

Incremental Capacity Auction (ICA) – Stakeholder Feedback Form

Stakeholder Meeting: March 7th, 2018

Date Submitted: <i>2018/04/13</i>	Feedback provided by: Company Name: Advanced Energy Management Alliance (AEMA) Contact Name: Katherine Hamilton, Executive Director [Redacted]
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The IESO held the sixth meeting of the ‘Options Phase’ of the Market Renewal – Incremental Capacity Auction engagement on March 7th, 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 **April 4, 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
Multi-year Commitments	(1) Eligibility <i>Slide 21 (also see Dec 4th SE deck)</i>	<i>Please provide any comments or feedback you may have related to this feature.</i>	AEMA recommends that if multi-year commitment periods are part of the ICA market design, then all new resources should qualify to select the multi-year option similar to ISO-NE.
	(2) Length of the Multi-year Commitment <i>Slide 21(also see Dec 4th SE deck)</i>	<i>Please provide any comments or feedback you may have related to this feature.</i>	If a multi- year commitment period does exist then AEMA recommends that resources should have the option to choose the length of their commitment. For example, if the multi-year commitment period is 7 years for new resources, new resources should be able to chose 1-7 years to meet their needs.
	(3) Price Formation <i>Slide 22(also see Dec 4th SE deck)</i>	<i>Please provide any comments or feedback you may have related to this feature.</i>	If multi-year resources exist, then they should be modeled in as price takers for future auctions. Demand Response resources should be able to add to that position in future year auctions at the current auction price, however they should have the option to treat the portfolio as the same resource.
	(4) Availability <i>Slides 19-20</i>	QUESTION: Under what circumstances should Multi-year Commitments be available? QUESTION: How should resources seeking multi-year commitments compete against those seeking an annual commitment?	If multi-year commitments exist, all new resources should have access to multi-year commitments. The first price year determines whether you clear or not.

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		<p>NEXT STEPS: The IESO will consider stakeholder feedback and availability considerations in other jurisdictions and will propose an approach to availability for MYCs as part of the HLD</p>	
<p>Forward Period Obligations & Implications</p>	<p>(1) Completion Security <i>Slides 32-39</i></p>	<p>NEXT STEPS: The IESO will consider stakeholder feedback, and as part of the HLD will communicate the approach for determining the amount of, and the general timelines for providing, Completion Security</p> <ul style="list-style-type: none"> • Detailed timelines, format for providing Completion Security, and related implications will be determined as part of the detailed design • The requirements will likely be aligned with existing related processes and policies currently outlined in the Market Rules 	<p>AEMA recommends that the current construct used in the Demand Response Auction (DRA) be used for demand response resources in the ICA. A percent of CONE should be the requirement to participate in the auction which is returned after completion of the Auction. And then a security obligation is determined based on a percent of the Auction Clearing Price to meet the start of the delivery period.</p>
	<p>(2) Project Milestones <i>Slides 40-51</i></p>	<p>RECOMMENDATION: The IESO proposes that project milestones should be established as part of the requirements during the forward period</p> <p>NEXT STEPS: The IESO will consider stakeholder feedback and will determine which project milestones will be mandatory during the forward period, how milestones will be assessed/monitored, and the implications that</p>	<p>Project milestones should be specific to fuel type as the different fuel types have different requirements and processes that must be set up before the start of the delivery period. Recognition should be made to the different levels of risk on grid reliability for each resource.</p> <p>For DR resources financial security, as outlined above, should be used to ensure the resource is available at the start of the delivery period, similar</p>

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		<p>will apply for failure to meet defined milestones</p> <p>QUESTION: What milestones do stakeholders feel are important for the IESO to track to ensure projects reach commercial operation by the Commitment Period?</p> <p>QUESTION: What type of assessment should be used to determine whether milestones are being met (e.g., reports, IE certificates, etc.)</p> <ul style="list-style-type: none"> • How often should reports be required and what information should these contain? <p>QUESTION: What type of implications (e.g., termination, financial implications, etc.) should apply if participants fail to meet key project milestones?</p>	<p>to the process of the DRA.</p> <p>AEMA recommends that requirements for demand response resources in the ICA be similar to the current Demand Response Auction (DRA) requirements. Market participants should be able to meet the project timelines and financial security can be used as a tool to ensure the resource shows up on day 1 of the delivery period.</p>
	<p>(3) Capacity Check Test</p> <p><i>Slides 52-56</i></p>	<p>NEXT STEPS: The IESO will consider assessments performed as part of the capacity qualification process and those available during the Commitment Period, the applicability of testing procedures used in other jurisdictions, as well as stakeholder feedback to determine whether a capacity check test will be required during the forward period</p>	<p>AEMA supports capacity check tests within the delivery period similar to PJM. This is especially true for seasonal commitment period obligations. For example, a summer only resource should not be expected to preform in the winter months. If a resource fails to meet its capacity supply obligation during a dispatch, the resource may then be subject to a capacity check test. The test should be called when the system is facing similar conditions to a potential event (ie. what the capacity product is), such as a peak day. Financial security should be used to ensure that resources are able to meet their capacity obligation at</p>

