IESO York Region Non-Wires Alternatives (NWA) Demonstration

Project and Innovation and Sector Evolution White Papers: Feedback Form

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Feedback Provided By:

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Following the December 12, 2019 public webinar outlining the concept design of the IESO York Region NWA Demonstration project and the white papers on NWA Markets and Transmission-Distribution Interoperability, the IESO is seeking feedback from participants on the draft white papers and specifically on the design of the demonstration project.

Feedback received will be considered in order to shape the design for the demonstration project, including processes, timelines, resource eligibility, and service agreement of the demonstration. The IESO will work to consider and incorporate comments as appropriate and post responses on the engagement webpage.

The referenced presentation and white papers can be found under the December 12, 2019 entry on the Innovation and Sector Evolution White Paper Series Engagement Webpage.

Please provide feedback by January 10, 2020 to engagement@ieso.ca. Please use subject: *Feedback: IESO York Region NWA Demonstration Project*. To promote transparency, this feedback will be posted on the Innovation and Sector Evolution White Paper engagement page unless otherwise requested by the sender.

Thank you for your time.

Stakeholder Feedback

Topic:

Concept Design of York Region NWA Demonstration Project

Question:

How can participation in the demonstration auction be maximized?

Feedback:

Participation in the demonstration auction can be maximized by including DERs owned or operated by LDC or LDC affiliate companies, which are currently explicitly excluded from eligibility (slide 27) of the NWA Demonstration Project. There is no rationale provided for excluding participation from LDCs or their affiliates when they are not related parties to the IDSO or host LDC:

Including DERs owned or operated by LDCs or LDC affiliate companies increases competition from a pool of experienced, Ontario-based energy companies and thus could reduce procurement costs related to this initiative.

The EDA recognizes that, for the purpose of this demonstration auction, independence is appropriate between the "procurement entity" and the "system operator" and DER-owner & operator because there is a need to ensure market confidence to encourage participation. Therefore, we suggest that for this demonstration auction the IESO only restrict participation by a "related party" to the IDSO or host LDC, and not restrict participation from the broader LDC community.

In order to facilitate strong participation in the demonstration auction, significant additional information is required by the IESO (and other procurement entities) with respect to the precise commercial arrangement between the IESO, IDSO, host LDC and DER owner & operator. Particularly with respect to the obligations of each party, performance requirements, penalties for non-performance, etc., that would be applicable to all parties.

Likewise, the IESO must provide much more specific information with respect to the DLMP algorithm that would be applied (i.e., participating DERs would seek to understand revenue expectation with respect to energy and capacity payments). As DR is eligible to participate, please clarify if all DER participants are eligible for energy payments resulting from DLMP?

In addition, the IESO can reduce auction participation risk and costs by providing a longer-term view with respect to the commercial opportunity for the participating DER beyond the 2022 commitment period (e.g., short term of commitment will lead to higher procurement cost relative to longer-term commitments, especially in absence of clarity of the longer-term opportunity). i.e., following the 2022 commitment period, would the DER be eligible to participate in the IESO's Capacity Auction?

Question:

What are challenges/opportunities to the adopted T-D model?

Feedback:

The EDA Roadmap describes the transformation of LDCs in Ontario to FINO, which enable, integrate, and eventually controls & operates DERs.

For this demonstration project, the adopted an IDSO model, which Alectra will assume the role of an EDA member. This is a layered system architecture where the LDC acting as the DSO is the buyer or aggregator of NWAs to bid into wholesale markets, in contrast to alternative models where DERs have direct access to the wholesale markets. The EDA supports this idea (opportunity) which can help demonstrate how DSOs can ensure system reliability as the uptake of DERs increases.

The EDA supports the IESO's adoption of an IDSO model for this demonstration project since the role of the LDC includes administering local energy and capacity markets to procure NWA services from DERs, which necessitates enhanced operational capability, including system visibility, advanced modelling and forecasting for system constraint management, and potentially the use of DERMS systems.

Question:

Are demonstration timelines reasonable?

Feedback:

Generally speaking, yes. If anything, the EDA might suggest an earlier timeframe for providing draft service contracts/auction rules/performance requirements. Please clarify that the IESO is not required to implement amendments to the IESO Market Rules for the purpose of this demonstration.

Question:

Are the proposed eligibility requirements reasonable?

Feedback:

See feedback provided to question one above. The EDA suggests the current restriction on participant eligibility will reduce competition and led to increase procurement costs.

It is also not clear why the IESO is proposing to permit existing IESO-contracted DERs if they are dispatchable but not permit IESO-contracted DERs if they are not dispatchable.

Would the IESO permit upgrades to existing facilities (i.e., addition of energy storage to an existing net-metered or FIT-contracted facility?)

Question:

Are there other issues that are important to the success of the demonstration?

Feedback:

Prior to running the demonstration, the IESO should publicize information with respect to "evaluation criteria" and "measures for success". For example, how does the IESO demonstrate that the NWA model resulted in overall reduced costs for customers, or other improved outcomes?

The EDA notes that this demonstration project should not preclude the IESO or the OEB from exploring other T-D models, for example, those that enable LDC-owned DERs serving as NWAs and receiving "revenue offsets" for participation in IESO markets (i.e., this is outlined in the EDA's Roadmap, page 18 & page 35, in particular).

Topic:

NWA Markets White Paper

Question:

Are there other concepts from the NWA Markets White Paper that are worthwhile to explore in the demonstration?

Feedback:

The EDA supports this demonstration and finds that the most worthwhile concept to explore is that of the IDSO to be the local market operators as it is the logical extension of LDC current role of planning distribution system infrastructure development, since DERs provide services to distribution level needs.

This is congruent with the FINO model, where operation of DERs is within the LDC's capability, however alongside of ownership of DERs.

Specifically, we note that the IESO's demonstration project has a consistent objective relative to the EDA's Roadmap which recommends the "[development of] decentralized mechanisms for LDCs to procure DERs and DER-enabling infrastructure that meet local needs and/or objectives, consistent with either IRRPs and/or DSP" (page 35).

The EDA also encourages the IESO to explore the potential for alternative procurement mechanisms (e.g., in addition to short-term capacity auctions) consistent with the IESO's consultation on Resource Adequacy. For example, longer-term, competitive RFPs where resources are known to be needed for a lengthier period.

Topic:

Transmission-Distribution Interoperability White Paper

Question:

Are there other concepts from the Transmission-Distribution Interoperability White Paper that are worthwhile to explore in the demonstration?

Feedback:

The EDA finds that the most worthwhile concept to explore is the interfaces between the various entities of the value chain, which in a high-DER environment includes TSO-DSO, DSO-microgrid, microgrid or aggregation-DER, etc.

Particularly, the EDA's Roadmap emphasizes that the role of the FINO includes the use of DERMS systems to optimize the coordinated usage of DERs. This ensures that LDCs will have greater ability to maximize the value of DERs provide to customers, distribution systems, and the electricity grid.

General Comments/Feedback:

The EDA supports the overall design of the NWA Demonstration, particularly with respect to the IDSO model adopted, recognizing the unique position of LDCs as the most experienced entities in maintaining distribution system reliability. This makes LDCs best positioned to act as the distribution system operator with visibility, modelling, and forecasting capability. This also makes LDC best positioned to act as point of central aggregation of DER, for DERs that want to participate in wholesale markets, and would have impacts on upstream systems that are beyond the visibility necessary to an IDSO. The EDA acknowledges the IESO's attempts to avoid tier bypassing and unbundled/decoupling, which could compromise reliability.

Emphasizing customer interest at the forefront, the EDA would prefer to see eligibility expanded to include LDC or affiliate owned DERs (where they are non-related to the IDSO or host LDC) as they may be the lowest-cost solution to ratepayers. The FINO concept envisions the ownership and control of DERs as a fundamental aspect of LDC evolution. As such the EDA recommends that the IESO and LDC to explore additional models whereby the LDC may own DERs, pursuant to distribution system plans, and participating in IESO-markets for the purpose of "revenue offsets."