

IESO Technical Panel Meeting

Minutes of Meeting

Date held: 21 May 2019		Time held: 9:00 am	Location held: IESO Office, Toronto
Invited/Attended	Sector Representation		Attended; Regrets
Robert Bieler	Consumer		Regrets
Ron Collins	Energy Related Businesses and Services		Present
Dave Forsyth	Consumer		Present
Sarah Griffiths	Other Market Participant		Present
Robert Lake	Residential Consumer		Present
Phil Lasek	Industrial Consumer		Regrets
Robert Reinmuller	Transmitter		Present
Sushil Samant	Generator		Present
Joe Saunders	Distributor		Present
Jessica Savage	IESO		Present
Vlad Urukov	Generator		Present
Julien Wu	Wholesaler		Present
Michael Lyle	Chair		Present
Observers / Presenters			
Robert Doyle	IESO		Present
David Short	IESO		Present
Jessica Tang	IESO		Present
Secretariat			
Reena Goyal	IESO		Present
Jason Grbavac	IESO		Present
Prepared by: Mitchell Beer / Smarter Shift Inc.			

Agenda Item 1: Introduction and Administration

Chair's Remarks:

May 21, 2019

Page 1

IESO Technical Panel

Please report any suggested comments/edits by email to engagement@ieso.ca.

The Chair welcomed Technical Panel members and explained that Robert Bieler would be absent from the meeting.

Participants reviewed the agenda and accepted it on a motion by Joe Saunders, with no objections.

A Panel member noted that the affiliations of two observers had been inverted in the minutes of the previous meeting. There were no other revisions to the minutes, and members accepted them on a motion by Robert Reinmuller.

Agenda Item 2: Engagement Update

Jason Grbavac, IESO, drew members' attention to the Prospective Technical Panel Schedule in the meeting materials, reminding them that the intention was to anticipate any discussion items or proposed Market Rule amendments that might be brought forward in the course of the year. He briefly reviewed the specific items on the list.

Referring to the MRP Education item, Mr. Grbavac reiterated the IESO's commitment to bring forward educational content to help members prepare for the Market Renewal process. For members not already involved with specific work streams or engagements related to Market Renewal, he reported that the Incremental Capacity Auction had released its high-level design, stakeholder comments were due by May 17, and the IESO was standing by to incorporate that feedback and make the transition to the detailed design phase.

Stakeholder design conversations on the Capacity and Energy markets continue, and the IESO expects to begin detailed design this year, with engagements beginning in Q3 for Capacity and in Q4 for Energy.

The first MRP update meeting took place May 16. The sessions are intended to inform Panel members on key aspects of the process and on related initiatives like the Transitional Capacity Auction that touch on Market Renewal. The update sessions grew out of the IESO's recognition of the need for broader information and updates on the MRP landscape.

Mr. Grbavac reminded Panel members to register for the IESO's fifth annual Electricity Summit, June 17 at the Toronto Sheraton Centre Hotel.

There were no questions on the presentation.

Agenda Item 3: Transitional Capacity Auction (TCA)—Information Update

David Short and Jessica Tang, IESO, delivered an information update on the Transitional Capacity Auction, to provide Technical Panel members with an information baseline to guide their upcoming deliberations on recommended Market Rule amendments.

Mr. Short said the TCA dates back to fall 2018, when the IESO first forecasted the need for additional capacity on the Ontario grid. Specific capacity requirements will depend on the pace of the province's nuclear refurbishment program, but are expected to begin in early summer 2020, ramp up in 2022, and increase significantly in 2023 and 2024, as non-nuclear generator's contracts end.

As of last year, the IESO was projecting a need for 811 megawatts of additional capacity in summer 2020.

With the Incremental Capacity Auction scheduled to begin in 2022 for delivery in 2025, signing a long-term contract was one option—but Mr. Short noted that if the IESO had done that previously, the forecast on which it was based would already have been out of date and the IESO could have procured the wrong quantity of capacity. The IESO ultimately determined that the most efficient, economic, and flexible way to fill the gap would be to evolve the existing Demand Response Auction into an annual, cyclical process to acquire the amount of capacity the system needed.

That thinking establishes the Transitional Capacity Auction as a temporary bridge, with new design features added to the existing DRA to align it with the evolution of the Incremental Capacity Auction and allow for additional market competition. The shift is beginning now because the IESO would not have been comfortable waiting until the last minute to address the 2023 capacity gap: the TCA needs to happen sooner rather than later to make sure not only that the IESO is ready for the transition, but that market participants will be, as well.

Mr. Short identified the need for a level playing field and the timeline for comments and decision-making as the two major issues arising in stakeholder engagements to date. He drew Panel members' attention to an email last week that committed to a renewed role for the IESO's Demand Response Working Group, indicating that the group will meet more regularly and have additional dedicated staff to address issues arising from stakeholdering on the TCA. He added that TCA timelines have been adjusted to allow for a full set of proposed Market Rule and Market Manual amendments to be brought forward for the Panel's review.

Robert Lake asked Mr. Short whether a market participant would be prepared to invest hoping to get a contract. He also asked how time-of-use rates have affected the demand curve over the last decade, and whether that tool should be used more extensively to free up capacity. He suggested that, in general, the industry has not done a good job of marketing time-of-use pricing or demand management.

Mr. Short said the Incremental Capacity Auction team had discussed the contracting process with a number of stakeholders, concluding that the annual auction provided the business certainty that entities would have a regular, transparent process to compete in. He said the process of holding regular auctions ultimately offered market participants more certainty than 10- or 20-year contracts—although longer-term arrangements still have their place, for example for nuclear capacity.

On time-of-use rates, Mr. Short said he'd observed a shift over time, with some customers recognizing the benefit. But the rates fall under the purview of the Ontario Energy Board, and while the industry norm is to set peak rates at double the overnight low, he said he wasn't certain how customers were responding or which users were actually exposed to market rates.

Julien Wu noted that Mr. Short had mentioned amendments to both Market Rules and Market Manuals and asked whether they would be updated in tandem. Mr. Short said they would be.

Mr. Wu asked whether TCA development would incorporate any lessons learned from the process the Technical Panel had just undergone with Resolute Forest Products. Mr. Short said he was awaiting the outcome of that discussion, but had not received recommendations for the proposed rule amendments and did not foresee any implementation issues from a TCA perspective. The Chair said the Resolute matter would be a separate discussion.

Jessica Tang recapped the history of the Demand Response Auction.

In response to questions from Mr. Samant, she said market participants were welcome to bid on summer or winter commitment periods, or both. She added that the auction tool does not differentiate between load and generation, and only requires participants to identify whether they are offering physical or virtual resources. While there are limits on the amount of virtual load a market participant can offer, she said there is no fixed objective for the ratio of virtual to physical resources.

In response to a question from Mr. Saunders, Ms. Tang said the locations where load reduction is required are defined in the pre-auction report zonal limits, as are the limits on virtual resources. She went on to explain the way the Demand Response Auction uses a downward-sloping demand curve and a reference price that is \$413 per megawatt per day, historically determined to be an amount sufficient to incent DR resources to recover costs and make capacity available. The maximum capacity price is currently set at 1.5 times the reference price, and the increments between the two points are defined by a straight line between them.

Mr. Wu asked about the split between virtual and physical DR who were successful in the DR Auctions. Mr. Grbavac said that all of the IESO's pre- and post-auction reports are available on the Demand Response Auction web page, and should contain the information to answer Mr. Wu's question for each DR Auction dating back to 2015.

Sarah Griffiths said the system has hundreds of virtual resources, only a handful of physical ones, and only four or five market participants that aggregate virtual load.

Mr. Samant asked whether the auction establishes a single price for all market participants. Ms. Tang said the auction tool sets an Ontario-wide clearing price, with some differences to account for zonal constraints. She added that the training guide provides more detail and that document could be provided to any Panel members who were interested.

Ms. Tang described the two-phase approach the IESO had adopted to implement the TCA. Phase 1 will consist of quick wins like terminology changes that can be implemented without modifying the auction tool, or enhancements to allow non-committed dispatchable generators to participate in the auction. A slide in her presentation showed the forward period for the TCA gradually lengthening from five and 11 months to 2.5-years over the span of the TCA to align with the ICA.

Vlad Urukov asked for elaboration on the rebalancing auctions conducted under the ICA. Ms. Tang said she did not have details, but explained the use of mini-auctions to ensure system flexibility in the event that capacities change. Mr. Short said the rebalancing auctions would also allow a market participant to increase or decrease its position in the auction.

He added that the load reduction plan was a temporary removal that would be brought back in Phase 2 through a more rigorous capacity qualification process.

Mr. Reinmuller noted that linking generators to capacity needs is critical from a transmitter's perspective, and asked how the design accounted for the work that will have to be done by multiple market participants during the transition period to maintain reliability on the grid. In the first instance, he said, efforts would be needed to align generators, customers, and the IESO around planned outages. But those alignments could be affected by a capacity auction, to the extent of disrupting plans that have been taking shape for years. He said that risk would dictate a balanced approach to ensure reliability and prevent forced outages.

Ms. Tang said those considerations would come into play in Phase 2. Mr. Short said the TCA should not produce significant change from Hydro One's perspective. The generators in place today already go through an outage assessment process that would still be in effect under the new system. Ultimately, if capacity issues arose, he said the IESO would open a conversation with Hydro One about deferring outages to ensure reliability, and the two organizations would cooperate as they have in the past. In the longer term, the ICA will also incorporate an adequacy assessment conducted by the IESO's forecasting and integration team, just as the present system does.

Mr. Reinmuller said it would be interesting to see how new builds in capacity-rich areas influence the system. He added that the introduction of capacity sales to neighbouring jurisdictions had raised a number of considerations that should be discussed early enough in the process to balance the reliability and capacity needs of the system.

Mr. Short said he appreciated the comments, adding that Hydro One's participation in the high-level design review for the Incremental Capacity Auction would be an opportunity to express its concerns. From a planning perspective, he said the IESO would want to know if Hydro One planned to connect to an area that was already congested from a transmission perspective.

Mr. Samant asked whether generators would have an obligation to offer capacity if they bid successfully in the auction. Ms. Tang said they would, whether they were offering physical or virtual resources. Mr. Samant asked whether the DRA process looked at outages. Ms. Tang said generators are currently assessed for their availability during outages, and entities receive availability charges when they are not available. She explained that the process makes no distinction between planned and forced outages, and that the details will be outlined in the draft market manuals.

Phase 2 of the implementation will involve more Market Rule changes than Phase 1, Ms. Tang said, with more complicated features that will require more time for design, stakeholder engagement, and implementation, and to ensure the TCA is moving in the same conceptual direction as the ICA.

David Forsyth asked whether capacity imports are bound by the Market Rules. Ms. Tang said neighbouring entities may not be market participants today, so they are not directly subject to the Rules, but similar understandings are put in place through interconnection agreements that are vetted by staff.

Mr. Forsyth asked whether the agreements are also reviewed by the IESO Board; Ms. Tang said they are not. Mr. Short said a neighbouring entity supplying the capacity that wanted to participate in the auction would have to follow the procedures and performance factors laid out

in the Market Rules. The IESO would also reach a technical interconnection agreement with the neighbouring balancing authority to facilitate the trade of capacity and ultimately energy when required. With that agreement in place, the neighbouring participant could then bid into the auction.

Mr. Samant asked whether a neighbouring participant would follow its own jurisdiction's market rules or Ontario's. Ms. Tang said they would have to comply with both.

Mr. Urukov asked why market power mitigation was being delayed until Phase 2. Ms. Tang said market power mitigation requires additional thought and stakeholder engagement. She expressed the view that similar provisions should have been built into the Demand Response Action—but they were not, and the overall intent of the two-phase process is to treat Phase 1 as a kind of DRA-plus, Phase 2 as the move toward the ICA. Market power mitigation has not arisen in the DRA to date, she added, so the system is working—but it will still be included in the ICA.

In response to a question from Mr. Wu, Ms. Tang said there is no need to amend the Market Rules or manuals to adjust target capacity: the target capacity is expected to change from one auction to the next, and the IESO will simply publish an auction report and enters the new value into the auction tool to reflect the update.

In reply to Mr. Wu, Ms. Tang said stakeholder engagement on a target capacity methodology had been conducted in April. Mr. Short and Ms. Tang presented the more detailed timelines for TCA development.

Jessica Savage, IESO, said the TCA will have been through two rounds of stakeholder comment by the time it comes to the Technical Panel for review in June. This will ensure that the Panel's discussion of intent is informed by a stakeholder body that has been involved with program development all along. With respect to market manual content, she said the IESO was working through a materiality threshold to determine which elements actually require Panel input, after hearing some concern during the Capacity Exports discussion that the market manual text had not been subject to stakeholder review. She said the IESO would be bringing forward substantial content, but advised members not to expect dozens of pages of redlined market manual text.

The TCA Market Rules are expected to go into effect early in Q4, sufficiently in advance of the auction to be conducted on the first Wednesday in December for the period from May 1, 2020 to April 30, 2021. Other key dates and milestones appeared in the staff presentation delivered at the May 21 TP meeting.

A question still pending is whether the IESO will be able to assemble a single set of Market Rules and Market Rule concepts by June that covers both auctions. If not, the process will lead into a conversation about how to have a set of market rules that are live, but cover different commitment periods. Ms. Tang said staff would bring forward its recommendations on how to handle the overlap period.

Mr. Urukov asked whether staff would report back on the results of the market trials mentioned on slide 16 of the presentation and scheduled for September. Mr. Short agreed.

The staff presentation included information on the IESO's responses to feedback, including the evolution of the stakeholder engagement process to provide more opportunity for input. Mr. Short cited the re-energization of the Demand Response Working Group as one testament to

that incoming advice, noting that the process would also align with the findings of the IESO governance panel.

Mr. Forsyth asked whether the IESO was comfortable moving ahead with Phase 1 despite concerns about the process within the DR community. Mr. Short said the work would proceed, but with an acknowledgement of the conversations that have yet to take place. Mr. Forsyth said concerns about discriminatory processes should be addressed before draft Market Rule amendments are brought forward. Mr. Short agreed that this conversation should be considered; these issues are currently being discussed at the DRWG

Mr. Short said the point of the exercise was not only to assure system reliability in 2020, but to prepare market participants for capacity needs in the range of 3,800 to more than 4,000 megawatts in 2024. The goal is to enable generators to compete, he stressed, not to carve out a space for any one market participant. So if a DR provider is more competitive than a generator, the generators will have to sharpen their pencils.

In response to questions from Mr. Lake, Mr. Short said the IESO was not factoring in new builds, and expected to obtain the 4 GW from existing resources. He added that neighbouring jurisdictions must abide by Ontario law, so the province will not be importing electricity generated from coal. Mr. Lake said that provision would not stop New York, for example, from dispatching coal for its own use after sending clean power across the border. Mr. Short replied that once the IESO secures capacity from another jurisdiction, it belongs to Ontario.

He said the IESO's calculation of the system's capacity requirements for 2020 was under development and would be published in advance of the Planning Day conference in the fall, likely in July. Staff will also look at the need to ramp up capacity numbers through 2023/24, with an assessment of 10-year capacity needs scheduled for release late in Q3.

There were no further questions from Panel members, and the Chair thanked Mr. Short and Ms. Tang for a very thorough presentation.

In reply to a question from an observer, Mr. Short said there are challenges related to the settlement of self-scheduling and the IESO needs more time to determine a feasible process. As such, the IESO likely will not enable self-scheduling generators until the Dec 2020 auction at the earliest. For June 2020, the primary focus will be on capacity qualification, performance assessment of resources, and enabling system backed imports.

There were no further questions for the presenters.

Agenda Item 4: Selection of a Mediator or Arbitrator Other Than an IESO Dispute Resolution Panel Member (MR-00438-R00)

The Chair said an in camera session with staff would take place at the end of the public Panel meeting.

Robert Doyle, IESO, said the purpose of the proposed Market Rule amendment was to "provide flexibility to the parties of a market rules dispute to select mediators or arbitrators that are not members of the IESO Dispute Resolution Panel." He stressed the importance of the IESO's dispute resolution processes, not only to the IESO, but to the market participants that are parties to a dispute. At a practical level, he said it is important to ensure that dispute resolution moves quickly, so that participants do not feel bogged down in process, but in a deliberate enough manner to reflect the importance of good process. The intent of the proposed market rule

amendment is to strike a balance by relying on the flexibility already built into the Market Rules, allowing parties to shift timelines or select a mediator by mutual agreement.

As for who would qualify as a mediator, Mr. Doyle suggested the criteria discussed with the Market Development Advisory Group for selecting a Dispute Resolution Panel member as a good guideline for parties to use.

Ron Collins asked whether the proposed market rule amendment was intended to refer to a “person” or a “qualified person” who might be selected as an arbitrator or a mediator. Mr. Doyle agreed to take that point back for consideration. The Chair asked whether staff had assumed the parties would not agree to appoint an unqualified individual. Reena Goyal, IESO, said any arbitration in Ontario is subject to the Ontario Arbitration Act, with broader appeal rights laid out in the Market Rules, so the selection of a mediator or arbitrator would have to follow those provisions. For an arbitration commenced outside Ontario, the parties could still select a mediator or arbitrator under the applicable law.

Ms. Griffiths said she had served on the Governance and Decision-Making Advisory Group and was supportive of the draft amendment. Mr. Urukov suggested a minor editorial revision to a passage where the word ‘mediator’ appeared in italics.

The Chair invited other comments from Panel members or observers, but there were none. On a motion by Mr. Collins, the Technical Panel voted to post the proposed market rule amendment for stakeholder comment.

Agenda Item 5: Other Business

There was no other business.

The meeting adjourned at 10:50 AM.

Action Item Summary			
Date	Action	Status	Comments