

Incremental Capacity Auction (ICA) – Stakeholder Feedback Form

Stakeholder Options Phase Meeting #1: August 16th, 2017

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| Feedback request by: 2017/09/13 Date Submitted: <i>2017/09/13</i> | <u>Feedback provided by:</u> Company Name: Storage Power Solutions Inc. Contact Name: Mike Oreskovic Phone: Email: |
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By submitting this Stakeholder Feedback Form, the company or individual identified above, as applicable, consents to the disclosure by the IESO of this Stakeholder Feedback Form and its contents, in whole or in part, in stakeholder engagement meetings, on the IESO website or otherwise.

The IESO held the first meeting of the ‘Options Phase’ of the Incremental Capacity Auction engagement on August 16th, 2017. The meeting covered the design elements related to establishing the demand curve (i.e. Target Capacity, Net CONE, Min/Max Capacity Limits, Maximum Auction Clearing Price, and Slope of Demand Curve).

The presentation can be [found here](#).

In order to maximize the effectiveness of this stakeholder engagement process, the IESO requests that stakeholders use the template below to provide feedback on content presented as follows:

- Provide responses to the questions posed
- For options presented, indicate your preference along with applicable rationale/supporting arguments
- Identify any aspects that you believe require further elaboration or discussion

Feedback received may be shared by the IESO on its website, at future stakeholder engagement meetings, or otherwise and will help inform further discussions at future stakeholder engagement meetings.

Please send this form with your feedback to engagement@ieso.ca

| ICA Goals & Objectives | Stakeholder Feedback |
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| <p>Draft Goal: <i>Slides 6-14</i></p> <p>Do stakeholders agree with the following proposed Goal statement for the ICA Project?</p> <p><i>The Incremental Capacity Auction Project will develop and implement an enduring market-based capacity procurement mechanism that will, alongside contracted and rate regulated resources, ensure Ontario’s resource adequacy needs are met cost effectively within the broader policy framework.</i></p> | <p>The statement is good but it seems to have left out dealing with the purpose which my understanding is to ensure resource adequacy. Defining resource adequacy would be too much for the statement but it should be referenced inside the statement perhaps in quotation marks as it is a key component in operating the grids that the IESO manages.</p> |
| <p>Draft Objectives: <i>Slides 6-14</i></p> <p>Do stakeholders agree with the following proposed Objectives for the ICA Project?</p> <ol style="list-style-type: none"> 1. Meet incremental resource adequacy needs 2. Secure incremental capacity at the lowest cost in the long run | <p>Yes – but it must remain within the policy guidelines and I feel that the objectives should tie back to the principles in slide 12</p> |
| <p>Draft Strategic Outcomes: <i>Slides 6-14</i></p> <p>Do stakeholders agree that the objectives can be achieved if, within the broader policy framework?</p> <ul style="list-style-type: none"> • A transparent market price is established for the value of capacity in each zone • Incremental capacity is secured in the locations and timeframes that align with resource adequacy needs • Diverse resource types are enabled to compete to meet resource adequacy needs • Auction design evolves over time to address sector changes and improve auction outcomes • Risk is appropriately allocated | <p>Yes – these should be quantifiable if possible.</p> |

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| Design Element | Features | Questions for Stakeholders | Stakeholder Feedback |
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| Target Capacity | Hold-Back <i>Slides27-32</i> | Please identify preferred option and provide supporting rationale. OPTIONS: <ol style="list-style-type: none"> 1. With “Hold-back” 2. Without “Hold-back” QUESTION: What other considerations could inform this decision? | I see merits in both. Hold-back will absolutely lead to higher costs which is the price that needs to be paid for mitigating the risk of over-procurement. I believe it to be a function of forecasting confidence. The better the confidence then the less need for the hold-back. Without a doubt, if there is a holdback then it should be made public what that number is and regularly updated as time moves through the hold back period. Further transparency as to why PJM abandoned theirs would be good. |
| | Transparency and certainty <i>Slides33-36</i> | QUESTION: What information would stakeholders/participants require in order to understand how the reserve requirement, and subsequently the Target Capacity, is determined by the IESO? <ul style="list-style-type: none"> • To ensure IESO communicate relevant information, it would help to understand the intended use of the requested information | I think that slides 33-36 communicate this well provided the data is updated on a regular basis. |
| | Timelines <i>Slides37-39</i> | QUESTION: What activities do participants envision typically occurring after the Target Capacity has been published (e.g., arranging financing, vendors, project development work, site selection, permitting, etc.)? <ul style="list-style-type: none"> • How long, on average, would these activities take? QUESTION: How far beyond the commitment period would stakeholders desire that “Target Capacity” <u>projections</u> be published? | The process would actually take longer than the 3-4 months indicated but can be adequately “roughed out” in that period of time. 6 months would be nice. The more time that is provided then the lower the bid risk potentially allowing prices to be lower. |

