

Capacity Auction | March 2021 Auction Design

Stakeholder Feedback Form

Date Submitted: March 30, 2020

Feedback Due: March 26, 2020

Feedback provided by:

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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 eligible 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

It is OPG’s understanding that the Capacity Auction is only one of potentially several mechanisms for the procurement of capacity to meet Ontario’s Resource Adequacy needs. The IESO proposed that these mechanisms would be identified, discussed and assessed as part of the Resource Adequacy Stakeholder Engagement they were in the process of initiating. This stakeholder engagement was originally scheduled to launch on January 27th but has been postponed. OPG would like the IESO to consider re-convening these consultations shortly. The outcome of this engagement should be integrated with the mechanisms currently in place including any further evolution of the Demand Response Auction into the Capacity Auction.

The Resource Adequacy stakeholder engagement should be used as an opportunity for market participants collectively with the IESO to design a portfolio of instruments to address Ontario’s short and long-term capacity needs. An auction may have value in fulfilling certain requirements or may be used as a transition over a certain time period but its design needs to be assimilated into an overall framework for Ontario. Key is the establishment of an overall plan for Ontario first, with mechanisms that ensure existing competitive assets continue to exist and new assets are developed as required, before proceeding with extensive development of one specific mechanism only. Developers need this clarity regarding the competitive processes that are available to them prior to investing in new assets or the continued sustainability of existing assets.

OPG also believes the overall design document for the March 2021 Capacity Auction it is significantly more complex compared to the previous auctions, given the increase in eligible resources and competition, the added requirements from the market participants (Market Qualification), and changes to how participants can submit offers. OPG would recommend the IESO take this into account and perhaps allow time for potentially 2 sandbox trials to ensure participants and the IESO are ready for the March 2021 Auction.

Chapter/Design Element	Detailed Comments on Design Phase (Areas of Support or Concern)
<p>Auction Overview and Timelines</p> <ul style="list-style-type: none"> • Pre-Auction Period • Auction Period • Forward Period • Commitment and Obligation Periods 	<p>Section 2.2:</p> <p>Given the June 2020 Auction submission window is slated for 2 days, it may be beneficial to have additional days available for submission for the March 2021 Auction, given the added complexities of consolidated resources, contingent and multiple offers. This will give participants the extra time that may be needed in case issues arise. Submission window can then be shortened once participants become more familiar with the process.</p>

Chapter/Design Element	Detailed Comments on Design Phase (Areas of Support or Concern)
	<p>Section 2.4: OPG still believes that multi-year commitments are beneficial to the ratepayer as it provides greater financial certainty for new participants and new long-lead time, capital intensive developments. This certainty will result in lower risk premiums and will reduce financing costs.</p>
<p>Expanding Participation</p> <ul style="list-style-type: none"> • Generator Backed Capacity Import • Capacity Self-Scheduling Resources 	<p>OPG would like some clarification regarding Generator Backed Capacity Imports vs. System Backed Capacity Import Resources. Where do ‘energy brokers/marketers’ fit in, ex. entities that purchase imports from eligible jurisdictions to inject into Ontario? These participants should be allowed to participate as a system backed importer, as they do not fall under the Generator Backed Capacity Import definition.</p> <p>What are the requirements to demonstrate you are able to transmit energy from the generation facility to the Ontario Border? Is there any restrictions regarding distance to the border/transmission path?</p> <p>For Test Activations of Generator Backed Imports IESO indicates that “Up to a resource specific number of hours in advance of any test, a Generator-Backed Capacity Import Resource participant will receive a test notification”. For Dependable Maximum Net Capability (DMNC) testing for the NYISO capacity requirements, the Operators typically prepare days in advance to ensure conditions are suitable to maximize generation from the specific resource/aggregate. With only a few hours notice resources may not have sufficient time.</p> <p>Would a generator resource be charged an ‘Availability Charge’ for unavailability if they were completing an outage request that was approved by the IESO?</p>
<p>Consolidation of Resources</p> <ul style="list-style-type: none"> • Offer Submission and Auction Clearing 	

Chapter/Design Element	Detailed Comments on Design Phase (Areas of Support or Concern)
<ul style="list-style-type: none"> • Forward Period Obligations • Dispatch Data Submission • Resource Dispatch • Testing 	
<p>Capacity Qualification Process</p>	<p>Please provide justification for using EFORd of 5% for Capacity Storage Resources, understanding there is limited data, but this number must have been derived using some research/data.</p>
<p>Market Power Mitigation Process</p> <ul style="list-style-type: none"> • Exemptions • Determination of Market Power • Market Power Mitigation Mechanisms 	<p>OPG would like some rationale as to how the IESO-established Small Fish Threshold of 100 MW of installed capacity (ICAP) was developed.</p>
<p>Pre-Auction Period</p> <ul style="list-style-type: none"> • Determination of Auction Parameters • Pre-Auction Reporting • Authorization Process • Consolidation of Resources • Capacity Qualification and Performance Assessment • Market Power Mitigation 	
<p>Auction Period</p> <ul style="list-style-type: none"> • Offer Submission • Auction Clearing and Price Setting • Post Auction Reporting Obligations 	<p>Offer submission should consider giving participants the choice to offer individual virtual resources separately or aggregated within each zone, instead of forcing participants to aggregate.</p> <p>For example, If a participant has over 10 resources in a particular zone, and would like to have them offered separately with several at the same offer prices and/or with multiple laminations they would not be able to if they are aggregated. Participants may run into an issues where 20 laminations aren't enough, and also overlapping offers. It would also</p>

Chapter/Design Element	Detailed Comments on Design Phase (Areas of Support or Concern)
	make it difficult for the participants to differentiate amongst the various resources if they all received capacity obligations.
<p>Forward Period</p> <ul style="list-style-type: none"> • Participant Authorization in Auction • Resource Registration • Capacity Prudential Support • Capacity Obligation Transfers • Buy outs 	<p>Can the IESO provide an example where a transfer of Capacity obligations with contingent offers would provide an opportunity of “gaming” and hence not allowed? OPG can see how the process could be complicated, but would like to understand the rationale.</p> <p>Would the IESO provide reasoning behind the 50% charge for buy-outs, other than ensuring good-faith participation. It is similar to what other jurisdictions use? OPG needs clarification regarding the terms “recollected” and “foregone” used in the buy-out scenarios table. OPG thinks the wording in the table could be made more clear or benefit from formula examples similar to other areas of the document.</p>
<p>Commitment Period</p> <ul style="list-style-type: none"> • Energy Market Participation • Payments (Settlement Process) • Performance Obligation Assessment and Associated Charges or True-Ups 	
<p>Cost Recovery</p>	

Thank you for your feedback!

IESO Engagement