

# Incremental Capacity Auction (ICA) – Stakeholder Feedback Form

Stakeholder Meeting: October 18/19, 2018

<b>Date Submitted:</b> <i>YYYY/MM/DD</i>	<b>Feedback provided by:</b> Company Name: ___ Ontario Waterpower Association ___ Contact Name: _____ Paul Norris _____ Phone: _____ 705-743-1500 _____ Email: _____ pnorris@owa.ca _____
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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](mailto: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><b>September 12 – Themes &amp; Responses</b></p> <p><i>Slides 5-35</i></p>	<p>1. Desire for More Detail</p>	<p>The IESO should consider an alternative or parallel path to initially develop a simpler version of an ICA to meet the 2023 capacity requirements, with a more robust ICA developed over time.</p>
	<p>2. Transparency of System Needs</p>	<p>The IESO proposed a new process at the Technical Committee to more regularly update demand and supply projections, including the provision of data and assumptions to stakeholders. There timelines for the provision of the data and reports should be identified annually.</p>
	<p>3. Understand Opportunities for running auction earlier</p>	<p>The IESO should consider an alternative or parallel path to initially develop a simpler version of an ICA to meet the 2023 capacity requirements, with a more robust ICA developed over time.</p>
	<p>4. Clarity on 2023 needs and IESO view on need for new build capacity</p>	<p>The statements that “there is sufficient time to secure and bring on the resources for 2023 given the size and nature of the need” – and “Sufficient resources that can meet the 2023 need with a three year or less lead time and without the need for long term commitments” needs to be substantiated – the assumptions there under necessarily exclude some resources from participating in any procurement mechanism and the IESO should be open and transparent about this. Exactly what resources are assumed to be able to meet these restrictions?</p>
	<p>5. Multi-Year Commitments</p>	<p>The OWA supports the decision to provide multiyear commitments and strongly recommends that the definition of “new” hydroelectric resources be premised on the existing regulatory and policy framework from the Ministries and Finance and Natural Resources and Forestry with respect to applicability to taxation and water rentals on “new” facilities (Gross Revenue Charge). The OWA would be pleased to provide details of the framework.</p>

Section	Theme/Topic	Stakeholder Feedback
	6. Details related to governance	According to the website, the IESO’s Governance and Decision-Making Advisory Group was to convene meetings in the fall of 2018 and provide a final report by November 2018. No details of the meetings have been shared with stakeholders nor is there any indication that a draft report will be made available for comment. This seems contrary to the overarching theme of transparency.
	7. Risk Mitigation	The IESO should do more than “acknowledge the importance of coordinating with the various Ministries” and develop a formal process for engaging key regulatory Ministries (MECP, MNRF, MCTS) now so that approvals and permitting processes are aligned. The OWA would be pleased to participate in such an engagement to provide the industry perspective on opportunities for alignment and streamlining. For example, MNRF’s current approach is that staff resources will only be invested in a project once the proponent has the security of a contract.
	8. Locational Details	Additional clarity is required on the intended boundaries for the zones.
<p style="text-align: center;"><b>ICA Foundational Decisions</b></p> <p><i>Slides 36-45</i></p>	Length of Forward Period	Please provide the rationale for the initial forward period being less than the standard forward period – this decision will necessarily limit the competition
	Commitment Period	The OWA supports the decision to provide multiyear commitments and strongly recommends that the definition of “new” hydroelectric resources be premised on the existing regulatory and policy framework from the Ministries and Finance and Natural Resources and Forestry with respect to applicability to taxation and water rentals on “new” facilities (Gross Revenue Charge). The OWA would be pleased to provide details of the framework.

