Capacity Auction| March 2021 Auction Design

Stakeholder Feedback Form

Date Submitted: **Feedback Due:** March 26, 2020	**Feedback provided by: Sushil Samant** Company Name: Northland Power Contact Name: Michael Zajmalowski Email:

The IESO released a draft design document for the March 2021 Capacity Auction on March 5, 2020 that is available on the engagement webpage here (under March 12).

Stakeholder feedback on the document is being requested by **March 26** to engagement@ieso.ca.

This feedback form is intended to help organize stakeholder feedback in two key areas:

1. **General feedback on the March 2021 Capacity Auction design:** *Is the overall design implementable? Does the March 2021 Capacity Auction design provide the appropriate level of certainty, increase competition, and enable participation from the eligble resources for the March 2021 auction and 2022 commitment period?*

2. **Detailed comments on specific elements of the design**: *Are there any specific design elements that would prevent a successful auction from taking place or a particular resource from meeting a capacity obligation?*

General feedback on the March 2021 Capacity Auction design
Northland Power appreciates the opportunity to review and provide comments on the Design Document, presentation and Brattle report. The comments below are provided to hopefully address some of our concerns or at the very least identify some opportunities for clarification or improvement. It's not clear to me whether the IESO was seeking feedback on the Brattle Report, however I provide the following two minor comments. • On page 6, in the footnote (6) – it speaks to 12 holidays. Can the IESO please confirm which holiday calendar will be used? Which holidays are considered holidays for the purpose of the capacity auction. • On page 10 in the paragraph above Equation 8 – it states "Exporting resources are not likely to forfeit net E&AS revenues, nor are they likely to incur any costs to export" – I just want to make clear that there are fixed and variable costs to export, so not sure this statement is correct. The following bullet on top of page 11 seems to contradict this statement, so not sure I'm interpreting it correctly.

Chapter/Design Element	Detailed Comments on Design Phase (Areas of Support or Concern)
Auction Overview and Timelines • Pre-Auction Period Auction Period • Forward Period • Commitment and Obligation Periods	The IESO indicates that "The duration of the pre-auction period will be lengthened to approximately four months. The longer pre-auction period will allow participants to know the target capacity for a capacity auction and prepare accordingly. Additionally, the longer pre-auction period is required for the IESO to complete the market power mitigation and capacity qualification processes. These timelines will be published in the pre-auction report." Northland Power sees the market power mitigation exercise to develop resource specific values as a potential whale of an exercise. Is the IESO prepared to continue with the Capacity Auction for March 2021 if the Market Power Mitigation process is not completed? I see risk that this process will take longer to satisfactorily complete than the IESO is assuming.
Expanding Participation • Generator Backed Capacity Import • Capacity Self-Scheduling Resources	When is the IESO expecting to have an agreement with it's neighbouring markets where generation resource backed capacity imports will be permitted? NYISO has recently set the limit for capacity imports from the IESO at 15 MW for the upcoming summer auction. If NYISO is only accepting 15 MW from Ontario, what level of certainty does the IESO have to the volume of export capacity that NYISO may permit to export out of their market?

Chapter/Design Element	Detailed Comments on Design Phase (Areas of Support or Concern)
	In the Dispatch Data Submissions section for Generator Backed Capacity Import, the following is stated "Depending on the generator type, the IESO will complete an hourly assessment of availability, and consider the minimum offer into the energy market in day-ahead through to pre-dispatch, stopping at either one-hour ahead pre-dispatch (for quick start generators) or x hours ahead pre-dispatch where x is the generator's start up time. The assessment will be the same as a generator located internally within Ontario." The IESO fails to use the defined term "elapsed time to dispatch" in a few sections in this document, however I just want to be clear that the IESO will respect this parameter not only for internal generation resources, but will also do so for generation resources in external markets? Consolidated Edison Energy made a similar point in their comments. In ICAP markets in the US, if a capacity call is made, the generating resource isn't necessarily required to start. Instead the market participant must ensure it's scheduling an export from one market to the other and must etag the transaction in a way that signals it's meeting the capacity obligation. Where a facility start may be required would be if the exporting market was also short on capacity and therefore curtailing all exports. In this case, the facility would need to start to facilitate the export to the neighbouring market. The IESO requiring the facility to start to satisfy the generation back capacity import creates more risk and complexity where maybe it's not needed as compared to the alternative where the IESO can call on this energy and get it relatively quick instead of having to deal with what will be at times very long "elapsed time to dispatch" values. "*elapsed time to dispatch"* which is the minimum amount of time, in minutes, between the time at which a startup sequence is initiated for a generation unit and the time at which it becomes dispatchable by reaching its minimum loading point;
Consolidation of Resources • Offer Submission and Auction Clearing • Forward Period Obligations • Dispatch Data Submission • Resource Dispatch • Testing	No comments