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			<p>the beginning of the delivery period. If testing is going to occur, AEMA recommends that resources be able to schedule tests similar to PJM and the UK capacity market.</p>
<p>Rebalancing Auctions</p>	<p>(1) Frequency of Auctions <i>Slides 67-72</i></p>	<p>OPTIONS: The IESO could hold one, two, or three rebalancing auctions ahead of the Commitment Period</p>	
		<p>RECOMMENDATION: The IESO proposes to establish rebalancing auctions during the Forward Period (up to a maximum of three)</p> <p>NEXT STEPS: Based on stakeholder feedback and linkages to other rebalancing auction features, the number of rebalancing auctions will be determined (i.e., one, two or three auctions)</p>	<p>For a 3 year forward period, AEMA supports 3 rebalancing auctions. The length of the forward auction must be tied to the number of length of incremental auctions. Incremental auctions are crucial – in particular, DR does not require more than a few months to get set up, but needs to be able to earn revenue like other fuel types. AEMA strongly opposes a commitment period any longer than 3.5 years since market conditions change so rapidly and some fuel types will be encouraged to bid and take the risk without having enough information on whether the project is viable. DR resources would be happy with a one year forward commitment period but understand other resources may need longer lead time.</p>

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	<p>(2) Timing of Auctions Relative to the Commitment Period</p> <p><i>Slides 73-77</i></p>	<p>NEXT STEPS: The timing of rebalancing auctions will be determined taking into account stakeholder feedback and informed by:</p> <ul style="list-style-type: none"> • The length of the forward period • The number of rebalancing auctions established • Obligations/implications within the forward period • Opportunities for out-of-market actions if the final rebalancing auction clears below the Minimum Capacity Limit 	<p>Each year during the forward period, a rebalancing auction should be held. Each rebalancing auction should be held, regardless of whether or not the IESO needs to change the demand curve/target capacity. The rebalancing auctions exist to meet changing supply and demand conditions, but also as a mechanism for participants to use if they have changing conditions, are unable to meet their obligation for delivery, or they are unable to manage their risk between the first auction and the delivery year. AEMA recommends the last rebalancing auction takes place 4-6 months before the delivery period.</p> <p>Here is a proposed timeline: The main auction should be in May, with rebalancing auctions held in the beginning of December. Rebalancing auctions should be held for each upcoming year starting with the upcoming May-April delivery year up through the period proceeding the next main. In each rebalancing auction, the IESO should procure or sell megawatts to true-up with changes in the peak load forecast or allow market participants to alter their positions</p>
	<p>(3) Rebalancing Auction Clearing</p> <p><i>Slides 78-83</i></p>	<p>NEXT STEPS: As part of the detailed design, the IESO will develop the methodology for establishing the demand curve used in rebalancing auctions</p>	

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	(4) Participation Requirements <i>Slides 84-88</i>	NEXT STEPS: Eligibility criteria and the Qualified Capacity process will be established for the base and rebalancing auctions	
	(5) Obligation Transfers between Participants <i>Slides 89-93</i>	OPTIONS: (1) In addition to holding rebalancing auctions, allow for the transferring of obligations within defined windows (2) Allow for the trading of obligations only through the rebalancing auction mechanism	AEMA supports transferring of obligations, in addition to rebalancing auctions. AEMA prefers that the majority of trading/MW decisions occur during an auction, but would support an interface for submitting bilateral transactions to clear in the IESO systems, including the transfer of corresponding collateral.
		NEXT STEPS: The IESO, considering stakeholder feedback, will weigh the potential benefits that transfers between participants can provide against the complexity of administering this functionality in order to make a determination on this feature	

General Comments/Feedback:

AEMA would like to voice its support again for a seasonal auction construct. Requirements in the summer and winter are very different and the auction would benefit from leveraging resources that are seasonal. Benefits associated with a seasonal construct include lower costs to customers, more competitive resources, more transparent price signals, and more flexibility to modify offers, export capacity, etc.

AEMA would also like to reiterate how important it is to maximize value for all fuel types and leverage their differences rather than try to bundle all fuel types into one construct.

AEMA is a trade association under Section 501(c)(6) of the U.S. Federal tax code whose members include national distributed energy resource companies and advanced energy management service and technology providers, including demand response (“DR”) providers, as well as some of the nation’s largest demand response and distributed energy consumers. AEMA’s mission is to advocate for policies that empower and compensate customers appropriately in a manner that contributes to a more efficient, cost-effective, resilient, reliable, and environmentally sustainable grid and we have continually supported the inclusion of these resources into wholesale markets to achieve electricity cost savings for consumers, contribute to system reliability, and ensure balanced price formation. This document represents the collective consensus of AEMA as an organization, although it does not necessarily represent the individual positions of the full diversity of AEMA member companies. For additional information, visit AEMA’s website: <http://aem-alliance.org>