

Incremental Capacity Auction (ICA) – Stakeholder Feedback Form

Stakeholder Meeting: October 18/19, 2018

Date Submitted: <i>2018/11/16</i>	Feedback provided by: Company Name: Enel X Contact Name: Sarah Griffiths Phone: 416-697-3744 Email: sarah.griffiths@enel.com
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The IESO held the second meeting of the ‘Decisions Phase’ of the Market Renewal – Incremental Capacity Auction engagement on October 18/19, 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 feedback in relation to topics, themes, preliminary findings, and/or next steps discussed, 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 **November 16, 2018** to engagement@ieso.ca. Feedback received will be summarized and will help inform further discussions at future stakeholder engagement meetings.

September 12 Themes and Responses & ICA Foundational Decisions (slides 5-45)

Section	Theme/Topic	Stakeholder Feedback
<p>September 12 – Themes & Responses</p> <p><i>Slides 5-35</i></p>	<p>1. Desire for More Detail</p>	
	<p>2. Transparency of System Needs</p>	
	<p>3. Understand Opportunities for running auction earlier</p>	
	<p>4. Clarity on 2023 needs and IESO view on need for new build capacity</p>	<p>As noted in previous Stakeholder Engagements, Enel X believes that the design of the ICA can be ‘fast tracked’ to ensure it is ready to be run to meet the need identified in 2023. If the ICA is not ready to be run then Enel X recommends that the Demand Response Auction continue to procure capacity resources for 1 year commitments. Enel X also recommends that the mechanism which will be used to meet the identified need is transparent, competitive and efficient and its design and any decision surrounding it be stakeholdered with Market Participants and interested stakeholders.</p>
	<p>5. Multi-Year Commitments</p>	<p>If multi-year commitments are offered then resources should have the option to choose the length of their commitment. For example, if the maximum length allowed for a multi-year commitment is 7 years then resources should be able to chose ‘up to’ 7 years.</p> <p>Enel X recommends that all resource types be allowed to chose a multi-year commitment and that it not be allocated to a certain type of resources.</p>
	<p>6. Details related to governance</p>	

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	7. Risk Mitigation	
	8. Locational Details	Enel X supports the proposal to incorporate transmission constraints into the design and the ability to send price signals to resources in constrained zones.
<p align="center">ICA Foundational Decisions</p> <p><i>Slides 36-45</i></p>	Length of Forward Period	Enel X supports a 3 year forward period as we understand the requirements of other types of resources who need time to prepare for the obligation period. In order to maintain an efficient market, all resources need to have the same length of forward period.
	Commitment Period	<p>Enel X supports a 1 year commitment period, with two seasonal obligations.</p> <p>Enel X also encourages the IESO to have the ability for Auction participants to specify whether bids are mutually exclusive and/or linked with one and other. Such that participants can offer both seasonal and yearly commitments.</p>

Preliminary Decisions – Auction Activities (Slides 46-187)

Process	Topic	Stakeholder Feedback
1. Review Participation Requirements <i>Slides 46-72</i>	Organization and Resource Registration Requirements	Enel X supports the Organization and Resource Registration Requirements outlined on Slide 50.
	Ineligible Resources Types	Enel X does not support the decision to not allow energy efficiency resources to participate in the ICA. Today energy efficiency participates in PJM, ISO-NE and MISO, and is a low cost resource that can supply capacity as peak load reductions.
	Minimum Project Size	
	Resource Aggregation	Enel X supports the inclusion of aggregated resources as Capacity Market Participants, similar to the participation in the Demand Response Auction.
	Minimum Consecutive Hours of Delivery (MCHD)	The MCHD needs to recognize the value of resources who can contribute to the reliability of the IESO system and not be based on traditional generation resources. Enel X looks forward to participating in this discussion during Detailed Design.
	Requirements for new vs. existing resources	Recognition that the definition of ‘new’ for registration vs other aspects of the ICA is appreciated. Enel X looks forward to this discussion in Detailed Design. Enel X supports the requirement of a description of how the project will reach commercial operation by the commitment period. The IESO should take into account the differences between various project milestone of various resources. Demand resources, especially those in aggregated portfolios, need to be allowed to work on a prospective basis so that their portfolio recruitment can be done in timelines that make sense to the resources based on the length of the forward commitment period, similar to the DRA.