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| Net CONE | Reference Technology <i>Slides46-49</i> | QUESTION: What considerations should drive the selection of the reference technology in Ontario? | Policy (regional and provincial), new technologies that can be available, transparency in the selection process. |
| | Gross CONE <i>Slides50-52</i> | QUESTION: Are there Ontario-specific considerations that should be reflected when establishing the methodology for estimating Gross CONE? | Slide 51 adequately describes the process but should also take into account regional anomalies that may have an impact on the Cone. |
| | Energy & Ancillary Services Offset <i>Slides53-55</i> | QUESTION: What considerations do stakeholders feel is important to consider when defining the methodology for forecasting the E&AS Offset? | The offset should be conservative as it may not always be available for a specific site. |
| | Stakeholder Involvement <i>Slides56-59</i> | QUESTION: What expectations do participants have for their level of involvement in setting the inputs that will feed into the Net CONE study? QUESTION: To what extent should the outputs from the Net CONE study be open to debate or revisiting? | I think that this is a key issue for most participants. They will want to mitigate the risks and will try to be very conservative on all estimates between gross and net. The outputs should very much be available for comment and review. There will be huge issues if the Net is too low. |
| | Frequency of Revision <i>Slides60-64</i> | Please identify preferred option and provide supporting rationale. OPTIONS: <ol style="list-style-type: none"> 1. Reset performed > 4 year cycle 2. Reset performed every 3-4 years 3. Reset performed < 3 year cycle QUESTION: What other considerations could inform the decision of how frequently the Net CONE components need to be updated? | 3-4 years is reasonable. It is reasonable for the IESO to reserve the right to perform a review of the Net should there be market or technology changes that warrant it. |

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| | Zonal Net CONE <i>Slides65-69</i> | Please identify preferred option and provide supporting rationale. OPTIONS: <ol style="list-style-type: none"> 1. Single Net CONE for Ontario 2. Use zonal Net CONE estimates QUESTION: What other considerations could inform the decision of whether to estimate zonal Net CONE values? | It must be Zonal. There are many factors that can have an impact on the cost and leave somebody at risk. I am not an expert but I suspect that the geographic and demographic make-up of Ontario is different from the other references and would require zonal considerations for the reference technology. |
| Min/Max Capacity Limit | Methodology for determining limits <i>Slides78-82</i> | Please identify preferred option and provide supporting rationale. OPTIONS: <ol style="list-style-type: none"> 1. Set as a percentage of Target requirement 2. Based on specified LOLE 3. Based on low/high demand outlooks QUESTION: Are there any other considerations that should be taken into account when establishing the mechanism for setting minimum/maximum limits for the base auction? | By process of elimination I pick #3. #1 does not take into account what the actual demand might be and the LOLE can be affected by more than just the amount of energy that is available at a given point in time. A lot of work is done to determine the demand outlooks and could be logically tied into that. |
| Maximum Auction Clearing Price (MACP) | Methodology for calculating MACP <i>Slides90-94</i> | Please identify preferred option and provide supporting rationale. OPTIONS: <ol style="list-style-type: none"> 1. Function of Net CONE 2. Function of Gross CONE QUESTION: What other considerations could inform the decision of how to establish the MACP? <ul style="list-style-type: none"> – Gross CONE vs. Net CONE – Magnitude of multiplier | I am not sure that I understand this well enough to comment. If the IESO builds an auction that drives competition then why worry about the MAX price <u>and</u> if there is a miscalculation or change in the market that limits the bids how can the IESO fulfill its needs? (there is something that I do not understand) |

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| | Price Floor for MACP <i>Slides95-99</i> | Please identify preferred option and provide supporting rationale. OPTIONS: <ol style="list-style-type: none"> 1. With Price Floor 2. Without Price Floor QUESTION: What other considerations could inform the decision of whether a price floor for MACP is required? | I can answer this the same as the last question. |
| Slope of Demand Curve | Shape of demand curve <i>Slides107-114</i> | Please identify preferred option and provide supporting rationale. OPTIONS: <ol style="list-style-type: none"> 1. Steeper Slope 2. Flatter Slope 3. Convex 4. Concave QUESTION: What aspects of each demand curve shape do stakeholder believe Ontario should adopt? Why? | Concave. I would suggest that the auction and market will mitigate the downside of reaching the target and market efficiency. I strongly believe that the Ontario customer does not have the appetite for volatility. |

General Comments/Feedback:
 I feel ignorant about the Cone and how that process works. This may be because I am a relatively late entrant into the stakeholder process. If there are resources on the IESO site that can help me get more familiar I would appreciate knowing where they are.