

Incremental Capacity Auction – Phase 2 - Options

December 4, 2017

Minutes of Meeting

Date held: December 4, 2017	Time held: 9:00 am – 3:00 pm	Location held: Four Points by Sheraton Toronto Airport
Company	Name	Attendance Status
		A)ttended; (WebEx) Attended via WebEx; (TC) Attended via teleconference
AMPCO	Wright, Rhonda	A
AMPCO	Anderson, Colin	A
APPrO	Butters, Dave	A
Brattle Group	Grat, Walter	A
Bruce Power	Dalzell, Pat	A
Bruce Power	Xu, Jennifer	WebEx
CanWEA	Giannetta, Brandy	WebEx
City of Toronto	Koff, Chaim	WebEx
Con Edison Energy	Mah, Norman	TC
Consumers Energy	Jeff, Beattie	TC
CPower	Houriham, Mike	WebEx
CRA	Cary, Robert	WebEx
Customized Energy	Withrow, David	TC
EnerNOC	Griffiths, Sarah	A
Goreway Power Station	Coulbeck, Rob	A
Goreway Power Station	Sutherland, Chris	A
Great Circle Solar Management Corporation	Wharton, Karen	A
HQEM	Frederic, Belanger	TC
Ministry of Energy	Zerek, Peter	WebEx
NPI	Samant, Sunil	A
NRG	Popova, Julia	WebEx
OhmConnect	Kooiman, Brian	WebEx
Ontario Citizens' Coalition for Clean Affordable Energy	Fortin, Michel	A
Ontario Energy Association	Hrab, Roy	A
Ontario Power Generation	Gell, Richard	A
Ontario Power Generation	Wizniak, Linn	A
Ontario Power Generation	Brewer, James	WebEx
Ontario Waterpower Association	Norris, Paul	A
Power Advisory LLC	Cumming, Alison	A
Powerconsumer	Jagt, Mandy	WebEx
Powerful Solutions	Inman, Peter	A
Rayonier Advanced Materials	Dottori, Paolo	WebEx

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Rodan	Goddard, Rick	A
Shell Energy	Kerr, Paul	WebEx
Sussex Strategy Group	Hiltz, Bonnie	A
Temporal Power	Chen, Katherine	A
TransAlta	Nguyen, Thanh	WebEx
TransCanada	Kuntz, Margaret	A
Wattsworth	Spitters, Richard	TC
Whisker Labs	King, Robert	TC
Workbench	Sears, Heather	A
IESO	Chapman, Tom	A
IESO	Umeike, Ekene	A
IESO	Hill, Warren	A
IESO	Agavrioloai, Ioan	A
IESO	Nusbaum, Stephen	A
IESO	King, Ryan	A
IESO	Zhao, Serena	A
IESO	El-Samahy, Ismael	A
IESO	Danielle D'Souza	A
IESO	Ellard, Barbara	A
Prepared by Ekene Umeike, please report any corrections, additions or deletions e-mail to engagement@ieso.ca		

All meeting materials are available on the IESO web site at: <http://www.ieso.ca/en/sector-participants/market-renewal/market-renewal-incremental-capacity-auction>

Introduction, Review of Agenda and Meeting Objectives – Ryan King

The IESO welcomed participants and outlined the day's objectives and agenda.

Enabling Capacity Exports Update – Warren Hill

A participant asked what the difference is between a resource outage and a local outage as listed on slide 15. The participant also wanted to know how resource outages relate to planned outages.

The IESO explained that resource outage refers to the resource itself while a local outage refers to anything that might make that same resource grid incapable or frequently constrained. The IESO explained further that both types of outages refer to planned outages over a period of time which are known at the time of the assessment and which are measured as a total number of days over the

commitment period or as a percentage of the commitment period. The actual metric is still being determined.

A participant asked whether merchant exporters will also be subject to congestion studies.

The IESO responded that all resources wishing to export their capacity will be assessed in terms of congestion. Adding also that merchant facilities will generally be subject to the same requirements as other facilities wishing to export, only being treated differently from a resource adequacy perspective because they are not considered to be firm resources.

A participant asked whether the registration and review process with the IESO will have to precede bidding into another jurisdiction's capacity market.

