

Incremental Capacity Auction (ICA) – Stakeholder Feedback Form

Stakeholder Meeting: January 24th, 2018

Date Submitted: <i>2018/02/22</i>	Feedback provided by: Company Name: Nalcor Energy Marketing Contact Name: David Martin [Redacted] [Redacted]
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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>	
	(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>	
	(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>	
	(2) Zonal Maximum Capacity <i>Slides 44-47</i>	<i>Please provide any comments or feedback you may have related to this feature.</i>	
	(3) Zonal Minimum Capacity <i>Slides 48-52</i>	<i>Please provide any comments or feedback you may have related to this feature.</i>	
	(4) Deliverability		Firm transmission rights to the intertie should not

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	<i>Slides 53-60</i>	<i>Please provide any comments or feedback you may have related to this feature.</i>	<p>be a necessity. If market participants are forced to have firm rights to the intertie, it would i/ impose an unnecessary barrier to entry for market participants, and ii/ unnecessarily elevate the offer price of capacity which would lead to a higher cost for procurement.</p> <p>To deal with the fact that Ontario does not have firm transmission rights (as per p. 59), the IESO could evaluate import capacity offers by comparing:</p> <ul style="list-style-type: none"> - the amount of capacity offered; - the transmission capacity of the intertie; and - historical flows and historical available transmission capacity on the path. <p>Comparing these three items will give a clear picture as to whether the IESO can accept the amount of offered capacity.</p>
	(5) Locational Clearing <i>Slides 61-66</i>	<i>Please provide any comments or feedback you may have related to this feature.</i>	
Proposed Approach for Demand Curve Development <i>(The Brattle</i>		<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>	

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Group Presentation)		<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>	
Market Power Mitigation	(1) Physical Withholding <i>Slides 75-83</i>	<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 next step will be to determine which resources will be required to offer into the auction.</p>	
		<p>QUESTION: Under a must-offer obligation into the capacity auction, what type of exemptions may be appropriate to consider?</p>	
	(2a) Economic Withholding - Methodology <i>Slides 85-92</i>	<p>NEXT STEPS: The IESO, taking into account stakeholder input, will determine the methodology for the ICA. The methodology should ideally result in:</p> <ul style="list-style-type: none"> • Efficient incentives • Market outcomes consistent with competitive participation • Minimal market intervention 	

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	<p>2(b) Economic Withholding – Reference Level Determination</p> <p><i>Slides 93-97</i></p>	<p>Please identify preferred option and provide supporting rationale:</p> <p>OPTIONS:</p> <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) <p>QUESTION: Who should determine the reference levels for the ICA?</p> <p>QUESTION: With what frequency should reference levels be determined?</p> <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>	

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	(2c) Economic Withholding – Managing Auction-Related Information <i>Slides 98-101</i>	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) QUESTION: Do stakeholders have any comments on the type of information that should be made available before, during and following each auction?	
	(3) Inefficient Suppression of Capacity Auction Prices <i>Slides 102-111</i>	<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? <u>TARGET CAPACITY RISK</u> QUESTION: Aside from well-documented processes for determining the target capacity, are there any additional mechanisms that stakeholders think the IESO should consider to help alleviate any concerns?	We do not believe any types of exemptions are appropriate. This will ensure that the MOPR is indeed an effective tool for market efficiency.
		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	
Cost Recovery	(1) Customer Base	RECOMMENDATION: Recover costs from	See comment in “general comments” below.

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	<i>Slides 118-121</i>	internal loads only (i.e., Option 1 or 2, not including exports)	
		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	
	(2) Zonal vs. System-Wide Allocation <i>Slides 122-125</i>	NEXT STEPS: The IESO will work with relevant parties to determine whether costs should be allocated on a zonal or system wide basis <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 	
(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		

General Comments/Feedback:

We prefer a pay-for-performance structure.

With respect to the customer base for cost recovery, we agree that exports should not be included.

