

Meeting Ontario's Capacity Needs After 2019

Stakeholder Advisory Committee

February 14, 2019

Meeting Ontario's Capacity Need (1 of 2)

- For the past two years, the IESO has been working with stakeholders to develop a comprehensive Incremental Capacity Auction (ICA)
 - The ICA will provide, in the long-term, the most effective and efficient solution to meet Ontario's future capacity needs
 - In response to stakeholder feedback, the IESO is now targeting a late-2022 auction to address Ontario's summer 2025 capacity need
- Ontario has an opportunity to introduce additional competition to address emerging capacity needs

Meeting Ontario's Capacity Need (2 of 2)

- IESO will evolve the Demand Response (DR) Auction starting as early as 2019 for a 2020 commitment
- We will...
 - benefit from earlier ICA stakeholdering and design discussions
 - begin the transition towards the ICA
 - increase competition by enabling existing Ontario dispatchable generators, capacity imports and other resources to compete with DR to meet Ontario capacity needs in a regular auction cycle
 - engage stakeholders and be mindful of timelines and capacity needs

What is Needed Today and Tomorrow?

- Evolving the DR Auction to secure / acquire capacity for 2020-24:
 - Should be consistent with Market Renewal Program (MRP) principles
 - Align forward period to ICA design over time
 - At a minimum, the first step in the evolution should enable existing dispatchable resources to compete – recognizing cost and benefit in the given timelines. (i.e., demand response, non-contracted generators, imports, etc.)
- ...until the comprehensive ICA is implemented

Next Steps

- Evolve the DR Auction in Q4 2019 to obtain capacity for 2020 and onwards:
 - Continue to transition the auction to improve efficiency and enable more competition among various resources
 - Consider cost, risk, resourcing and schedule for proposed mechanism
- Engage with stakeholders on design, leveraging comprehensive ICA project design
- Develop, design and begin change implementation including changes to:
 - Market Rules, Market Manuals, registration information system, IESO reporting, settlement tools, etc.
- In Q3 2019, the IESO will update Ontario capacity need for 2020+

Market Design and Operating Principles

The IESO's Markets will continue to evolve consistent with the principles of:

- competition,
- transparency,
- certainty,
- efficiency, and
- implementability

Question

- Given the short timelines to evolve the DR Auction, what are the most important issues for the IESO to consider?