

Incremental Capacity Auction – Stakeholder Engagement Session June 14, 2018

Minutes of Meeting

Dates held: June 14, 2018	Time held: 9:00am – 12:00 pm	Location: Four Points by Sheraton, Toronto International Airport
Company	Name	Attendance Status (A) Attended; (WebEx) Attended via WebEx
AMP Energy	Luukkonen, Paul	A
AMPCO	Anderson, Colin	A
AMPCO	Wright, Rhonda	A
APPrO	Butters, David	A
Bruce Power	Xu, Jennifer	A
Canadian Biogas Association	Green, Jennifer	WebEx
Capital Power	Robb, Colin	WebEx
Charles River Associates	Cary, Robert	WebEx
City of Toronto	Koff, Chaim	A
City of Toronto	Cheng, Jessie	A
Consumers Energy	Beattie, Jeff	WebEx
Customized Energy Solutions	Withrow, David	WebEx
EnerNOC	Chibani, Yanis	WebEx
EnerNOC	Griffiths, Sarah	WebEx
Energyhub Inc.	Im, Brian	WebEx
GC Energy Services	Bajc, Frank	A
Goreway Power Station	Sutherland, Chris	WebEx
Great Circle Solar Management Corporation	Wharton, Karen	A
HQEM	Bélanger, Frédéric	WebEx
Ivaco Rolling Mills	Abdelnour, Francois	A
Nalcor Energy Marketing	Sparkes, Brian	WebEx
Northland Power	Samant, Sushil	WebEx
NRG	Popova, Julia	WebEx
Ontario Citizens' Coalition for Clean Affordable Energy	Fortin, Michel	A
Ontario Energy Board	Brown, David	A
Ontario Power Generation	Wizniak, Lynn	A

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Company	Name	Attendance Status (A) Attended; (WebEx) Attended via WebEx
OWA	Norris, Paul	A
Peak Power Inc.	Pohlod, Michael	WebEx
Power Advisory LLC	Simmons, Sarah	A
Power Consumer	Jagt, Mandy	A
Powerful Solutions	Inman, Peter	A
Power Workers' Union	McKenzie, Kim	WebEx
Rankin Construction Inc.	Beekhuis, Jordan	WebEx
Rayonier Advanced Materials	Laflamme, Serge	A
Rodan	Goddard, Rick	WebEx
Saturn Power	Zsofcsin, Nick	A
SNC-Lavalin	Ahmed, Mohamed	WebEx
St. Clair Power L.P.	McKinven, Saxon	WebEx
Stem	Amaral, Utilia	WebEx
TransAlta	Nguyen, Thanh	WebEx
TransCanada Energy Ltd.	Kuntz, Margaret	A
TransCanada Energy Ltd.	Mikkelsen, John	WebEx
Whitby Cogeneration Ltd	Schuler, Fabio	WebEx
IESO	Agavriiloai, Ioan	A
IESO	Bedford, Julie	A
IESO	Campbell, Alexandra	A
IESO	Doyle, Robert	A
IESO	El-Samahy, Ismael	A
IESO	Hill, Warren	A
IESO	Movchovitch, Emanuel	A
IESO	Nusbaum, Stephen	A
IESO	Versteeg, Peter	A
IESO	Young, Jennifer	A
Prepared by Peter Versteeg, please report any corrections, additions or deletions by 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/>.

Introduction and Brief Update – Robert Doyle, IESO

The IESO welcomed participants and introduced the first session's presenter – Alexandra Campbell.

Brief Update and Review of Meeting Objectives – Alexandra Campbell, IESO

The IESO provided a brief project update on the demand curve analysis work as well as decision making on broad Market Renewal issues such as dispute resolution.

Incremental Capacity Auction (ICA) Discussion - Ismael El-Samahy, IESO

The IESO outlined the day's agenda and objectives and then led stakeholders through a discussion of feedback from the previous three stakeholder engagement sessions.

A participant asked, with reference to the Commitment Period options presented on slide 10, how seasonal offers co-optimized over a one-year period differs from matching offers per season.

The IESO replied that when offers are matched, a single demand curve is used for the entire year and resources that only offer in the summer or winter periods are paired together to meet an annual quantity for capacity. In contrast, when seasonal offers are co-optimized over a one-year period, two separate seasonal demand curves are used which facilitates finding the overall lowest cost solution to meet summer and winter capacity needs.

A participant asked which ICA design features will be stakeholdered in high-level design versus detailed design, noting the value of finalizing certain design features early in the design process. Another participant asked for a discussion on the definition and purpose of each design phase to ensure a consistent understanding among all participants.

The IESO replied that high-level design generally focuses on the "what" and the "why", whereas the "how" will be covered in detailed design. The IESO indicated that it will plan for a discussion on the definition and purpose of each design phase in the October session.

A participant asked if a decision on the length of the Multi-Year Commitment (MYC) could be included in high-level design as opposed to detailed design. Another participant suggested that a range for the length of the MYC in high-level design would be preferable than deferring to detailed design.

The IESO replied that it will take this request back for further consideration.

A participant asked the IESO to reconsider the auditing requirements of project milestones in the design of the Forward Period, noting that a detailed review of project milestones documentation may not be necessary for auditing purposes.

The IESO replied that auditing requirements will be considered as part of the ICA detailed design process.

A participant asked what performance validation testing will be considered in determining whether a Capacity Check Test is required during the Forward Period.

The IESO replied that using the results of performance validation tests completed as part of commissioning will be considered as an option to avoid the need for a separate Capacity Check Test.

A participant asked what the implications would be if a resource that is not entitled to a MYC transfers a capacity obligation to a resource that is entitled to a MYC, and vice versa.

The IESO replied that these implications are being considered in the ICA design process.

A participant asked how the current supply and demand forecast will be updated given that the new administration has a different approach to carbon.

The IESO replied that it is considering updating the supply and demand forecast and intends to have a session in the fall to discuss this further with stakeholders.

A participant asked if the IESO is considering the possibility of Local Distribution Companies (LDCs) evolving into Load Serving Entities (LSEs) in the design of Capacity Zones.

The IESO replied that this is currently out of scope, but that it would take this comment back for consideration.

A participant asked if embedded distributed generation will affect the Zonal Minimum and Maximum Capacity values.

The IESO replied that distributed generation is likely to affect the Zonal Minimum and Maximum Capacity limits where load is self-supplied.

A participant asked if the costs of the ICA will be recovered in the Global Adjustment (GA) or through another mechanism, and if there will be different charges in separate Capacity Zones.

The IESO replied that cost recovery will not be through the GA but instead through a new charge that could be allocated in a similar way to the existing Industrial Conservation Initiative (ICI) mechanism. The IESO is still considering whether there may be a zonal aspect to this mechanism.

A participant asked how Capacity Zones are related to nodal pricing for energy and noted that clarity is needed on the zonal map. As an example, a specific transformer station could appear to be outside of the associated zone boundaries, but could be electrically connected within a zone.

The IESO replied that Capacity Zones are used only for the procurement of capacity which is separate from zonal or nodal pricing in the energy market. The IESO agreed that it will be important to communicate zonal boundaries in a way that avoids any confusion.

A participant asked if and to what extent non-firm imports could help meet resource adequacy requirements.

The IESO replied that as part of the resource adequacy assessment it is contemplating some amount of non-firm interconnection assistance. This is allowed by NPCC resource adequacy criteria and is practiced in other jurisdictions such as New York ISO and ISO New England.

Enabling Capacity Exports Discussion – Warren Hill, IESO

The IESO led stakeholders through a discussion of Enabling Capacity Export, a framework that aims to enable Ontario based resources to export their capacity while ensuring that Ontario continues to meet planned reliability needs.

A participant asked if a blackout period on new capacity export requests could apply to merchant resources that are unsuccessful at clearing in the ICA.