The IESO responded in the affirmative, explaining that the market participant would require an authorization letter from the IESO to bid into other jurisdictions. At base, however, the IESO must agree to manage called capacity exports in a manner which is commensurate with our agreements with other jurisdictions. In order to do so, the IESO must be satisfied that the reliability and adequacy of the grid can be expected to be maintained during the commitment period and that the export will be unlikely to impose significant costs on the market.

A participant asked whether the IESO would also be looking at the non-contracted (i.e., 'merchant') portion of contracted generators as part of the enabling capacity exports exercise.

The IESO responded that there are complex issues around segmentation and implementation that would need to be considered but it is open to having further discussions on what may be possible.

Stakeholder Feedback - Stephen Nusbaum

A participant asked whether a resource contracted to an external jurisdiction would be ineligible to participate in the ICA.

The IESO explained that they would be ineligible because resources will not be allowed to commit the same capacity simultaneously in more than one jurisdiction.

A participant asked whether a pre-existing facility that has not previously participated in demand response would be considered to be a new facility if it offers demand response capacity.

The IESO responded that, from an eligibility perspective, it would be considered as new since the facility's capabilities would have to be reviewed from scratch. As to whether they might qualify for multi-year commitments, the IESO added that while no determinations have been made at this point, demand response resources are generally ineligible in other jurisdictions.

A participant suggested that compliance with existing regulations, such as the requirement to submit an environmental assessment, should provide adequate assurances to the IESO and that any further requirements could be repetitive.

The IESO agreed that it would be beneficial to avoid imposing overlapping or repetitive requirements on auction participants.

A participant suggested that a pre-existing facility that has not previously participated in demand response may have difficulty accepting the prospect of having to engage in community consultations as a condition for entering the auction. The participant explained that these facilities would consider such consultations to be something they have already been subject to previously when they were being developed and built.

The IESO noted the comment and recommended the participant submit this feedback in writing as well.

Stating that financial instruments should be sufficient to mitigate risks associated with project delivery, a participant asked why the IESO cares about additional requirements like demonstrating project support.

The IESO agreed that financial instruments can be a strong incentive for participants to deliver projects; however, given the uncertainty surrounding how future steps like rebalancing auctions will be implemented and the risks that could emerge as a consequence, the preference is to keep a wide variety of risk management options on the table for now.

Another participant suggested that it would be useful for the IESO to do a comparison of how other jurisdictions handle these issues.

The IESO agreed that it would be a useful exercise.

A participant asked whether other jurisdictions allow storage to provide capacity.

The IESO responded in the affirmative. The IESO added that the intention is to allow the fair participation of energy storage and other resources while remaining mindful of their respective limitations.

A participant suggested that there may be a unique category of outages occasioned by a need for a major exercise, which could be cyclical in nature, at a facility. The participant added that within this category, facilities would be able to go offline under almost all conditions. The participant opined that such outages ought not to impact a facility's qualified capacity.

The IESO responded that if an outage results from such an exercise despite a lack of IESO approval, then it may be treated as a forced outage. The IESO added that this issue could be discussed further during the detailed design phase.

A participant asked whether discussions on a scenario in which a facility that is able to deliver capacity as per its obligations but for external reasons, such as transmission constraints, is prevented from doing so are not best suited for future engagements on locational considerations.

The IESO agreed that discussions about locational issues could partially address such a circumstance but added that there are also aspects related to qualified capacity considerations as well.

Introduction to Today's Design Elements – Stephen Nusbaum

A participant asked for updates to events calendar on the website to make planning easier for stakeholders.

The IESO apologized for delays in updating the calendar and explained that a review of some of the dates is ongoing. The updated online events calendar will be available shortly.

Length of Forward Period – Stephen Nusbaum

A participant suggested that the IESO should be explicit about which resources could be excluded as a result of the preliminary decisions.

The IESO responded that nothing is excluded per se, but acknowledged that the preliminary decisions could affect the risk profiles of various project types in different ways.

The participant added that changing risk profiles affect costs and could make some projects more expensive to execute.

The IESO agreed, adding that although minimizing the gap between when market participants have to begin significant capital investments and when they get a commitment would be ideal, eliminating that uncertainty for all project types will probably not be possible.

A participant suggested it would be useful for the IESO to look at what resource types, taking project lead times into consideration, have entered capacity markets with similar forward periods to that being proposed by the IESO.

The IESO agreed that it would be a useful exercise and would provide an update on this at a future meeting.

A participant asked whether the IESO desires a winter or summer beginning for the commitment period.

The IESO responded that it is currently leaning towards the summer.

A participant pointed out that MISO has a two month forward period, not the thirty-seven months indicated on slide 64 of the presentation. The participant also pointed out that both MISO and PJM markets have commitment periods running from June till May of the following year.

The IESO thanked the participant for the correction and added that further details about how obligation periods fit within those commitment periods would come later in the presentation.

A participant pointed out that markets with lengthy forward periods tend to over procure capacity. The participant suggested that without lengthy forward periods, a strong market and consistent policy environment can achieve optimal results with the added advantage of greater flexibility for the system operator to respond to changing conditions.

The IESO acknowledged that shorter periods can work, but whether they are the more efficient approach overall is open to some debate. The IESO added that to address some of the issues associated with over procurement, system operators are able to use instruments like hold-backs.

The participant followed up by encouraging the IESO to make substantial use of hold-backs, adding also that over procurement was suppressing prices and damaging markets.

The IESO thanked the participant and encouraged stakeholders to submit formal written feedback.

Commitment Period – Ismael El-Samahy

A participant asked what efficiencies the IESO hopes to gain through Multi-year Commitments. The participant also suggested that unless the system operator has a different baseline or product to accommodate them, a downside to having a single rather than two obligation periods is a loss of seasonal resources.

The IESO responded that merits of seasonal and annual obligation periods were already under consideration and that discussion on Multi-year Commitments would be covered later in the presentation.

A participant asked whether there will be different target capacities in the summer and winter seasons?

The IESO responded that having two target capacities might be a possibility but a decision has not yet been made.

A participant asked whether partnered/matched resources in composite bids would have obligations to one another. Another participant asked whether matched resources are usually owned by the same company.

Brattle responded that ownership by the same company could happen but is generally not the case. Furthermore, they were not aware of any obligations that the two parties may have to one another, and in the event of a failure to meet obligations, the erring party, not both, are penalized.

A participant expressed a strong preference for seasonal obligation periods as being a way to avoid paying all year long for resources that are only needed for a portion of the year.

The IESO welcomed the comment and again encouraged stakeholder to submit formal feedback.

A participant agreed that seasonal obligations would necessitate more administrative processes but questioned whether that meant each process would have to be carried out separately for each season. As an example, the participant asked why two Net CONEs would be required.

The IESO responded that having two Net CONEs would probably not be compulsory but they could be useful. Also, even though outcomes/findings could turn out to be identical for each season, accurate estimates for each could necessitate some repetitive exercises.

A participant offered the clarification that the Target Capacity for the demand response auctions is not just to meet expiring CBDR but also to meet targets set in the LTEP

The IESO concurred.

A participant asked whether the IESO has identified and quantified potential export opportunities in neighbouring markets.

The IESO responded that it is still in the process of establishing the processes and limits for allowing capacity to be exported from Ontario and has not yet looked at historical imports in neighbouring markets. An assessment of demand for imports in nearby markets will be a future step.

Multi-year Commitments – Ismael El-Samahy

The IESO provided an overview of Multi-year Commitments, how they have been implemented in other jurisdictions as well as how it might fit in within the ICA.

A participant asked what technologies were attracted as new units in ISO-NE and PJM capacity markets.

Brattle responded that in addition to DR and uprates, gas units were a significant portion.

Noting that they would affect large and small investors differently, a participant sought clarification on whether a minimum investment threshold was in relation to an absolute dollar amount or a \$/KW amount.

The IESO agreed that a \$/KW threshold could be fairer and encouraged stakeholders with a position on the issue to submit feedback to help frame the future approach.

A participant asked whether the IESO is considering a fixed or a flexible multi-year commitment where a supplier can get a commitment up to a certain threshold with the choice to terminate early.

The IESO responded that it does not have a firm position on this yet and is open to working with stakeholders to reach a decision.

A participant asked to what extent the IESO is taking advantage of experiences in Alberta where the AESO is conducting a similar exercise to develop a capacity market.

The IESO responded that it is working with Brattle to look at developments within Alberta for lessons that could be useful in Ontario.

The IESO thanked participants and reiterated feedback is appreciated and should be sent to: engagement@ieso.ca.

The next ICA meeting is scheduled for January 24, 2018.