

Incremental Capacity Auction (ICA) Technical Session for LDCs

August 29, 2018

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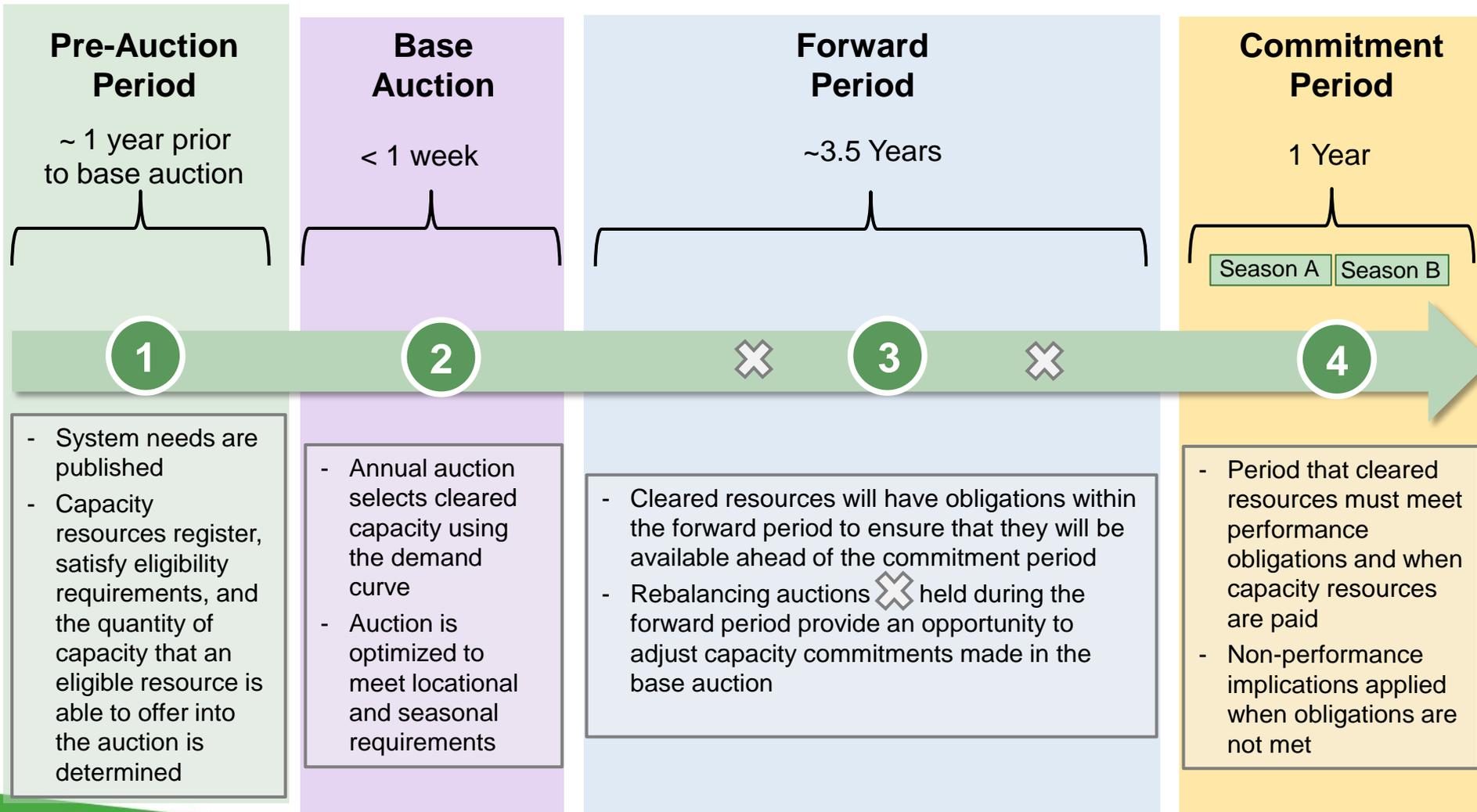
Introduction

- The IESO is in the process of making design decisions that will form the basis of the High Level Design (HLD)
- The purpose of today's session is to seek input from LDCs that will help inform the HLD
 - All stakeholders will have an opportunity to comment on the draft HLD once published; the IESO will consider all comments received before finalizing the HLD
- Written feedback is requested by end of day on **Friday, September 21st**
 - The IESO has posed several questions as an initial focus, however LDCs are welcome to provide feedback beyond these specific points

Key Points from the August 17th Webinar

- Both existing and new resources will be eligible to participate in the ICA
 - All resources wishing to participate will need to offer into and clear the auction year after year in order to continue to earn capacity revenue
 - Only a portion of these resources will require new or modified connections
- As part of the auction, the IESO is proposing:
 - Approximately three and half year forward period (time between the base auction and the commitment period)
 - One year commitment period with seasonal obligations
 - The option of a Multi-Year Commitment period is also being considered