The IESO replied that a blackout period is likely only to apply to contracted or rate regulated resources and that merchant resources who are not counted on for firm capacity likely would be free to participate elsewhere.

A participant asked how coordination would occur with auctions in neighboring jurisdictions as auctions in similar timeframes or with overlapping commitment periods could be an issue.

The IESO replied that the timing and coordination of auction dates with other jurisdictions is being reviewed.

A participant asked how Capacity Exports is being stakeholdered and if these engagements are still ongoing.

The IESO replied that Capacity Exports is stakeholdered through a separate engagement and that results are being presented to the ICA for information. Work from the most recent phase is being implemented and the next phase discussions, which will consider integration with the ICA, are planned to commence later this year or early next year.

A participant asked if the 500 MW of capacity Ontario will supply to Quebec each winter until 2023 includes the 125 MW capacity backed export agreement with Hydro-Québec referenced on slide 41.

The IESO replied that the 125 MW capacity backed export was a separate agreement with Hydro-Québec.

A participant asked if the auctions referred to on slide 43 were Ontario auctions.

The IESO replied that these are Ontario auctions.

Dispute Resolution Discussion – Stephen Nusbaum / Julie Bedford, IESO

The IESO led stakeholders through a discussion of Dispute Resolution as it applies to ICA including the context, existing mechanisms in IESO market rules, and other jurisdictions' dispute resolution processes for capacity auctions. The IESO emphasized that this is background material and that it was interested in stakeholder feedback.

A participant asked if the existing dispute resolution process was appropriate for highly technical disputes that may arise in the ICA. For example, independent engineering reports may be required to resolve some disputes.

The IESO replied that arbitrators are typically able to work with subject matter expert reports, but that it would take this comment back for further consideration and welcomes additional feedback.

A participant asked which Market Rules section governs the IESO determination examples on slide 52, and requested clarity on the distinction between a dispute under the Market Rules and a dispute of an IESO determination under the Market Rules. The participant commented that current language in the Market Rules may not allow for a dispute of an IESO determination.

The IESO replied that the current dispute resolution provision in the Market Rules is broadly applicable to any dispute that arises under the Market Rules or Market Manuals, but that the IESO is currently seeking stakeholder input with respect to the applicability of the Market Rule dispute resolution mechanism to the ICA.

A participant asked which types of disputes related to capacity auctions are most frequent in other jurisdictions.

The IESO replied that it would engage with external legal counsel in the U.S. to help with this question and will provide a response.

A participant asked how capacity is qualified in other jurisdictions and if this is done prior to an auction or prior to the determination of the outcome of an auction.

The IESO replied that capacity will be qualified prior to an auction and that the qualification process will be documented in the Market Manual. For new situations or technologies, the IESO may have to use its best judgement and this is an area where feedback on dispute resolution processes would be especially helpful.

A participant noted that tariffs filed with the Federal Energy Regulatory Commission (FERC) by U.S. ISOs are contestable and asked what the analogous process is here in Ontario.

The IESO replied that it would take this question back for consideration in the broader ongoing governance discussion, which was commenced with the Market Renewal Working Group (MRWG).

A participant noted that disputes over qualified capacity should be resolved before an auction occurs and asked what this timeline would be.

The IESO agreed in principle that it will be important to have a process to ensure capacity qualification issues are resolved prior to an auction and replied that it will take this comment back for consideration.

A participant asked how information on the outcome of a dispute would be shared if it is relevant to other Market Participants.

The IESO replied that it will take this back for consideration. One option is to distribute information in a way similar to the IESO's Market Assessment and Compliance Division interpretation bulletins.

A participant asked if an arbitrator's binding decision can be appealed through the Ontario Energy Board (OEB) adjudication process. The participant noted that given the language in the Electricity Act some issues may not be appealable.

The IESO replied that the Electricity Act specifies certain limited rights to appeal an arbitrator's decision to the OEB following the Market Rule dispute resolution process, and agreed that qualified capacity determinations may not fall under these existing appeal rights.

A participant commented that an IESO / OEB licence amendment could be used to resolve issues on appeal rights through the OEB adjudication process.

The IESO thanked the participant for the suggestion.

The IESO noted that there is an opportunity in the development of the ICA to consider whether there is value in introducing additional mechanisms to facilitate, with participant input, review or reconsideration of certain IESO determinations during the course of administering the ICA. The IESO requests that stakeholders provide feedback with respect to such other mechanisms as well as the dispute resolution process more generally.

Expectations for the September 12 “Vision Session” – Stephen Nusbaum, IESO

The IESO led stakeholders through a discussion of expectations for the ICA stakeholder engagement session on September 12.

A participant asked if there were further stakeholder engagements planned through the summer.

The IESO replied that it would send out a list of future stakeholder engagements to participants and will update the events calendar. The IESO will also reach out to LDCs to engage on ICA project work.

A participant asked if more frequent intertie scheduling is being stakeholdered and noted that this is an important issue in the context of other design elements.

The IESO replied that more frequent intertie scheduling may be considered following the completion of existing Market Renewal projects.

A participant asked if flexibility was being incorporated into the IT solution to accommodate future updates and projects.

The IESO replied that flexibility is being considered in the selection of the IT solution.

A participant asked how the timeline for Market Renewal could be impacted by the new administration and if the IESO could provide an updated timeline schematic, if one exists. The participant noted that it is worth continuing design work but that potential impacts should be discussed at the MRWG.

The IESO replied that it would share these comments with the MRWG.

Editor’s note: an anticipated auction schedule will be discussed in detail during the October 18th & 19th ICA stakeholder engagement session.

Conclusion and wrap up – Robert Doyle, IESO

The IESO thanked all participants and reiterated that the design decisions shared today are preliminary and that the IESO welcomes feedback from all stakeholders before moving to the final decision phase. Feedback should be sent to engagement@ieso.ca and is appreciated on or before July 11, 2018.

Action Item Summary

Responsible Party	Action Item
Incremental Capacity Auction Discussion	
IESO	Plan for a discussion on the definition and purpose of each design phase in the October session, and consider which ICA design features will be stakeholdered in high level design versus detailed design.
IESO	Consider determining the length of the MYC in high level design.
IESO	Provide an update on the supply and demand forecast to stakeholders.
IESO	Provide more clarity on Capacity Zones, including zonal boundaries and zonal map.
Enabling Capacity Export Discussion	
IESO	Review the timing and coordination of auction dates with other jurisdictions.
Dispute Resolution Discussion	
IESO	Consider whether the existing dispute resolution process is appropriate for highly technical disputes that may arise in the ICA, and whether other mechanisms should be implemented to address such matters.
IESO	With stakeholder input, review the current dispute resolution language in the Market Rules and consider whether this language allows for a dispute of an IESO determination.
IESO	Engage with external legal counsel in the U.S. on which types of issues or disputes related to capacity auctions are most frequent in the dispute resolution processes in other jurisdictions.
IESO	Noting that tariffs filed with FERC by U.S. ISOs are contestable, consider analogous processes in Ontario in the context of the broader ongoing governance discussions.
IESO	Determine the timeline for resolving disputes on qualified capacity issues before an ICA auction occurs.
IESO	Determine how information on the outcome of a dispute would be shared if the outcome is relevant to other Market Participants.

Responsible Party	Action Item
All Stakeholders	Provide feedback on (i) the applicability of the general dispute resolution provision to the ICA and (ii) other mechanisms to facilitate, with participant input, review or reconsideration of certain IESO determinations during the course of administering the ICA.
Expectations for the September 12 “Vision Session”	
IESO	Reach out to LDCs this summer to engage further on the ICA project work.
IESO	Discuss how the timelines for Market Renewal could be impacted by the new administration with the MRWG.

Meeting session adjourned at 12:00 pm.

The next Incremental Capacity Auction meeting is scheduled for September 12, 2018.