**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	This should clarify that new incremental capacity from contracted or rate regulated resources would be eligible (i.e. upgrades)
	Minimum Project Size	Market rules could be amended to reduce the minimum capacity from 1MW to 100 kW – would encourage greater participation of Distributed Resources
	Resource Aggregation	Current aggregation rules should be adjusted to fit the reality of the penetration of Distributed Resources in Ontario. The IESO needs to develop options now for the development and participation of aggregators of generation.
	Minimum Consecutive Hours of Delivery (MCHD)	
	Requirements for new vs. existing resources	
	Project Awareness Requirements	Project awareness requirements are duplicative of regulatory permitting and approvals processes and should not be additionally incorporated into the design of the auction
	Site Access	Current Crown land policy (MNR) does not provide site access in advance of the proponent having a contract (or in the case of an ICA, clearing the Auction)

Process	Topic	Stakeholder Feedback
	Connection Assessment Timelines	Details on “possible coordination to mitigate the risk of a new resource clearing the auction and not being able to complete a CIA” should be provided as part of HLD,
	Participation of Regulated Entities	
	Requirements related to the participation of contracted resources	Agree with decision
	Requirements related to the participation of imports	
<b>2. Determine Auction Parameters and Publish Pre-Auction Report</b>  <i>Slides 73-88</i>	Auction Parameters	
	Pre-Auction Report	
	Target Capacity	
	Pre-Auction Deliverability Indication	
	Capacity Zones	

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Process	Topic	Stakeholder Feedback
	Zonal Maximum Capacity	
	Zonal Minimum Capacity	
<b>3. Submit Info for Eligibility and Qualifying Capacity</b>  <i>Slides 89-95</i>	Assessment Deposit	
	Demand Response	
	Hydro Resources	Current Crown land policy (MNRF) does not provide site access in advance of the proponent having a contract (or in the case of an ICA, clearing the Auction)
<b>4. Confirm Eligibility, Determine Qualified Capacity</b>  <i>Slides 96-117</i>	Confirm Eligibility	Timelines associated with these processes should be provided as part of the HLD
	Defining the Capacity Product	
	Capacity Qualification Process	Please provide the proposed capacity qualification factors for dispatch able and run of river hydro in summer and winter periods for input during the HLD development (e.g. 90-95% for dispatchable, 55-65% for RoR) – or will this be determined facility specifically.

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Process	Topic	Stakeholder Feedback
<b>5. Submit Auction Offer</b>  <i>Slides 118-130</i>	Submit Auction Offer	
	Inefficient Suppression of Capacity Auction Prices	
<b>6. Run Auction, Convey Obligations, Post Auction Results</b>  <i>Slides 131-135</i>	Run Auction	
	Location Considerations	
	Post-Auction Communications	
<b>7. Meet Forward Period Obligations;</b> <b>8. Assess Forward Period Obligations</b>  <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
<b>11. Receive Capacity Payments</b>  <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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<b>12. Recover Costs</b>  <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)	<b>Preliminary Findings:</b> <ul style="list-style-type: none"> <li>Recommend allocating more LOLE risk to summer than winter, possibly 90/10</li> <li>Winter curve is likely to exceed reliability target unless winter becomes tighter</li> </ul>	
	<b>Post HLD Questions to Explore:</b> <ul style="list-style-type: none"> <li>Are there options for updating LOLE allocation between auctions, or within each auction?</li> </ul>	
Price Cap (& Minimum Price Cap)	<b>Preliminary Findings:</b> <ul style="list-style-type: none"> <li>Annual cap may be 1.5-2x Net CONE</li> <li>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)</li> <li>Winter price cap may be at imposed min</li> </ul>	
	<b>Post HLD Questions to Explore:</b> <ul style="list-style-type: none"> <li>Can the price cap be updated after each auction to adapt to emerging market conditions?</li> <li>What is an appropriate minimum to impose on the price cap?</li> </ul>	
Maximum Capacity Limit	<b>Preliminary Findings:</b> <ul style="list-style-type: none"> <li>“Foot point” is a less important driver of curve performance, and can be adjusted to align with other chosen parameters</li> </ul>	
Slope and Shape	<b>Preliminary Findings:</b> <ul style="list-style-type: none"> <li>Wider/flatter curve reduces price volatility but increases procured quantities and cost</li> </ul>	

Design Element	Preliminary Findings/Areas to Explore	Stakeholder Feedback
	<p><b>Post HLD Questions to Explore:</b></p> <ul style="list-style-type: none"><li>• Might kinked curves offer opportunities to winter over procurement while keeping higher price caps to protect against collapse of the winter price cap?</li></ul>	

**General Comments/Feedback:**