September 11, 2017

Comments on Incremental Capacity Auction (ICA) Meeting #1 (August 16, 2017)

The following table sets out AMPCO's comments on the information provided as part of the IESO's stakeholder activities relating to the Market Renewal Program.

These comments are in specific reference to the Market Renewal Stakeholder Engagement Session dealing with the Incremental Capacity Auction (ICA) session that was held on August 16, 2017, and they directly reference slides that were used that day to frame the ICA discussion.

In some cases, comments may be more general in nature than the "General Topic" column suggests.

General Topic	Slide Number	Comments
Target Capacity	25	• AMPCO requests additional information on advantages of facility specific forced outage information rather than average values • Can the IESO discuss why the Incremental Capacity Auction does not consider the short run marginal cost of generation? • How is the "Contracted/Regulated contribution" determined when calculating the Target Capacity? This number is key and should be a component of MR (or at the very least, understood)
Hold Back	32	• Given the risk of over procurement, on a preliminary basis, AMPCO supports a small hold back (2.5%?) • AMPCO understands that the PJM experience shows that balancing prices were typically lower than the ICA price, thereby lowering overall costs • Suggest that the IESO discusses the need for holdbacks with the DRWG regarding the ability of DR resources to only participate with a shorter forward period • If Capacity is being considered for sale back by the IESO into the balancing market, detailed calculations should be conducted first to determine if this is efficient.
Transparency & Certainty	36	• Notwithstanding that we will be discussing eligibility requirements for ICA participants, it looks like we will simply be accepting whatever the capacity ratings are for contracted and regulated resources (slide 33) – which will be used to determine Target Capacity. Is that the case, and is that reasonable?

General Topic	Slide Number	Comments
		• Reserve requirement? Or Reliability Requirement? This is confusing. • Effective capacity calculations by fuel type will need to be understood. • How is EFOR calculated for thermal units (gas, nuclear and oil only?)
Timelines	39	• N/A
Net CONE (general)	44	• We need to understand the basis for all the demand curve multiples and CONE values used by the various jurisdictions. They appear to be somewhat arbitrary and are likely the result of horse-trading during filings at FERC.
Net CONE (Reference Technology)	49	• Determining the reference technology - This could be very political. Can CTs be used within the context of CCAP? If not, how would the reference technology be determined? We need to understand the basis for all the demand curves and technologies used by different jurisdictions. • IESO needs to ensure reference technology choices are consistent not just with environmental laws and government policy, but with system flexibility needs - i.e. ramp limited units chosen in a capacity auction may not be able to offer OR or any flexibility services that MR project may develop.
Net CONE (Gross CONE)	52	• Assumption is that costs are very comprehensive, including Fx risk, etc.
Net CONE (Energy and A/S Offset)	55	• ALL costs/revenues should be considered as part of Energy and A/S offset, including start-up costs, GCGs, carbon credits, etc. • How will you calculate expected OR revenue? For example, not all units that are capable of offering OR actually do so.
Net CONE (Stakeholder Involvement)	59	• While the slides say that the Net CONE Study goes to FERC for approval, it is true that the scope of the review in other jurisdictions is much broader than this. • The entire Demand Curve (and some other elements of the capacity market) have previously gone to FERC in the past. It is just that some of it gets pretty formulaic so the scope gets narrower as you go further forward. • What will the involvement of the OEB be in this in Ontario?
Net CONE (Frequency of	64	• N/A

General Topic	Slide Number	Comments
Revision)		
Net CONE (Zonal Net CONE)	69	• If Net CONE will be zonal, presumably the entire demand curve would also be zonal?
Min/Max Capacity Limits	82	• These seem very arbitrary. There does not appear to be any rigour in establishing these limits. • On slide 79, reference to low/high demand outlooks is not in relation to LTEP scenarios, is it? If so, it could lead to over procurement if scenario failed to be realized
Max Auction Clearing Price (Methodology)	94	• Again, very arbitrary.
Max Auction Clearing Price (Price Floor)	99	• Once something is proposed for all of these elements, the IESO will need to advise what the justification is.
Slope of Demand Curve	114	• See slide 119 – it is a decent summary of the considerations in shaping the demand curve. • Can the IESO provide any additional information as to what specific outcomes it favours in regards to slope of the demand curve?