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	Project Awareness Requirements	<p>Enel X agrees that project awareness requirements should be resource specific. For instance, MPs who aggregate loads should not have to demonstrate access to the site/customer contributors in advance of the commitment period.</p> <p>Enel X strongly supports coordination between LDCs, the OEB and the IESO to further mitigate the risk of a new resource clearing the auction and not being able to complete a CIA. The current interconnection process with lengthy timelines and unnecessary technical requirements for non-injection behind-the-meter resources at some LDC are a risk to meeting timelines in order for the projects to be ready for the start of the commitment period. This will be especially true if there are shortened forward period timelines for the initial auctions.</p>
	Participation of Regulated Entities	<p>Mitigation needs to occur to ensure that resources that are owned by Regulated Entities or affiliates of Regulated Entities who are eligible to participate are competitive and not subsidized by the ratepayer either through their regulated price or the distribution/transmission rates.</p>
	Requirements related to the participation of contracted resources	
	Requirements related to the participation of imports	
	Connection Assessment Timelines	
	Site Access Requirements	

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<p>2. Determine Auction Parameters and Publish Pre-Auction Report</p> <p><i>Slides 73-88</i></p>	Auction Parameters	
	Pre-Auction Report	Information on the auction that will be included in the Pre-Auction report should be released well in advance of the auction. One year is acceptable.
	Target Capacity	<p>A preliminary Target Capacity should be included in the Pre-Auction Report. The final Target Capacity should be published at least a month in advance of the when offers will be accepted.</p> <p>Target Capacity, as indicated on slide 78, should be based on the Reliability Requirement minus the contracted/regulated contribution. Target capacity should not be based on voluntary programs where resources are not required to show up. Enel X looks forward to working with the DRWG to discuss the proper inclusion of ICI MW in the Target Capacity.</p>
	Pre-Auction Deliverability Indication	
	Capacity Zones	Enel X recommends aggregating capacity zones that are not Transmission constrained. By aggregating the 10 zones that are used today according to what is transmission constrained, better prices could be achieved.
	Zonal Maximum Capacity	Zonal maximum capacity should be based on actual grid needs.
	Zonal Minimum Capacity	Zonal minimum capacity should be based on actual grid needs.
<p>3. Submit Info for Eligibility and Qualifying Capacity</p>	Assessment Deposit	Enel X supports eligibility requirements being established which allow for participants to manage their own resource development risk. For aggregators this includes procuring contributors to meet their commitments in a prospective way. Financial mechanisms are a reasonable tool to ensure resources ‘show up’ for the

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<p><i>Slides 89-95</i></p>		<p>commitment period and the IESO to manage their resource adequacy risk.</p>
	<p>Demand Response</p>	<p>Enel X supports the requirement for DR resources to provide a plan of how capacity will be acquired and looks forward to discussions on milestones in the Detailed Design phase. As noted above, financial mechanisms should be used for all resources to ensure they are able to meet their capacity commitments. Different resource types should be exposed to different milestones as the processes required to meet the commitments will be quite different among various resource types. Enel X looks forward to discussing the milestones during the Detailed Design phase but recommends the IESO adopt the PJM process and rely on financial incentives/penalties as laid out in the sections below.</p>
	<p>Hydro Resources</p>	
<p>4. Confirm Eligibility, Determine Qualified Capacity</p> <p><i>Slides 96-117</i></p>	<p>Confirm Eligibility</p>	
	<p>Defining the Capacity Product</p>	<p>In order to move forward with the ICA the IESO needs to clearly the capacity product and they problem that they are trying to solve. Enel X recognizes that the demand curve analysis provides a starting point, but we accept to learn more during the Detailed Design phase.</p>
	<p>Capacity Qualification Process</p>	<p>Enel X supports DR participants submitting the quantity of MW they wish to qualify. Since aggregators are assessed on a portfolio level and since portfolios of aggregators change year over year for it is problematic if portfolios are de-rated based on historical activations or results of Capacity Check Tests. In some jurisdictions DR resources are actually up-rated to take into account the lack of line</p>

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		<p>losses due to their resource type. Penalties and incentives in the Auction rules will ensure aggregators ‘right size’ their portfolios to meet their MW commitments in the ICA.</p> <p>Enel X does not support using a Capacity Check Tests and activation data to create a DR class average which would be used eventually as a performance factor for the qualification of capacity of new DR resources. DR portfolios are fluid resources that change year over year. If a contributor is not able to preform they will be removed from the portfolio and the portfolio will change year over year based on who is in the portfolio. As noted above, financial incentives and penalties should be used, similar to the DRA to ensure that DR resources are able to meet their capacity commitments throughout the Commitment Period.</p> <p>Enel X also recommends that line loss benefits of DR should be taken into account during capacity qualification. Enel X will provide further information on how other jurisdictions treat line losses during the Detailed Design phase.</p> <p>Enel X wants to ensure that resources will not be penalized twice for the same action. This should be a principle that is applied throughout the Detailed Design phase.</p>
<p>5. Submit Auction Offer <i>Slides 118-130</i></p>	<p>Submit Auction Offer</p>	<p>Enel X supports the ability for auction participants to submit multiple price-quantity pairs and specify for each lamination above the first one whether it can be cleared in ‘full’ or ‘partial’. Enel X recommends that similar to the DRA, 20 price quantity pairs can be submitted.</p> <p>The IESO should explore the use of “coupled offers’ whereby market participants are allowed to submit a single, ‘coupled’ offer that is two distinct, mutually exclusive offers between a standalone season commitment and an annual commitment, based on price. For example, a market participant is willing to clear a</p>

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		summer-only offer at \$100/MW-day but will clear Annual instead depending on what the price premium is. Enel X looks further to discussing this concept during the Detailed Design phase.
	Inefficient Suppression of Capacity Auction Prices	Enel X recommends that a re-occurring review process be set up to evaluate the minimum offer price rule (MOPR). As new subsidies are introduced, the IESO should review on a case-by-case basis to ensure the suppression of prices does not occur.
6. Run Auction, Convey Obligations, Post Auction Results <i>Slides 131-135</i>	Run Auction	Enel X supports a single-round, sealed-bid auction.
	Location Considerations	
	Post-Auction Communications	Enel X supports the IESO recommendation.
7. Meet Forward Period Obligations; 8. Assess Forward Period Obligations <i>Slides 136-148</i>	Completion Security	Auction deposits and then completion security should be used a tool to ensure resources meet their capacity obligations. Enel X supports that auction deposits will be converted to completion security upon clearing the auction for new resources, as defined in qualification. Completion security should be gradually returned as milestones are met based and fully returned if obligation are shed in rebalancing auctions.
	Capacity Check Test	Performance in a dispatch should be used to evaluate the ability of a portfolio to preform. However, if DR resources are not dispatched during a commitment period, then a capacity check test may be appropriate but Enel X recommends that capacity check test rule not follow the process used in the DRA. In the capacity auction, Capacity Check Tests should be able to be scheduled by contributors similar to the testing requirements in PJM. The test should be scheduled in similar conditions of actual dispatches, as best as possible. As well the test check should be evaluated on a contributor basis. If a contributor

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		<p>fails then they should be subject to a re-test. Enel X looks forward to providing recommendations during the Detailed Design on best practices for testing to ensure a more efficient way to prove to dispatch capabilities when the resource is not needed for an actual activation.</p> <p>Clarification is required on what the IESO determines is ‘not providing required information’ may result in a reduction in, or loss of, obligations during a commitment period. Financial incentives and penalties have been identified in the design of the ICA and those will drive behaviour. If a resource continually under performs then their obligations should be assessed, but loss of an obligation based on a test or not providing required information seems drastic.</p>
	Project Milestones	<p>Milestones should be specific to participants and definitely specific to resource types. For DR, Enel X looks forward to working with IESO in Detailed Design on the milestones that DR resources, especially those in an aggregated portfolio will need to meet. Enel X recommends that a similar process as PJM be used. Currently PJM has robust participation by demand response.</p>
	Project Progress Reports	<p>Project Progress Reports should reflect the timelines in the project plans. For DR resources, the recognition needs to be made (as it is in the slide presentation form Oct 18 and 19) that portfolios will not be built until closer to the Commitment Period as a 3 year forward period is not necessary for the recruitment and operationalization of contributors in a DR portfolio.</p> <p>Enel X supports financial tools be used to ensure resources are ready to meet their capacity obligations.</p>
	Performance Security	<p>Enel X looks forward to participating in discussions through the Detailed Design work to ensure that resources face the right incentive and penalty structure to ensure MPs show up for their capacity obligation. This structure needs to be applied evenly to all resource types and includes performance security being applied to all resources.</p>
Rebalancing Auctions	Frequency of Auctions	

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<p><i>Slides 149-158</i></p>	<p>Timing of Auctions</p>	<p>Enel X supports that the rebalancing auctions be held on a fixed schedule. And the timing being between 18-24 months before the Commitment Period, and 3 months before.</p>
	<p>Participation Requirements</p>	<p>Requirements in the rebalancing auctions for participants should be as similar to the base auction as possible.</p>
	<p>Obligation Transfers</p>	<p>Enel supports continuation of bilateral trading/obligation transfers as currently allowed in the DRA, particularly as a mechanism to adjust positions after the 2nd RBA.</p>
<p>9. Deliver Capacity Obligations 10. Assess Performance</p>	<p>General Principles</p>	<p>All resources should be exposed to similar incentives and similar penalties if they do not meet their capacity obligations.</p>
	<p>Must Offer</p>	
	<p>Deliver Capacity Obligations</p>	
<p><i>Slides 159-170</i></p>	<p>Outage Planning and Reporting</p>	
	<p>Capacity Check Test</p>	<p>Rules for testing need to be finalized before the Auction to ensure they are taken into account in the offers that we submit. Annual tests and testing individuals vs. portfolio.</p>