Chapter/Design Element	Detailed Comments on Design Phase (Areas of Support or Concern)
Capacity Qualification Process	The IESO states that "The IESO will replace the capacity enrollment process with capacity qualification process. It will consist of three parts: (1) the CAP will submit a capacity qualification request in Online IESO (2) the IESO will determine the qualified capacity for each CAR. The determination will take into consideration the bid/offer type of the resource(s) associated with a CAR, the technology type and the age of the resource. The IESO will privately inform the CAP of the qualified capacity of each of its CARs at least five weeks prior to the capacity auction (3) the CAP will submit a capacity auction deposit for an amount equal to or less than the qualified capacity of each CAR." Can the IESO explain what methodology will be applied to consider the technology type and age of the resource? Not in the design document, but in the presentation that was provided. On page 28 of that presentation was a question and answer about capacity qualification. In the response the IESO states "Determine the ICAP based on the temperature adjusted Maximum Continuous Rating (MCR) using the average temperature in the highest risk month of the obligation period for each zone (shown in pre-auction report). Can the IESO please confirm whether the average temperature used is the average hourly temperature for that month tied to the closest weather tower to the participant? Is the value meant to be an average of 24 hours, average during the commitment period, hourly, or instantenous? Can you please clarify.
Market Power Mitigation Process • Exemptions • Determination of Market Power • **Market Power Mitigation Mechanisms**	No comments
Pre-Auction Period • Determination of Auction Parameters • Pre-Auction Reporting • Authorization Process • Consolidation of Resources	My comments on pricing is not tied specifically to the reference price, but a section that I feel is misleading in this document. Its around minimum price. The IESO Minimum Price Setting framework establishes a minium price based on the downward sloping demand curve. My concern however is that it doesn't set a floor price regardless of the amount of capacity being procured. The way I read the demand curve (correct me if I'm wrong) is that the clearing price could be $0 if the curve reaches the X axis in a typical diagram. While I can appreciate that resources competing for capacity revenue makes sense, without giving resources other mechanisms to potentially secure capacity payments (like the resource adequacy engagement

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• Capacity Qualification and Performance Assessment • Market Power Mitigation	may do), or by having a monthly capacity auction process that would follow similar to other ISO's (e.g. NYISO) then some participants may be desperate to secure much needed capacity revenue. Participants should not have to offer their capacity below their cost, however without setting a minimum clearing price, you're creating the potential that they would in order to secure capacity. Failing to clear the capacity market would result in losing out on capacity revenue for 12 months. You don't have an opportunity to sell that capacity in monthly strips since that doesn't exist. The IESO should consider setting a minimum clearing price for the capacity auction. Participants long term viability would be in jeopardy if they are still losing money each year, because the clearing price would potentially be below their cost, yet the Capacity Auction is currently the only game in town for securing capacity payments.
Auction Period • Offer Submission • Auction Clearing and Price Setting • Post Auction Reporting Obligations	No comments
Forward Period • Participant Authorization in Auction • Resource Registration • Capacity Prudential Support • Capacity Obligation Transfers • Buy outs	No comments
Commitment Period • Energy Market Participation • Payments (Settlement Process) • Performance Obligation Assessment and Associated Charges or True-Ups	In section 10.1.1 the IESO states "Capacity Generation Resources with a Capacity Obligation are obligated to submit offers in the DACP through to real-time for the hours of the availability window. These offers are expected to be at least equal to their Capacity Obligation for each hour of the availability window during Pre-Dispatch (PD) from the first run of Pre-Dispatch (PD) until their PD-X where X will be the larger of: 1) Elapsed Time to Dispatch 2) Minimum Generation Block Down Time, and 3) 2-hour Mandatory Window." Elapsed Time to Dispatch is a defined term – it should be italicized here.

Chapter/Design Element	Detailed Comments on Design Phase (Areas of Support or Concern)
Cost Recovery	

Thank you for your feedback!

IESO Engagement