

# Market Renewal Incremental Capacity Auction

## Meeting 6: Response to Stakeholder Feedback

Following the November 6<sup>th</sup> Incremental Capacity Auction (ICA) stakeholder meeting, the IESO invited stakeholders to provide comments and feedback on a series of design options related to "Resource Performance Obligations" and "Performance Assessment" in the ICA. For each of the options, the IESO asked stakeholders to:

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

The IESO received feedback from:

Association of Power Producers of Ontario (APPrO)

EnerNOC

Ontario Waterpower Association (OWA)

Hydro Quebec Energy Marketing (HQEM)

Whisker Labs

This feedback has been posted on the IESO stakeholder webpage for this engagement.

Please note that all feedback received has been reviewed and logged with preferences and comments noted; this will be considered as the engagement moves toward making preliminary decisions. The summary table below only includes specific feedback, questions or issues for which an IESO response or clarification is required at this time.

### Note on Feedback Summary

Feedback from stakeholders highlighted a number of important issues and considerations. Key themes included:

- That further information is required on the two performance assessment frameworks: Pay-for-Availability and Pay-for-Performance
- Most participants support only dispatchable resources being allowed to participate in the ICA.
- Concern that contracted and regulated market participants are subject to less stringent obligations than those being proposed for ICA participants.
- Support for the IESO being able to conduct capacity checks during the commitment period.

Stakeholders also provided a number of individual comments and recommendations on the ICA design elements and options presented.

The IESO appreciates the feedback received from stakeholders. This stakeholder feedback, along with the comments provided at the stakeholder engagement sessions, is important to the collaborative approach the IESO has committed to under the Market Renewal Program and will help inform the design of the ICA. Stakeholders will have additional opportunities to provide feedback on these elements throughout the high level and detailed design phases of the engagement.

### Stakeholder comments and IESO responses

Design Element	Company	Feedback	IESO Response
Resource Performance Obligations & Performance Assessment	APPrO	APPrO would like to understand how the IESO will conduct Capacity Check Tests for variable generation	<i>The IESO will work with stakeholders to outline the process of conducting Capacity Check Tests, for each technology type expected to participate in the ICA during the detailed design phase.</i>

Design Element	Company	Feedback	IESO Response
Resource Performance Obligations & Performance Assessment	APPrO	There may be a need for the IESO to assess whether any changes need to be made to remove barriers (i.e. 2-hour mandatory window for adjusting offers/bids, notification requirements to synchronize a generator, etc.) to resources with Capacity Obligations responding to real time events which will be especially important in a Pay for Performance or Pay for Availability mechanism.	<i>The ICA team will work the Energy stream of MRP, to assess any barriers that may prohibit a resource from delivering on its Capacity Obligations.</i>
General	APPrO	Should non-ICA market participants be allowed to export their capacity to adjoining markets over the interties in competition with ICA market participants? <sup>1</sup>	<p><i>The ICA will procure capacity to meet Ontario's reliability needs. It is a basic principle in capacity trade that the same capacity cannot be committed to two jurisdictions simultaneously, as this can result in capacity deficiencies regionally. As such, external jurisdictions will not purchase capacity that is committed elsewhere and any resources with an ICA capacity obligation will not be able to export the same capacity to another jurisdiction during the commitment period of any such obligation. Therefore, ICA and non-ICA resources will not be competing for export opportunities.</i></p> <p><i>Non-ICA resources will only be allowed to export</i></p>

<sup>1</sup> In its response, the IESO has interpreted this question as relating to the interaction between the ICA and capacity exports. If this interpretation is incorrect, the stakeholder is asked to provide clarification (which will be responded to accordingly).

Design Element	Company	Feedback	IESO Response
			<p><i>their capacity if, upon review, the IESO determines that their capacity is not required to satisfy Ontario's reliability needs during the specified period. The timing and process for that determination will be finalized as part of the Capacity Export initiative.</i></p>
General	APPrO	<p>Should non-ICA market participants receive any bonuses in a "pay for performance/availability" construct if they are not subject to the penalties in a "pay for performance/availability" construct?</p>	<p><i>Amounts collected for non-availability under a Pay-for-Availability construct are typically not re-allocated to non-capacity auction participants. However, in the jurisdictions with the Pay-for-Performance construct, the collected amounts are re-allocated to non-capacity auction participants in order to incentivize <b>all</b> resources to perform during "emergency events". Once a determination is made with respect to whether the ICA will use pay for performance or pay for availability assessments, the specifics of which resources would be eligible for incentive payments in Ontario will be considered further during the detailed design phase.</i></p>
Resource Performance Obligations & Performance Assessment	Ontario Waterpower Association	<p>Is the must-offer obligation for solar at night zero?</p>	<p><i>IESO previously recommended that participants would have must-offer obligation 24 hrs per day. Upon further consideration and review of stakeholder feedback, the IESO is revisiting this recommendation and will explore the merits of alternate approaches, including a 24 hour obligation to offer real time capability or a must-offer obligation during certain pre-specified hours</i></p>

Design Element	Company	Feedback	IESO Response
Resource Performance Obligations & Performance Assessment	Ontario Waterpower Association	Need to have a much clearer definition of what constitutes an "emergency event" for Ontario than the list of "emergency actions" provided on slide 61	<p><i>The IESO agrees that if a "Pay-for-Performance" construct is adopted for the ICA, a clear definition of "emergency events" will be required.</i></p> <p><i>At the Jan.24<sup>th</sup> stakeholder session, the IESO presented the advantages &amp; disadvantages of the two constructs: Pay-for-Availability and Pay-for-Performance. The IESO will continue to explore the merits of the two assessment mechanisms.</i></p>

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