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11. Receive Capacity Payments <i>Slides 171-182</i>	Overview	Enel X looks forward to participating in discussions through the Detailed Design work to ensure that resources face the right incentive and penalty structure to ensure MPs show up for their capacity obligation. This structure needs to be applied evenly to all resource types.
	Availability Payments for Base Auction	
	Availability Payments for Rebalancing Auction	
	Check Test Failure Charge	Similar to above, the IESO should ensure that the result of an action should not result in two charges/penalties for the same action. The capacity check test failure charge, needs to be considered in conjunction with the capacity qualification rules. Capacity market participants need to be exposed to the same penalty and incentive regimes.
	Delayed Commercial Operation Charge	
	Under-Availability Charge	
	Dispatch non-performance charge	Currently under the DRA, participants are subject to a non-performance charge if they fail to meet their obligations during a dispatch. If this charge is transferred to the ICA, it needs to be ensured that other resources who fail to meet their obligation in a dispatch are exposed to a similar charge. On slide 182 it is written that ‘Administrative Charges will be applied during Commitment Period to capacity resources that fail to meet certain Market Rule obligations’ but the two examples do not include ‘failure to respond to a dispatch’. If resources are competing to

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		provide the same capacity product, they should be exposed to the same incentives as well as the same penalties. The addition of administrative charges should be included in the High Level Design to ensure a level playing field should be a starting point and not an afterthought.
	Administrative charges	Enel X looks forward to discussions in Detailed Design on what administrative charges all resources will be subject to. Similar to above, the IESO should ensure that the result of an action should not result in two charges/penalties for the same action. Enel X supports a more reasonable way to handle shortfalls is by resettling in the real-time market. Enel X looks forward to further discussions in the Detailed Design.
12. Recover Costs <i>Slides 183-186</i>	Customer Base	
	Allocation Methodology	Enel X looks forward to discussion on this topic in the DRWG as well as during the Detailed Design.
	Zonal vs. System-wide	

ICA Demand Curve Analysis (presented by Brattle - [the presentation can be found here](#))

Design Element	Preliminary Findings/Areas to Explore	Stakeholder Feedback
<p>Target Capacity (& LOLE Allocation)</p>	<p>Preliminary Findings:</p> <ul style="list-style-type: none"> Recommend allocating more LOLE risk to summer than winter, possibly 90/10 Winter curve is likely to exceed reliability target unless winter becomes tighter 	<p>Enel X supports the use of a 0.1 LOLE to determine the target capacity. This is an approach taken by many other jurisdictions.</p>
	<p>Post HLD Questions to Explore:</p> <ul style="list-style-type: none"> Are there options for updating LOLE allocation between auctions, or within each auction? 	<p>Any proposed changes to LOLE used in the auction should be brought before stakeholders for review. These changes could happen during a periodic review done once every three years.</p>
<p>Price Cap (& Minimum Price Cap)</p>	<p>Preliminary Findings:</p> <ul style="list-style-type: none"> Annual cap may be 1.5-2x Net CONE Seasonal caps in the range of 1.5-2x expected seasonal price (results in a summer cap in the range of 2.5-3.5x Net CONE) Winter price cap may be at imposed min 	<p>Enel X believes the maximum price for both summer and winter demand curves should be determined as a multiple of Net CONE. This is because the IESO must ensure that enough resources are available year-round, and not just for the summer capability period. Enel X would like more information explaining why there would be a large difference between Summer and Winter Net CONE values.</p>
	<p>Post HLD Questions to Explore:</p> <ul style="list-style-type: none"> Can the price cap be updated after each auction to adapt to emerging market conditions? What is an appropriate minimum to impose on the price cap? 	<p>The Net CONE should be updated each year to reflect a rolling three-year average earnings from the Energy and Ancillary markets. Net CONE should also be updated each year to include inflation in the price of building a new marginal generator. Changes to the underlying technology used as the cost basis should happen during a periodic review held every three years.</p>

Design Element	Preliminary Findings/Areas to Explore	Stakeholder Feedback
Maximum Capacity Limit	Preliminary Findings: <ul style="list-style-type: none"> “Foot point” is a less important driver of curve performance, and can be adjusted to align with other chosen parameters 	Enel X believes the foot point is an important parameter that needs careful consideration in the context of other set points.
Slope and Shape	Preliminary Findings: <ul style="list-style-type: none"> Wider/flatter curve reduces price volatility but increases procured quantities and cost 	Enel X supports a demand curve designed to limit extreme price volatility during periods of temporary over or under-supply, particularly the use of a “kinked” demand curve.
	Post HLD Questions to Explore: <ul style="list-style-type: none"> Might kinked curves offer opportunities to winter overprocurement while keeping higher price caps to protect against collapse of the winter price cap? 	Enel X support the exploration of a “kinked” curve.

General Comments/Feedback:

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