Illustration of Capacity Auction Process



Note: Frequency and timing of Rebalancing Auctions TBD

HLD Topics for Discussion with LDCs

- Two market implementation topics that will be featured in the HLD relate specifically to LDCs:
 - The concept of *deliverability* for new and existing resources
 - *Connection assessment timelines* for new resources
- Other LDC related implementation topics may be identified later in the detailed design process

Deliverability of Capacity Resources

- The ICA will be an important tool for securing capacity to meet Ontario's resource adequacy needs
 - The auction will differ from previous procurements that procured resources under long-term contracts
 - Capacity secured through the auction will be incremental to capacity provided by contracted and rate-regulated resources
- The value of capacity that is acquired through the auction depends in part on the ability of the distribution and transmission systems to deliver capacity at times of system need

Deliverability of Capacity Resources cont'd

- Deliverability means that capacity resources must all be able to operate at a high output level at the same time during peak demand periods, either summer or winter
- Deliverability can also be considered in terms of the system constraints that reduce deliverability
 - For example if a system constraint, such as a thermal limitation, prevents one or more resources behind the constraint from delivering the expected level of output simultaneously during a peak demand period then the portion of the resources that cannot be transferred would be considered undeliverable

Deliverability Assessment in the ICA

- The IESO will be carrying out a transmission deliverability assessment as part of the capacity qualification process in advance of each auction
 - The IESO is still in the very early stages of designing this assessment so a detailed description is not yet available
- This assessment will focus on the ability of the transmission system (i.e. not including the distribution system) to deliver capacity resources at the time of system need
 - Will apply to both new and existing resources
 - Will apply to transmission connected resources, and distribution connected resources from the point of injection to the transmission system

Deliverability at the Distribution Level

- The IESO is not in a position to assess the potential for distribution system constraints to limit the capacity contribution of distribution connected resources
- The IESO is seeking input from LDCs in order to understand whether there is a risk that distribution system constraints could limit deliverability
 - This risk may already be mitigated by existing LDC practices (e.g., due to assumptions used as part of the Connection Impact Assessment - “CIA”)
 - Any risks that are not being addressed through LDC practices may need to be considered as part of the auction design

Deliverability Discussion Questions

1. Does the CIA, or any other practice, ensure that the full capacity of a distribution connected resource can be injected at any time?
 - a) *If no*, please explain the circumstances when the full capacity of a distribution connected resource cannot be injected, and how this is managed.

Please feel free to provide additional feedback beyond this focus question

Questions or feedback?

Connection Assessment for New Resources

- The IESO is proposing that new distribution connected resources apply for a CIA only after clearing the auction
 - Consistent with the approach that was used for the FIT program
 - A CIA for the same project that was initiated prior to the auction would need to be withdrawn
 - Will allow the most cost-effective distribution connected resources to participate in the auction, not just those that were able to obtain a CIA where there is limited distribution connection capacity
- A different approach may be used for new transmission connected resources that may require longer development timelines
- Feedback from LDCs and other stakeholders will be considered as part of the design decisions made in the HLD

Connection Assessment for New Resources

cont'd

- A new distribution connected resource that clears the auction will be required to reach commercial operation (including connection) within the 3.5 year forward period
- A resource that is unable to reach commercial operation by the commitment period will be subject to non-performance implications
- The IESO will use milestones during the forward period to check whether resources that cleared the auction are progressing toward coming into service in advance of the commitment period
 - For example, other jurisdictions track milestones such as financial close, commencement of construction, commencement of interconnection service, etc.
 - The IESO anticipates that ICA participants will be required to demonstrate that certain milestones have been met (e.g., confirmation that CIA has been completed)
- Auction participants will want to obtain information about distribution connection feasibility and cost in advance of offering into the auction, in order to reduce their risk of not being able to connect

Connection Discussion Questions

- 1) Does your LDC support the IESO's proposal that new distribution connected resources apply for a CIA only after they clear the auction?
 - a) If no, please explain and provide alternative suggestions.
- 2) What concerns does your LDC have about new or modified distribution connections triggered by the ICA?
- 3) What level of coordination should occur between the ICA and LDC connection processes for new suppliers?
 - a) Please provide suggestions or examples of a method of coordination that you think could work well.

Connection Discussion Questions cont'd

- 4) What connection information will LDCs be able to provide to prospective resources in advance of participating in the ICA so they can understand potential risks and costs associated with developing their project?
- 5) How much time is typically required between initiating a CIA and connecting a new resource?
- 6) What are the milestones between initiating a CIA and connecting a new resource?

Please feel free to provide additional feedback beyond these focus questions

Next Steps

- Additional LDC specific engagement sessions may be scheduled over the coming months if the IESO receives feedback from LDCs that this is necessary or desired
 - At a minimum the IESO plans to engage with LDCs during the detailed design phase (2019/2020) on a number of specific topics
- LDCs are welcome to participate in the upcoming ICA engagement sessions, which are open to all stakeholders

Date	Topic
September 12 th	ICA Participation Model: Vision
October 18 th	ICA Participation Model: Preliminary Decisions

Next Steps cont'd

Completed feedback templates are requested by
by end of day on **Friday, September 21st**

Please send to engagement@ieso.ca