

Incremental Capacity Auction (ICA) – Stakeholder Feedback Form

Stakeholder Meeting: December 4th, 2017

Date Submitted: <i>YYYY/MM/DD</i>	Feedback provided by: Company Name: _____ OWA _____ Contact Name: _____ Paul Norris _____ Phone: _____ [REDACTED] _____ Email: _____ [REDACTED] _____
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The IESO held the fourth meeting of the ‘Options Phase’ of the Market Renewal – Incremental Capacity Auction engagement on December 4th, 2017.

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 (reference slide numbers where applicable)
- Identify any aspects that you believe require further elaboration or discussion

Please provide feedback by **January 8, 2018** to engagement@ieso.ca. Feedback received will be summarized and will help inform further discussions at future stakeholder engagement meetings.

Design Element	Features	Questions/Next Steps/Recommendations	Stakeholder Feedback
Length of the Forward Period	(1) Length of the Forward Period <i>Slides 55-62</i>	<p>QUESTION: What length of forward period between 3 and 4.5 years would enable the most competition, while minimizing price volatility, forecasting error and other potential risks?</p> <p>QUESTION: Are there any other advantages/disadvantages that should be considered when determining the exact length of the forward period?</p>	<p>A key objective of the ICA is to enable the participation of all technologies. Waterpower has a much longer development lead time than alternatives due, in large measure to the unique regulatory burdens (large or small). Even with regulatory reform, the lead time will exceed the IESO’s recommended maximum of 4.5 years. As such the forward period should be at least 4.5 years and acknowledge that for technologies with development lead times that exceed the forward period, the project risk and hence cost will be affected.</p>
		<p>RECOMMENDATION: The length of the forward period should be three to four and a half years</p>	<p>It would be helpful for the IESO to provide details of the supply mix and that procured through the ICA for each of the jurisdictions listed on page 58.</p>
		<p>NEXT STEPS: The exact length of the forward period will be determined taking into account stakeholder feedback and linkages to other design elements</p>	
	(2) Timing of the Base Auction <i>Slides 63-65</i>	<p>QUESTION: Are there any comments the IESO should consider related to this feature?</p>	
		<p>NEXT STEPS: Decisions around timing of the base auction will be determined as part of the detailed design, once decisions have been made with respect to related design elements. The potential implications of the timing of the base auction on capacity trade opportunities</p>	<p>Agreed</p>

Design Element	Features	Questions/Next Steps/Recommendations	Stakeholder Feedback
Commitment Period	(1) Seasonal vs. Annual Obligations <i>Slides 75-85</i>	will be explored further	
		<p>QUESTION: Which type of Obligation Period would enable the most efficiency and competition, while minimizing complexity and other potential risks?</p> <p>QUESTION: Are there any other advantages/disadvantages that should be considered when evaluating options?</p>	<p>Given that Ontario’s electricity requirements vary seasonally, it would make sense to embed seasonal obligations within the Auction design. Similar requirements already exist in some contracts.</p>
	<p>NEXT STEPS: Based on stakeholder feedback, further review of other jurisdictions, and considerations in the Ontario context, the IESO will determine whether seasonal or annual design should be recommended</p>		
	(2) Timing of Commitment Period & Obligation Periods <i>Slides 86-90</i>	<p>QUESTION: What considerations should drive the decision regarding in which months the Commitment Period should start?</p> <ul style="list-style-type: none"> • What considerations should determine which months fall into each season? <p>QUESTION: Are there any technology specific considerations that could influence the start of the Commitment Period or which months fall into each Obligation Period?</p> <ul style="list-style-type: none"> • Freshet/drought conditions? Summer A/C load? Other? 	<p>Ontario (i.e. OEB) already differentiates summer (May 1-October 31) and winter (November 1 – April 30). It would make sense to align the start of Commitment period with these dates. These dates appear also to align well with some neighbouring markets.</p>
<p>NEXT STEPS: Decisions around timing of start of the Commitment Period will be determined</p>			

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		as part of the detailed design, once decisions have been made with respect to related design elements	
Multi-year Commitments	(1) Eligibility <i>Slides 103-107</i>	<p>QUESTION: What project/resource types should be eligible for Multi-year Commitments?</p> <ul style="list-style-type: none"> • How should these specific project types be defined? <p>QUESTION: Should a minimum investment threshold apply in order for a project to qualify for a Multi-year Commitment?</p> <ul style="list-style-type: none"> • Should it be different for each defined project type? 	<p>Projects/resources with significant lifespans and payback periods, such as new, redeveloped and/or retrofitted waterpower should have the option to choose a multi-year commitment.</p> <p>The minimum investment threshold as a basis for eligibility should be a percentage (e.g. 50%) of equivalent costs for new-build.</p>
		<p>NEXT STEPS: Based on stakeholder feedback and further review of other jurisdictions, the IESO will provide a recommendation for the appropriate project types that would be eligible for Multi-year Commitments</p>	
	(2) Length of Multi-year Commitment Period <i>Slides 108-112</i>	<p>QUESTION: What is the optimal length of a Multi-year Commitment that would balance developer needs, while also providing room for flexibility to adjust for future changes in demand?</p> <p>QUESTION: What drives the required length of a Multi-year Commitment required (e.g., major maintenance schedules, project financing cycles, etc.)?</p>	<p>For waterpower resources, the option for a multi-year commitment should be as long as possible (10-15 years), driven largely by project financing requirements. Note that the ICA could be designed such that the commitment period differs for differing resource or project types.</p>

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		<p>NEXT STEPS: The IESO will consider stakeholder feedback related to the length of the Multi-year Commitment and perform necessary analysis to determine a recommendation for the maximum length of the Multi-year Commitment</p>	<p>Again, it would be helpful for the IESO to provide an indication of the types of resources secured in the jurisdictions reviewed</p>
	<p>(3) Price Formation</p>	<p>QUESTION: Are there any comments the IESO should consider related to this feature?</p>	
	<p><i>Slides 113-116</i></p>	<p>NEXT STEPS: The IESO will review price formation details in other jurisdictions and perform necessary analysis in order to determine implementation details as part of the detailed design</p>	<p>Agreed. Again, it would be helpful for the IESO to provide an indication of the types of resources secured in the jurisdictions reviewed.</p>

General Comments/Feedback: