

# INCREMENTAL CAPACITY AUCTION UPDATE

*prepared for DRWG*

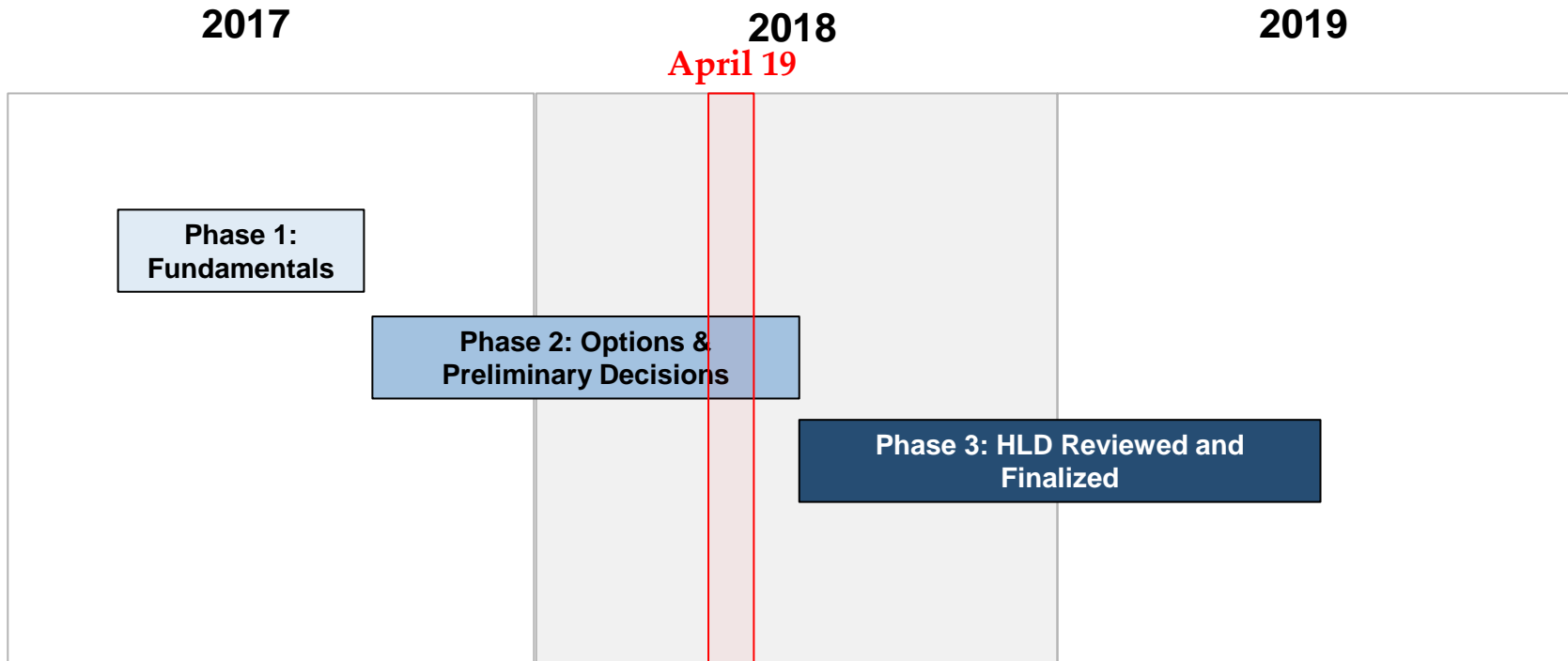
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May 3<sup>rd</sup>, 2018

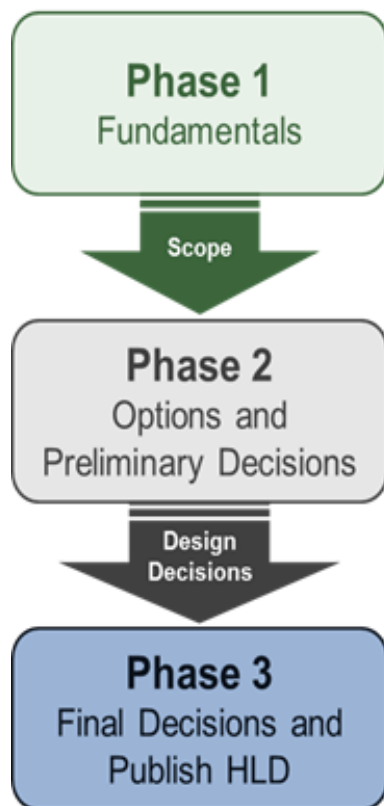
# Decisions Phase Work Plan

# ICA Timelines

- The following timeline illustrates the various phases of the ICA high level design (HLD):



# High Level Design Phases



## May 2017 -August 2017

- Established goals and expectations of engagement
- Defined principles, objectives and scope of the ICA
- Introduced design elements

## August 2017 – May 2018

- Explored options related to each design element
- Reviewed outcomes from other jurisdictions & considered Ontario context
- Presented recommendations/next steps (and made a limited number of preliminary decisions)

## Q2 2018 – Q2 2019

- Make preliminary decisions
- Draft HLD and publish for stakeholder input
- Consider stakeholder input to arrive at final decisions

# ICA Design Elements

<b>Pre Auction</b>		10	Target Capacity
1	Participation Requirements	11	Min/Max Capacity Limits
2	Resource Eligibility	12	Net Cost of New Entry
3	Qualified Capacity	13	Max Auction Clearing Price
4	Market Power Mitigation	<b>Forward Period</b>	
<b>Auction Parameters</b>		14	Rebalancing Auctions
5	Length of Forward Period	15	Resource Obligations (within forward period)
6	Commitment Period(s)	16	Non-performance Implications (within forward period)
7	Multi-year Commitments	<b>Commitment Period</b>	
8	Locational Considerations	17	Resource Performance Obligations
<b>Demand Curve</b>		18	Performance Assessment
9	Slope of Demand Curve	19	Cost Recovery

# ICA Design Decisions

- Based on options presented and stakeholder feedback received, a number of high level design decisions that need to be made were identified for each of the 19 design elements
  - e.g. What is the maximum length of a multi-year commitment? What is the basis for establishing the Max Auction Clearing Price? How many rebalancing auctions will be administered for each Commitment Period?
- There are a number of key interrelated design decisions
  - The interrelated nature of certain decisions makes it difficult to review each one in isolation; more useful to review holistically as a group of decisions
- To facilitate this, design decisions have been grouped into three categories: Participation Model, Auction, and Delivery
  - Some design elements have multiple features requiring multiple types of decisions (e.g., locational considerations has been split into “deliverability”, “clearing”, and “zones”) which fall into different groups
  - IESO proposed grouping of design decisions is shown on the following slides

# Design Element Groupings

## Participation Model

*~90 decisions*

*What do participants need to know prior to participating in the auction?*

*What aspects are likely to require the most stakeholder input?*

*What design decisions have the potential to affect risk allocation and investment opportunities?*

*What risk mitigation mechanisms exist?*

## Auction

*~ 40 decisions*

*What are the auction input parameters?*

*What design decisions need to be considered as part of auction clearing?*

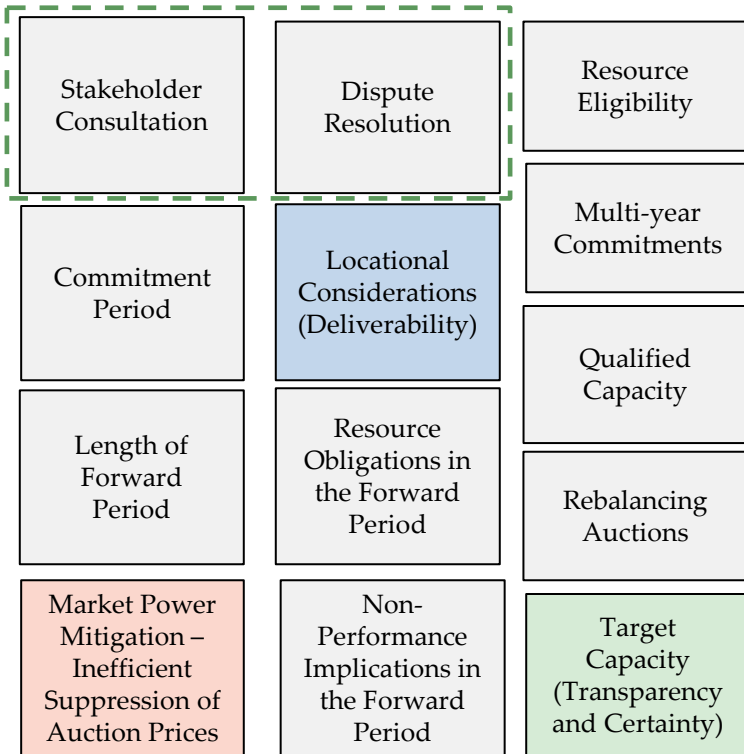
## Delivery

*~ 40 decisions*

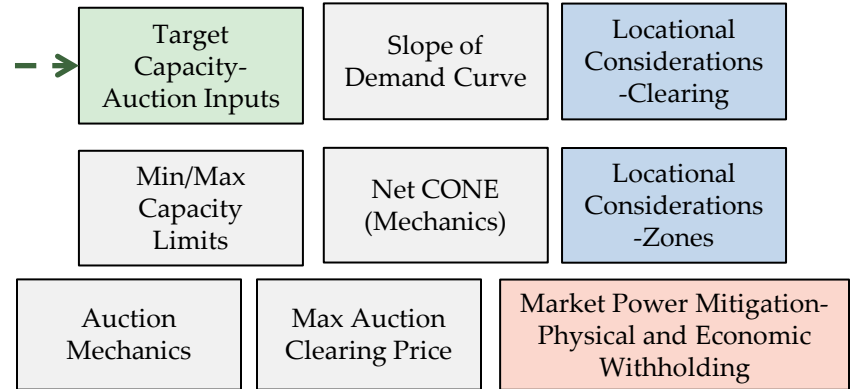
*What design decisions will affect participants during the Commitment Period?*

# Design Element Groupings *continued*

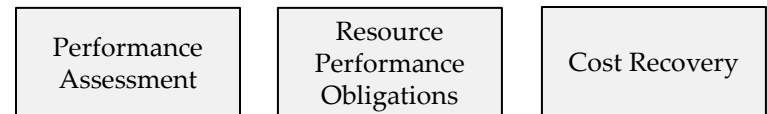
## Participation Model



## Auction



## Delivery

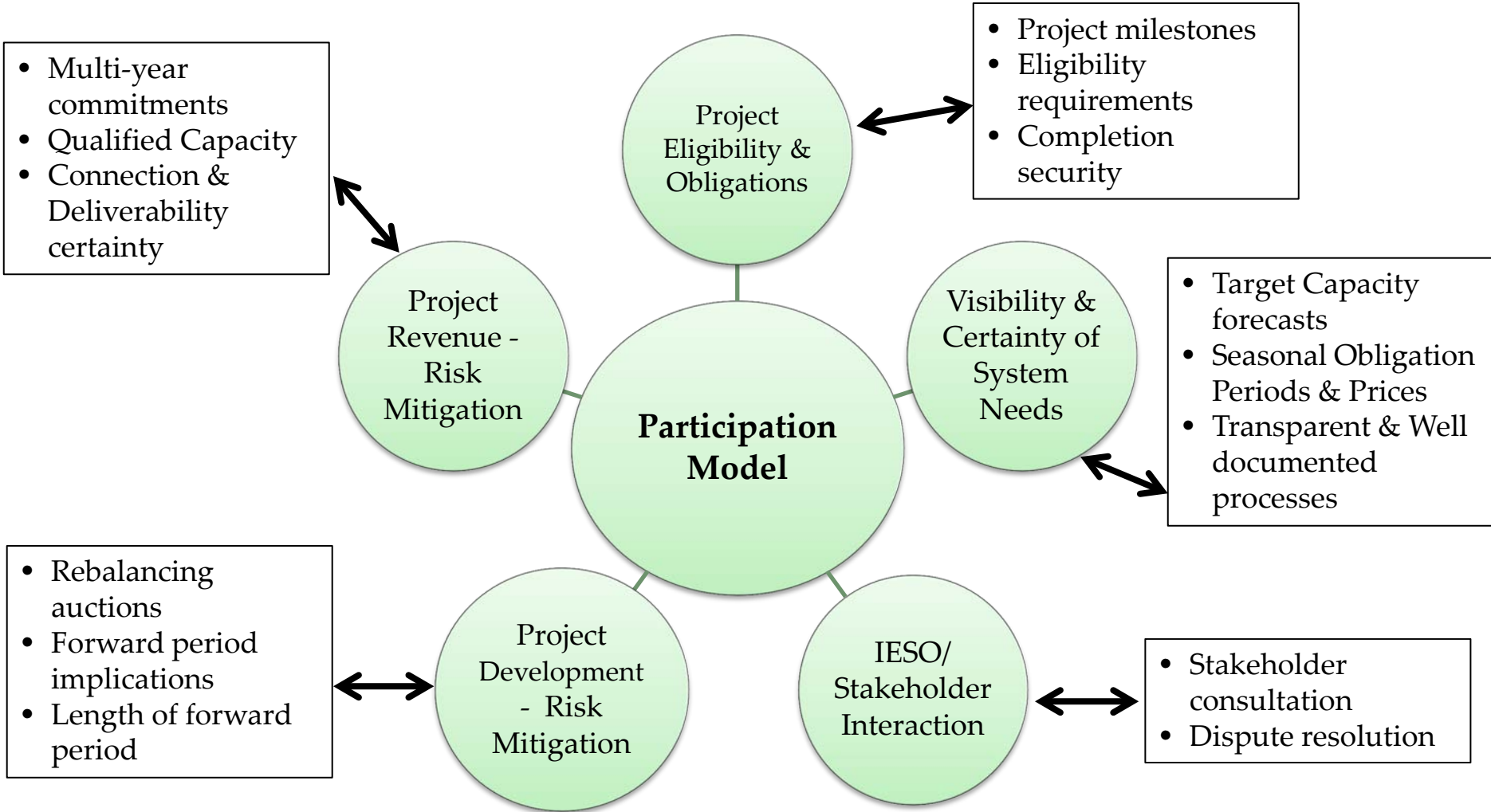




# Design Element Groupings *continued*

- Of the three groupings, the Participation Model (explained further on the next slide) is expected to have the most impact on participation in the ICA, including decisions that:
  - Participants will need to understand prior to developing a project to offer into the auction (e.g., What resource types will be eligible to participate? How will capacity be qualified? etc.)
  - Impact risk allocation and revenue opportunities for participants
  - Establish opportunities for participant involvement
- Design decisions related to the Auction and Delivery categories are also very important, however these decisions are expected to be more mechanical and require less stakeholder discussion than those in the Participation Model
  - Decisions related to these items will be presented as part of the first draft of the HLD

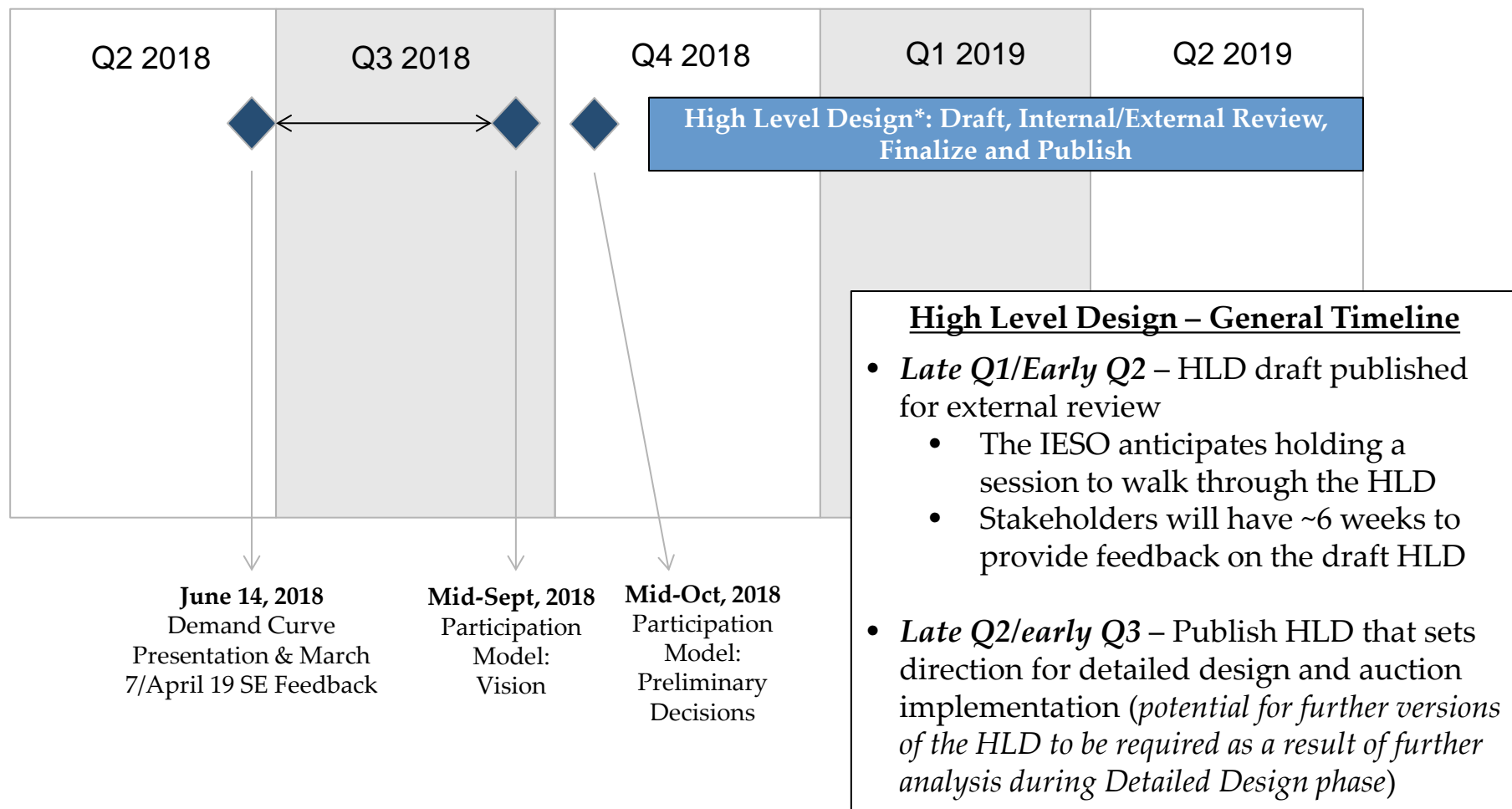
# Participation Model



# Participation Model *continued*

- Due to the significant scope and materiality of the “Participation Model” group of decisions, two stakeholder sessions will be held
- **Mid-September, 2018- Participation Model: Vision**
  - This is intended to be an information session to aid stakeholders in understanding the IESO’s vision for how this group of decisions will work together holistically to facilitate resource participation in the ICA
  - The session is anticipated to be highly interactive, with a majority of stakeholder feedback collected as part of the meeting, rather than through written submissions
- **Mid-October, 2018 - Participation Model: Preliminary Decisions**
  - The IESO will present preliminary decisions related to elements within the Participation Model
  - Both in person and written stakeholder feedback will be requested and will feed into the drafting of the HLD

# Timeline for Decision Phase



\*Auction & Delivery Design Elements will be included as part of HLD

# Next Steps

- The next stakeholder session will be held on **June 14, 2018** and will include:
  - Presentation on the results of the Demand Curve modelling
  - Summary of the SE feedback from March 7/April 19
- Sessions following this will be held in **September, 2018** and **October, 2018**
- Stakeholders interested in attending these sessions are encouraged to block off these dates in their calendars

# QUESTIONS & COMMENTS

