	Please identify preferred option and provide supporting rationale. **OPTIONS:** 1. With Price Floor 2. Without Price Floor **QUESTION:** What other considerations could inform the decision of whether a price floor for MACP is required?	EnerNOC does not support a price floor in the ICA. EnerNOC recommends a minimum offer price resources "MOPR" for market participants that have both market power and an incentive to depress prices.

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Slope of Demand Curve	Shape of demand curve *Slides107-114*	Please identify preferred option and provide supporting rationale. **OPTIONS:** 1. Steeper Slope 2. Flatter Slope 3. Convex 4. Concave **QUESTION:** What aspects of each demand curve shape do stakeholder believe Ontario should adopt? Why?	EnerNOC supports a convex demand curve. A convex curve will provide price stability near the outer end of the demand curve while still offering clear price signals if the system is short on capacity. As outlined in the work plan for this consultation, EnerNOC expects that the demand curve construction criteria should be transparent to stakeholders.

General Comments/Feedback: