

Incremental Capacity Auction (ICA) – Stakeholder Feedback Form

Stakeholder Meeting: October 18/19, 2018

Date Submitted: <i>2018/11/21</i>	Feedback provided by: Company Name: ITC Holdings Corporation Contact Name: Doug Motley Phone: 517-488-8090 Email: dmotley@itctransco.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>Please provide information and analysis used to reach ICA conclusions and recommendations. Stakeholders, and the broader market, will benefit from the ability to independently reproduce the IESO’s base analysis and sensitivity analysis to help consider investment opportunities. As such, we suggest the IESO limit as much as possible the use of confidential information to allow the greatest amount of source information to be shared with stakeholders.</p>
	<p>2. Transparency of System Needs</p>	<p>See response to 1. Specifically, stakeholders and ratepayers will benefit if sufficient information is available to enable stakeholders to replicate the calculations and conclusions the IESO produces on system need.</p>
	<p>3. Understand Opportunities for running auction earlier</p>	<p>Consider and provide details on what limitations a simplified auction would have on different resource types and participants in particular HVDC systems and capacity imports.</p>
	<p>4. Clarity on 2023 needs and IESO view on need for new build capacity</p>	<p>IESO states “sufficient resources that can meet an anticipated 2023 need with a three year or less lead time, and without the need for long term commitments, are expected to be available”. We urge the IESO to share their analysis and how it reached this conclusion, including what resources and participants are expected to be available.</p> <p>The longer the IESO delays identifying the 2023 needs and approach to meeting those needs, the fewer options will be available to the IESO with the sizeable risk that options providing more benefits at reduced cost will no longer be possible.</p>
	<p>5. Multi-Year Commitments</p>	

Section	Theme/Topic	Stakeholder Feedback
	6. Details related to governance	
	7. Risk Mitigation	
	8. Locational Details	
<p align="center">ICA Foundational Decisions</p> <p><i>Slides 36-45</i></p>	Length of Forward Period	
	Commitment Period	ITC requests that the IESO consider adjusting the commitment period such that it begins in June rather than May. This would better align with regions offering the greatest opportunities for supply capacity imports, namely MISO and PJM.

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	
	Ineligible Resources Types	
	Minimum Project Size	
	Resource Aggregation	
	Minimum Consecutive Hours of Delivery (MCHD)	
	Requirements for new vs. existing resources	
	Project Awareness Requirements	
	Participation of Regulated Entities	

Process	Topic	Stakeholder Feedback
	Requirements related to the participation of contracted resources	
	Requirements related to the participation of imports	ITC requests more clarity regarding qualified capacity from capacity imports across highly-controllable HVDC transmission facilities. ITC also requests that the IESO consider more flexibility regarding the participation of new solutions. The technological advantages of Voltage Source Converter (VSC) HVDC transmission, and ability to inject directly into the 500kv IESO system, provides numerous advantages that might require additional consideration for the HLD and Detailed Design.
	Connection Assessment Timelines	
	Site Access Requirements	
2. Determine Auction Parameters and Publish Pre-Auction Report <i>Slides 73-88</i>	Auction Parameters	
	Pre-Auction Report	
	Target Capacity	
	Pre-Auction Deliverability Indication	

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Process	Topic	Stakeholder Feedback
	Capacity Zones	
	Zonal Maximum Capacity	
	Zonal Minimum Capacity	
3. Submit Info for Eligibility and Qualifying Capacity <i>Slides 89-95</i>	Assessment Deposit	
	Demand Response	
	Hydro Resources	
4. Confirm Eligibility, Determine Qualified Capacity <i>Slides 96-117</i>	Confirm Eligibility	
	Defining the Capacity Product	
	Capacity Qualification Process	

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Process	Topic	Stakeholder Feedback
5. Submit Auction Offer <i>Slides 118-130</i>	Submit Auction Offer	
	Inefficient Supression of Capacity Auction Prices	
6. Run Auction, Convey Obligations, Post Auction Results <i>Slides 131-135</i>	Run Auction	
	Location Considerations	
	Post-Auction Communications	
7. Meet Forward Period Obligations; 8. Assess Forward Period Obligations <i>Slides 136-148</i>	Completion Security	
	Capacity Check Test	
	Project Milestones	
	Project Progress Reports	
	Performance Security	

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Process	Topic	Stakeholder Feedback
Rebalancing Auctions <i>Slides 149-158</i>	Frequency of Auctions	
	Timing of Auctions	
	Participation Requirements	
	Obligation Transfers	
9. Deliver Capacity Obligations 10. Assess Performance <i>Slides 159-170</i>	General Principles	
	Must Offer	
	Deliver Capacity Obligations	
	Outage Planning and Reporting	
	Capacity Check Test	

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Process	Topic	Stakeholder Feedback
11. Receive Capacity Payments <i>Slides 171-182</i>	Overview	
	Availability Payments for Base Auction	
	Availability Payments for Rebalancing Auction	
	Check Test Failure Charge	
	Delayed Commercial Operation Charge	
	Under-Availability Charge	
	Dispatch non-performance charge	
	Administrative charges	

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Process	Topic	Stakeholder Feedback
12. Recover Costs <i>Slides 183-186</i>	Customer Base	
	Allocation Methodology	
	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
Target Capacity (& LOLE Allocation)	Preliminary Findings: <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 	
	Post HLD Questions to Explore: <ul style="list-style-type: none"> Are there options for updating LOLE allocation between auctions, or within each auction? 	
Price Cap (& Minimum Price Cap)	Preliminary Findings: <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 	
	Post HLD Questions to Explore: <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? 	
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 	
Slope and Shape	Preliminary Findings: <ul style="list-style-type: none"> Wider/flatter curve reduces price volatility but increases procured quantities and cost 	

Design Element	Preliminary Findings/Areas to Explore	Stakeholder Feedback
	<p>Post HLD Questions to Explore:</p> <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? 	

General Comments/Feedback:

ITC thanks the IESO for the opportunity to provide feedback on the Incremental Capacity Auction (ICA) design. We look forward to continued participation in the stakeholder process, particularly as this engagement transitions from the high-level design stage and into the detailed design phase. ITC would appreciate the opportunity to meet with the IESO in January to discuss.