

Incremental Capacity Auction (ICA) – Stakeholder Feedback Form

Stakeholder Meeting: October 18/19, 2018

Date Submitted: <i>2018/11/20</i>	Feedback provided by: Company Name: Rodan Energy Solutions Contact Name: Rick Goddard Phone: 905-625-9900 x251 Email: rick.goddard@rodanenergy.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>5. Multi-Year Commitments</p>	<p>As noted in the presentation, the definition of what constitutes a “new” resource will be key. This definition also has downstream implications for eligibility and participation.</p> <p>For loads, it is important to realize that “new” can also refer to the enablement of capacity through additional investment in controls and infrastructure. This is analogous to investment in new resources, or equipment for capacity uprates in generation. As such, loads may require the security of a multi-year commitment to backstop the investment.</p> <ul style="list-style-type: none"> • Has the IESO considered how MYCs might applied to aggregated load resources?

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	6. Details related to governance	<p>With respect to the IESO’s request for feedback on alternate avenues of dispute resolution, Rodan believes the existing Notice of Disagreement process would not be appropriate for resolving future ICA disputes in its current form.</p> <p>While sufficient for straightforward settlement calculation disputes, experience with CBDR and the DR Auction has demonstrated that the NoD process is less than ideal for nuanced issues relating to interpretation of Market Rules, and rarely results in adequate dialog to determine the source of the disagreement and a subsequent resolution.</p> <p>If the NoD system were to be deployed for the ICA, Rodan would suggest an expansion of IESO’s ability to “show their work”, either directly through the NoD system itself, or possibly via additional private reports.</p>
	7. Risk Mitigation	
	8. Locational Details	<p>Rodan proposes that load resources should be exempt from Deliverability assessments. If Deliverability assessments are required of load, then we would ask:</p> <ul style="list-style-type: none"> • When is deliverability determined? Aggregators may not have finalized the makeup of their resource if this is done in the qualification phase. • How often is deliverability assessed? • If the process is only triggered for “new” resources, what constitutes “new” for an aggregated resource?

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Section	Theme/Topic	Stakeholder Feedback
ICA Foundational Decisions <i>Slides 36-45</i>	Length of Forward Period	
	Commitment Period	

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)	Since MCHD has such significant ramifications for energy-limited participants (particularly when aggregated), Rodan requests that the IESO consider addressing and defining a value for this parameter as early in the Detailed Design as practical.
	Requirements for new vs. existing resources	As per our comment in Themes and Responses, the concept of a “new” resource should be considered carefully for aggregated loads. The IESO has indicated that the definition of “new” may differ depending on the topic – this might lead to confusion, so alternative terms might be more appropriate than using “new resource” with several definitions.
	Project Awareness Requirements	Rodan supports the IESO’s comment that Project Awareness should be dependent on resource type. Existing facilities whose participation in the ICA will not impact their community should not be burdened with unnecessary notification requirements.
	Participation of Regulated Entities	Participation of regulated entities should be restricted. If affiliates of regulated entities are permitted to participate in the ICA, measures should be put in place to ensure competitive outcomes in the marketplace.

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	Requirements related to the participation of contracted resources	
	Requirements related to the participation of imports	
	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	Rodan thanks the IESO for introducing the discussion of ICI interplay with the ICA early in this process. We believe the basic assumption that should precede all discussions on this topic is that the ICI and the ICA must coexist. We look forward to ongoing and detailed discussions on how best to account for each initiative in both the DRWG and future MR sessions.
	Pre-Auction Deliverability Indication	

