

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: TransAlta Corporation Contact Name: Chris Codd Phone: 437-580-7700 Email: chris_codd@transalta.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 <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>The information provided to date assumes that all resources with expired contracts will continue to be available in 2023. The capacity gap in 2023 will be larger without these resources.</p> <p>Some existing resources with expired contracts and new resources will need to make investment decisions in the next two years in order to be available in 2023.</p> <p>Alternative procurement mechanisms will take time to develop and implement. These procurements should be completed prior to the summer of 2020 in order to allow investors to make resources available by the summer of 2023.</p>
	<p>5. Multi-Year Commitments</p>	<p>“New resources” eligible for a multi-year commitment should include any capacity additions that exceed a cost threshold, including uprates and major overhauls of existing resources.</p>
	<p>6. Details related to governance</p>	

Section	Theme/Topic	Stakeholder Feedback
	7. Risk Mitigation	
	8. Locational Details	<p>Resources have the potential to add significant value to ratepayers by deferring or avoiding transmission or distribution investments. This value would not be captured by the use of the 10 large zones currently contemplated for the ICA.</p> <p>It is unclear whether future transmission procurement mechanisms will consider the locational value of non-wires solutions or whether resources will be eligible for payment through those transmission procurement mechanisms.</p> <p>Further clarity is needed about how the value of deferring or avoiding transmission or distribution investments will be incorporated into the ICA and/or the IESO’s planning processes.</p>
<p>ICA Foundational Decisions</p> <p><i>Slides 36-45</i></p>	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)	
	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	
	Connection Assessment Timelines	
	Site Access Requirements	
2. Determine Auction Parameters and Publish Pre-Auction Report <i>Slides 73-88</i>	Auction Parameters	<p>Further detail should be provided for the Net CONE calculation, including the inputs to the weighted-average cost of capital, Gross CONE resource assumption, Gross CONE, and the energy and ancillary service (“EAS”) offset.</p> <p>Further discussion is needed about whether the Gross CONE, EAS offset and Net CONE calculations should be provided on a zonal basis since these have differed by zone in other markets. There are differences in capital, O&M and fuel costs between zones.</p>
	Pre-Auction Report	
	Target Capacity	<p>The proposed level of transparency based on the Ontario Reserve Margin Requirements reporting is not sufficient. Significantly more information is needed about the load forecast, ICI modeling approach and assumptions, ineligible and eligible resources that are included, existing resources that are excluded, and transmission limits.</p>

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		<p>More information is needed about resource and transmission outage assumptions and the discretion exercised by the IESO when it modifies or assumes planned outage schedules for specific resources.</p> <p>It would be helpful to have a target capacity forecast beyond 5 years.</p>
	Pre-Auction Deliverability Indication	
	Capacity Zones	<p>As described earlier, the IESO electrical zones will not capture the potential value of resources in deferring or avoiding the need for transmission or distribution investment. Further clarity is needed about how the value of deferring transmission or distribution needs will be incorporated into the ICA and/or the IESO’s planning processes.</p>
	Zonal Maximum Capacity	
	Zonal Minimum Capacity	
<p>3. Submit Info for Eligibility and Qualifying Capacity</p> <p><i>Slides 89-95</i></p>	Assessment Deposit	
	Demand Response	
	Hydro Resources	
<p>4. Confirm Eligibility, Determine Qualified</p>	Confirm Eligibility	<p>If a minimum offer price, reference price, or offer review threshold is adopted, there needs to be processes that allow a participant to seek review of these decisions. Other markets have such processes.</p>

Process	Topic	Stakeholder Feedback
Capacity <i>Slides 96-117</i>	Defining the Capacity Product	
	Capacity Qualification Process	The Resource Assessment Quantity methodology should be aligned with the resource adequacy modeling used to determine the capacity target. Inputs, assumptions and modeling approaches should be consistent.
5. Submit Auction Offer <i>Slides 118-130</i>	Submit Auction Offer	
	Inefficient Suppression of Capacity Auction Prices	The incremental design of the capacity auction creates significant quantity and price uncertainty from year to year. Further discussion of price suppression will be needed during the high-level design review. It would be helpful to have proposals for addressing price suppression in the high-level design to facilitate discussion.
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;	Completion Security	

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8. Assess Forward Period Obligations <i>Slides 136-148</i>	Capacity Check Test	
	Project Milestones	
	Project Progress Reports	
	Performance Security	
Rebalancing Auctions <i>Slides 149-158</i>	Frequency of Auctions	
	Timing of Auctions	
	Participation Requirements	
	Obligation Transfers	
9. Deliver Capacity Obligations	General Principles	
10. Assess Performance	Must Offer	

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<i>Slides 159-170</i>	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	
	Delayed Commercial Operation Charge	

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	Under-Availability Charge	
	Dispatch non-performance charge	
	Administrative charges	
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
<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>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>The LOLE allocation affects the prices in both the winter and summer auctions, and therefore also affects resources differently depending on their relative performance in each season. Adjusting the LOLE allocation within or between auctions will create uncertainty for resources. Stakeholders should be consulted prior to any change in the LOLE allocation between auctions or within each auction.</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>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>Higher price caps create more price volatility, which increases uncertainty for resources. Stakeholders should be consulted on any change to the price caps between auctions.</p> <p>Further modeling results are needed to discuss the appropriate minimum price cap.</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 	
Slope and Shape	Preliminary Findings: <ul style="list-style-type: none"> • Wider/flatter curve reduces price volatility but increases procured quantities and cost 	
	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? 	Further modeling results are needed to discuss kinked curves and price caps as a method to address winter over-procurement.

General Comments/Feedback:

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