

Incremental Capacity Auction (ICA) – Stakeholder Feedback Form

Stakeholder Meeting: January 24th, 2018

Date Submitted: <i>2018/02/21</i>	Feedback provided by: Company Name: EnerNOC Contact Name: Sarah Griffiths [Redacted]
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The IESO held the fourth meeting of the ‘Options Phase’ of the Market Renewal – Incremental Capacity Auction engagement on January 24th, 2018.

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 (reference slide numbers where applicable)
- Identify any aspects that you believe require further elaboration or discussion

Please provide feedback by **February 21, 2018** to engagement@ieso.ca. Feedback received will be summarized and will help inform further discussions at future stakeholder engagement meetings.

Design Element	Features	Questions/Next Steps/Recommendations	Stakeholder Feedback
Locational Considerations – Part 1	(1a) Capacity Zones - Transmission Limitations <i>Slides 34-37</i>	<i>Please provide any comments or feedback you may have related to this sub-feature.</i>	Capacity zones should be reflective of actual limitations on the grid. Within reason, issues on the grid should be modeled.
	(1b) Capacity Zones - Reasonably Stable & Predictable <i>Slides 38-40</i>	<i>Please provide any comments or feedback you may have related to this sub-feature.</i>	EnerNOC recommends that the zones be reviewed every 3 years. Capacity Zones and zonal transmission constraints should be developed only as issues are identified on the grid as being meaningful and consistent.
	(1c) Capacity Zones – Reasonable Size <i>Slides 41-43</i>	<i>Please provide any comments or feedback you may have related to this sub-feature.</i>	A reasonable size for a zone should not be smaller than a load zone. The examples of 1500-2000 MW in the presentation make sense for Ontario.
	(2) Zonal Maximum Capacity <i>Slides 44-47</i>	<i>Please provide any comments or feedback you may have related to this feature.</i>	Zonal maximum capacity should be based on either transmission constraints or the maximum allocation allowed beyond the reserve margin by the demand curve (e.g. 114%-120%).
	(3) Zonal Minimum Capacity <i>Slides 48-52</i>	<i>Please provide any comments or feedback you may have related to this feature.</i>	Minimum capacity requirements should be defined in cases where a load zone is has more demand than supply and is import-constrained.

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	(4) Deliverability <i>Slides 53-60</i>	<i>Please provide any comments or feedback you may have related to this feature.</i>	EnerNOC agrees with the system-wide approach used by ISO-NE, MISO, and PJM except where delivery constraints exist
	(5) Locational Clearing <i>Slides 61-66</i>	<i>Please provide any comments or feedback you may have related to this feature.</i>	EnerNOC supports Approach 1, using a demand curve to procure supply for any potentially binding zonal configuration
<p>Proposed Approach for Demand Curve Development <i>(The Brattle Group Presentation)</i></p>		<p>QUESTION: What unique features of Ontario’s market should be accounted for when developing the ICA demand curve?</p> <p>QUESTION: What questions do stakeholders have about proposed model approach?</p> <p>QUESTION: What specific metrics should be used to evaluate demand curve performance?</p> <p>QUESTION: What specific demand curve shapes or performance questions would be helpful to evaluate?</p> <p>QUESTION: What scenarios would be helpful to evaluate?</p>	<p>To provide a recommendation on the proposal (sloped demand curve similar to ISO-NE) versus a flat demand curve, EnerNOC requests that further information is provided:</p> <ul style="list-style-type: none"> - Reserve margin - Maximum allocation - Maximum price <p>Further information and analysis will allow for an informed recommendation.</p>
<p>Market Power Mitigation</p>	<p>(1) Physical Withholding <i>Slides 75-83</i></p>	<p>RECOMMENDATION: The IESO recommends that a must-offer requirement into the capacity auction is implemented to help mitigate for physical withholding If stakeholders agree with this approach, the</p>	

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		next step will be to determine which resources will be required to offer into the auction.	
		QUESTION: Under a must-offer obligation into the capacity auction, what type of exemptions may be appropriate to consider?	-
	(2a) Economic Withholding - Methodology <i>Slides 85-92</i>	NEXT STEPS: The IESO, taking into account stakeholder input, will determine the methodology for the ICA The methodology should ideally result in: <ul style="list-style-type: none"> • Efficient incentives • Market outcomes consistent with competitive participation • Minimal market intervention 	
2(b) Economic Withholding – Reference Level Determination <i>Slides 93-97</i>	Please identify preferred option and provide supporting rationale: OPTIONS: <ol style="list-style-type: none"> 1. Cost submissions assessed by, and reference levels determined by, an independent third-party 2. Cost submissions assessed by, and reference levels determined by, the IESO (likely involving third party consultation) QUESTION: Who should determine the reference levels for the ICA? QUESTION: With what frequency should reference levels be determined?		

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		<p>QUESTION: What process should exist for dispute resolution of reference level determination?</p>	
		<p>NEXT STEPS: The IESO, taking into account stakeholder feedback, will make recommendations on reference level determination</p>	
	<p>(2c) Economic Withholding – Managing Auction-Related Information <i>Slides 98-101</i></p>	<p>An appropriate amount of information should balance potential benefits (more efficient participation) against potential costs (commercial sensitivities and increased exposure to the exercise of market power)</p> <p>QUESTION: Do stakeholders have any comments on the type of information that should be made available before, during and following each auction?</p>	
	<p>(3) Inefficient Suppression of Capacity Auction Prices <i>Slides 102-111</i></p>	<p><u>SUBSIDIZED ENTRY RISK</u> QUESTION: If a MOPR mechanism is implemented to alleviate any price suppression concerns, what type of exemptions may be appropriate?</p> <p><u>TARGET CAPACITY RISK</u> QUESTION: Aside from well-documented</p>	

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		<p>processes for determining the target capacity, are there any additional mechanisms that stakeholders think the IESO should consider to help alleviate any concerns?</p>	
		<p>NEXT STEPS: The IESO will explore these issues in more detail along with stakeholder feedback and identify potential options that may work in the Ontario-context</p>	
<p>Cost Recovery</p>	<p>(1) Customer Base</p>	<p>RECOMMENDATION: Recover costs from internal loads only (i.e., Option 1 or 2, not including exports)</p>	
	<p><i>Slides 118-121</i></p>	<p>NEXT STEPS: The IESO will work with relevant parties to determine whether or not load displaced through embedded generation should be included in the customer base</p>	
	<p>(2) Zonal vs. System-Wide Allocation</p> <p><i>Slides 122-125</i></p>	<p>NEXT STEPS: The IESO will work with relevant parties to determine whether costs should be allocated on a zonal or system wide basis</p> <ul style="list-style-type: none"> • Will need to consider inter-related design elements and anticipated outcomes from other MRP streams (e.g., load pricing methodology under SSM) • If the zonal option is selected, will need to consider how to allocate costs within a zone as part of the detailed design 	

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	(3) Allocation Methodology <i>Slides 126-128</i>	NEXT STEPS: The IESO will work with relevant parties to determine the appropriate capacity cost allocation methodology to be used for recovering ICA costs	EnerNOC supports alignment with existing cost recovery mechanisms to allocate ICA costs.

General Comments/Feedback: