

Market Renewal Working Group (MRWG)

October 17, 2018

Date held: October 17, 2018	Time held: 1:30 pm – 4 pm	Location held: Vantage Venues
Attendees	Company Name	Attendance Status – (A)ttended; (R)egrets; (T)eleconference;
Anderson, Colin	AMPCO	A
Butters, David	APPRO	A
Wu, Julien	Brookfield Renewable Group	A
Dalzell, Pat	Bruce Power	A
Giannetta, Brandy	CanWEA	A
Griffiths, Sarah	EnelX	A
Belanger, Frederic	HQEM	WebEX
Abdelnour, François	Ivaco Rolling Mills	A
Deweese, Donald	Market Surveillance Panel	A
Lasowski, Frank	Milton Hydro	WebEX
Tuck, Jennifer	NextEra Energy	A
Samant, Sushil	Northland Power	A
Wizniak, Lynn	Ontario Power Generation	A
Sachs, Matthew	Peak Power Energy	A
Chee-Aloy, Jason	Power Advisory LLC	A
White, Adam	Power Consumer	A
Dottori, Paul	Rayonier AM	WebEX
Kuntz, Margaret	TransCanada Energy	A
Dobbyn, Francesca	United Way Bruce Grey	A
Doyle, Rob	IESO	WebEX
Chapman, Tom	IESO	WebEX
Young, Jennifer	IESO	WebEX
Ellard, Barbara	IESO	A
Campbell, Alexandra	IESO	A
Cronkwright, Shawn	IESO	A
Savage, Jessica	IESO	A
Louw, Brennan	IESO	A
Grbavac, Jason	IESO	A
Zubyck, Laura	IESO	A
Prepared by Laura Zubyck. Please report any corrections, additions or deletions by e-mail to engagement@ieso.ca .		

All meeting material is available on the IESO website at: <http://www.ieso.ca/Sector-Participants/Market-Renewal/Market-Renewal-Working-Group>

Introduction and Review of Agenda and Meeting Objectives – Jason Grbavac, IESO

The IESO welcomed participants, described the format of the meeting and introduced the agenda.

Capacity Update – Alexandra Campbell, IESO

The IESO provided MRWG members with an update on the Incremental Capacity Auction (ICA) engagement including themes that emerged from the September stakeholder session. The IESO proceeded to provide an overview of the detailed design phase of the ICA, in addition to an update on the capacity needs that are expected to emerge in 2023, prior to the ICA being available.

The IESO asked MRWG members for feedback on changes they would like to see in the approach for the Detailed Design engagement compared to the approach used for High Level Design.

An MRWG member responded that the IESO should provide materials well in advance of the meeting. Among the materials could be a set of pre-defined questions from the IESO, which would allow stakeholders to review beforehand and come to the meeting prepared for discussion. The member also stressed that stakeholders should be given more responsibility in the Detailed Design phase. The IESO should assume stakeholders are now familiar with the design elements and can participate in driving discussion and putting forward ideas at the engagements rather than having the IESO walk through a presentation.

The IESO thanked the member for their input and comments and asked MRWG members if there were any other thoughts.

An MRWG member responded that the process currently being used by the AESO has been working well and can help guide what is done here.

Another MRWG member commented that there are some topics that may not need to be discussed at stakeholder engagements, such as those in which the direction is evident. The member added that breakout sessions have been an effective tool to promote interactive, collaborative discussion in High Level Design (HLD) engagements and should be used again in Detailed Design.

The IESO thanked the members for their input and comments, and as a follow up enquired as to what strategy the AESO has used for their engagement.

An MRWG member replied that the AESO posts a briefing note (approx. 2 pages) in advance of

the meeting outlining; (i) a defined topic, (ii) the treatment of that topic in other jurisdictions and, (iii) suggestions for how things could be done in Alberta. Topics are briefly introduced at the beginning of the meeting before stakeholders are asked which of the topics they would like to discuss in more detail. Stakeholders are expected to be prepared to debate the topic in an hour long engagement session, however if there is complete consensus on a topic, no discussion is required. The member concluded by saying that in their experience meetings ran efficiently and much of the responsibility for discussion was placed on stakeholders.

Another MRWG member agreed and added that the detailed design conversations will pick up from the HLD document which provides stakeholders with sufficient background information needed on each of the design elements.

The IESO thanked members for their comments and asked how far in advance materials should be posted for stakeholder review.

An MRWG member commented that two weeks would be an ideal amount of time but that one week may be more realistic.

The IESO asked if there were any further comments on the timing of the first ICA and the interim supply gap that this might result in.

An MRWG member commented that they believe the sector could work to have the first ICA implemented by 2022. The member added that if an alternative form of acquisition of new resources must be used, the process should be open and transparent to stakeholders.

The IESO thanked the member for their comment and clarified that they will not be signing any long-term contracts to fill any interim capacity needs. The IESO continued by stating that any possible interim solution will need to align with the ICA, and could include leveraging the DR auction, enabling assets to provide additional capacity, or leveraging the inerties.

Two MRWG members commented that the December 2019 DR auction should be expanded to fill the gap. The members added that other options being considered by the IESO, such as non-firm imports, firm imports, and uprates could also be competitively procured through the DR auction framework. This adheres to the Market Renewal high level principles, creating a competitive market that can grow and transition into the ICA.

The IESO thanked members for their input and comments, and added that there may be challenges associated with implementing changes to the DR auction in 1 year in terms of navigating through internal processes but committed to exploring that option.

An MRWG member asked what barriers exist preventing the implementation of the ICA before 2023.

The IESO responded that the process associated with implementing design changes, creating market manuals and market rules, etc. in Ontario means the realistic timeline to run the first ICA is 2023. The IESO continued by saying they are not opposed to reviewing these processes and exploring what changes could be made, but based on the way things are done today this timeline is realistic and things would need to change significantly to deliver the auction earlier.

An MRWG member commented that if the IESO decides to procure resources by means other than through a competitive auction then the process must be open and transparent and stakeholders must be privy to all aspects of the agreement.

The IESO thanked the member for their input and comments.

An MRWG member asked the IESO to elaborate on why and how internal processes have delayed the implementation of an ICA to 2023.

The IESO responded that key components of the 2023 timeline include releasing the HLD in April 2019, allowing 18 months for detailed design, in addition to allocating sufficient time to develop the market rules and manuals and to build the IT requirements. The IESO added that they are looking at ways to make processes more efficient including a review of the AESO's process which is very different from Ontario's. The IESO concluded by reminding members that in order to run the auction in 2023, the process must begin in 2022 meaning all rules must be finalized and tools in place by 2021.

An MRWG member commented that developing market rules and manuals was not a problem with the capacity export project.

The IESO responded that the capacity exports project was different in that it was about enabling resources to participate in other markets.

Engagement Update – Jason Grbavac, IESO

The IESO provided MRWG members with an overview of upcoming key dates and engagements in the HLD review phase.

The IESO asked members if they believe two hours is a fair allotment of time for the HLD Q&A sessions, considering these sessions are intended for stakeholders who have been following the Market Renewal engagements.

An MRWG member responded that the HLD document is well written and does not contain any surprises, therefore two hours should be a sufficient amount of time for the Q&A session.

An MRWG member asked if the Day Ahead Market and Enhanced Real-time Unit Commitment HLDs are expected to be released by December 31, 2018.

The IESO responded that these HLDs will be released before December 31, 2018.

NERSC Update – Brennan Louw, IESO

The IESO provided MRWG members with an update on the modelling exercise undertaken as part of Phase 2, market efficiencies, as well as on the future work of the NERSC.

An MRWG member commented that the carbon price assumptions do not necessarily align with the potential federal carbon pricing in Ontario. The member suggested revisiting this assumption as it could have a significant impact on price for some resource types.

The IESO thanked the member for their input and replied that there will be an opportunity for stakeholders to bring forward change cases to assess different outcomes to make sure they are capturing the most important levers for stakeholders. The existing carbon price assumptions used in the modelling however, were developed together with stakeholders and are informed by carbon prices discussed in neighbouring jurisdictions and by the WCI.

An MRWG member commented that Phase 3, commercial mechanisms, is an important area to pursue due to the large number of renewables existing today and the significant amount of value associated with environmental attributes with those facilities. The member added that this topic should be prioritized in the Markets Committee.

The IESO thanked the member for their input and commented that this could be further explored through the new Markets Committee.

An MRWG member asked if the results of this modelling exercise could be transferred into the Markets Committee as it looks at a variety of resources, not just non-emitting.

The IESO confirmed that this work will be rolled into the Markets Committee.

An MRWG member asked if the preliminary results of the modeling show a general trend across the scenarios where lowest cost resources are suppressing energy prices and putting more pressure on capacity prices.

The IESO responded that one key assumption in all scenarios is that the Pickering nuclear plant comes offline which in itself leads to upward pressure on energy prices. Further, the scenarios show higher energy prices than today's levels and capacity prices that attract new resources, such as short-duration battery storage. A combination of energy, capacity, and ancillary service revenues are sufficient to maintain many existing resources and attract new build across the scenarios. Irrespective of higher energy market prices, the modelling shows lower customer commodity costs through drivers such as, right-sizing of the market with the elimination of oversupply, and better use of existing assets through the procurement of grid services using competitive mechanisms.

An MRWG member commented that it would be helpful to model a base case, as well as provide an indication of the probability of each of the five scenarios occurring in the future. The member also asked what the modelling exercise is going to be used for.

The IESO responded that there are some scenarios that are closer to a base case, but it is important to understand that there is a range of potential scenarios that could arise depending on the circumstances. The IESO added that this is intended as an educational exercise to help stakeholders understand how the market might respond under different conditions and highlight potential areas for future work with stakeholders.

Program Plan – Shawn Cronkwright, IESO

The IESO walked MRWG members through the program plan for both the energy and capacity work streams, including schedule, scope and anticipated detailed design structure for energy. Following this, the IESO provided information on 2019 reporting additions, key procurements and the KPMG Risk Assessment project.

An MRWG member asked what dialogue or coordination the IESO has had with LDCs.

The IESO responded that they have just begun an LDC outreach strategy and have hosted 3 webinars with LDCs so far in addition to having regular touch points with the Electricity Distributors Association. One of the key elements for the detailed design phase is broadening outreach, providing education and seeking feedback on key elements such as settlement; the LDCs are one important target of that outreach.

Markets and Acquisition Work Plan – Barbara Ellard, IESO

An MRWG member asked how the Market Surveillance Panel (MSP) will contribute to forward looking market efficiency improvements in the Markets and Acquisition Work Plan, considering they currently provide recommendations from a backwards look at the market.

The IESO responded that the MSP have made some good observations regarding design concerns in the market and involving them at this stage is an opportunity to have a holistic conversation. Further market enhancement recommendations made by the MSP will be included for considerations in the Markets and Acquisitions workplan that is being developed.

An MRWG member asked what the stakeholder engagement plan is for the Markets and Acquisition Work Plan.

The IESO responded that at this stage there is no firm decision on stakeholder engagement but added that they are considering bringing it to the future Markets Committee. The IESO continued by saying the scope of the Markets Committee has not yet been defined so in the meantime the MRWG will be utilized.

An MRWG member commented that it would be beneficial for the MSP to have an active role in future conversations about market design and efficiencies rather than only

providing after-the-fact advice. The member added that we don't want to get too far down the road in terms of market design before finding out that the MSP has additional concerns.

The IESO agreed and thanked the member for their comment.

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