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	Capacity Zones	Rodan supports the use of the current 10 electrical zones for allocating capacity. Given the overlap/concurrency of base auctions and rebalancing auctions, changes to Capacity zones should be weighed carefully as realignments could add complexity for participants who operate in multiple zones and multiple auctions.
	Zonal Maximum Capacity	To the extent that current limitations in modeling of virtual resources contribute to determining zonal maximums, it is our hope that the new systems developed through Market Renewal will be sufficiently capable to overcome these concerns in the ICA.
	Zonal Minimum Capacity	
<p>3. Submit Info for Eligibility and Qualifying Capacity</p> <p><i>Slides 89-95</i></p>	Assessment Deposit	<p>The Assessment Deposit is somewhat of a misnomer, as it refers both to a security deposit <i>and</i> a yet-to-be-defined, non-refundable fee. Rodan suggests this terminology be adjusted to clearly indicate that a fee is involved.</p> <p>The general concept of an assessment fee has relevance for new builds in some resource types, but for aggregators this represents an unreasonable cost. The presentation did indicate that the cost might be dependant on resource type but did not state if this value could be zero.</p> <p>Assuming this fee is applied to load aggregation, consider the worst-case scenario:</p> <ul style="list-style-type: none"> • \$50K per resource • participation in all 10 zones • 1 MW per zone (the minimum) <p>The result would be \$500K in fees per auction (more if the assessment fee also applies for rebalancing auctions). Additionally, the fact that the fees are not proportional to capacity would effectively make participation more expensive for smaller resources. This poses several questions:</p> <ul style="list-style-type: none"> • How often would the assessment fee be collected – at qualification for the base auction? For rebalancing auctions? When there is a material change in

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		membership of an aggregated portfolio? <ul style="list-style-type: none"> • What impact would changing the contributor makeup of a portfolio have on the requirements for this fee (or the magnitude)? • Would or should the imposition of this fee have an impact on the value of Net CONE?
	Demand Response	
	Hydro Resources	
4. Confirm Eligibility, Determine Qualified Capacity <i>Slides 96-117</i>	Confirm Eligibility	
	Defining the Capacity Product	
	Capacity Qualification Process	As with other aspects of the ICA, the concept of what constitutes “new capacity” is of critical importance, as it will influence what (if any) derating factors are brought to bear on aggregated load resources. Slide 112 states “Resource Assessment Quantity may then be further reduced based on performance data from historical activations or results of Capacity Check Test(s)” <ul style="list-style-type: none"> • Does the IESO contemplate using historical performance only to derate a resource? Would it not make sense to uprate a resource if it has

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		demonstrated the ability to achieve above the class average? <ul style="list-style-type: none"> • How might historical performance be applied – the most recent capacity check, the average of the last <i>n</i> checks, etc.? • Will historical performance be based on the performance in the same electrical zone, or based on the performance of the supplier overall?
5. Submit Auction Offer <i>Slides 118-130</i>	Submit Auction Offer	<ul style="list-style-type: none"> • Will the requirement for the auction deposit overlap any other deposits or prudentials required for the auction (i.e. Assessment Deposit)? • Has the IESO considered cumulative effects of concurrent auctions cycles on various deposits and operating prudentials?
	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	Completion Security	Please refer to comment in 5 – Submit Auction Offer.
	Capacity Check Test	

Process	Topic	Stakeholder Feedback
Obligations <i>Slides 136-148</i>	Project Milestones	
	Project Progress Reports	Given the concurrency of auctions within the forward period and the recurrent nature of some participants, PPR requirements should be minimized or eliminated based on resource type.
	Performance Security	Please refer to comment in 5 – Submit Auction Offer.
Rebalancing Auctions <i>Slides 149-158</i>	Frequency of Auctions	
	Timing of Auctions	
	Participation Requirements	<ul style="list-style-type: none"> • Will rebalancing auctions trigger the same qualification processes (and assessment fees) as the base auction? • If so, would this only apply to the incremental portion acquired in the rebalancing auction, or to the entire resource?
	Obligation Transfers	
9. Deliver Capacity Obligations 10. Assess Performance <i>Slides 159-170</i>	General Principles	
	Must Offer	Determining the Must Offer hours is scheduled for the detailed design stage. However, as with the discussion on MCHD, knowing this value as soon as possible is very important for aggregators (particularly if there are any marked departures from the current operational window of the DR Auction).

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	Deliver Capacity Obligations	
	Outage Planning and Reporting	
	Capacity Check Test	
11. Receive Capacity Payments <i>Slides 171-182</i>	Overview	
	Availability Payments for Base Auction	
	Availability Payments for Rebalancing Auction	
	Check Test Failure Charge	Rodan anticipates that all Capacity Charges will be applied equally across all resource types; particularly with respect to the proposed “Monthly Charge Factor”.
	Delayed Commercial Operation Charge	See Check Test Failure Charge.

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	Under-Availability Charge	See Check Test Failure Charge.
	Dispatch non-performance charge	See Check Test Failure Charge.
	Administrative charges	See Check Test Failure Charge.
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 	

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	<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: