

Resource Adequacy – Feedback Form

Meeting Date: September 28, 2020

<u>Date Submitted:</u> <i>2020/10/20</i>	<u>Feedback Provided By:</u> Organization: <u>Advanced Energy Management Alliance (AEMA)*</u> Main Contact: <u>Katherine Hamilton, Executive Director</u> Email: <u>[REDACTED]</u>
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Following the September 28, 2020 Resource Adequacy webinar, the Independent Electricity System Operator (IESO) is seeking feedback from stakeholders on the following items discussed during the webinar. More information related to these feedback requests can be found in the presentation, which can be accessed from the [engagement web page](#).

Please submit feedback to engagement@ieso.ca by October 20, 2020. If you wish to provide confidential feedback, please submit as a separate document, marked “Confidential”. Otherwise, to promote transparency, feedback that is not marked “Confidential” will be posted on the engagement webpage.

* AEMA is a North American trade association whose members include distributed energy resources, demand response (“DR”), and advanced energy management service and technology providers, as well as some of Ontario’s largest consumer resources, who support advanced energy management solutions due to the electricity cost savings those solutions provide to their businesses. The comments herein represent those of the organization, not those of any individual member.

Stakeholder Feedback Table

IESO Requests	Stakeholder Feedback
<u>Principles to Guide the Resource Adequacy Framework Conversation</u>	
<p>The IESO proposes to use the MRP guiding principles to guide the discussion with stakeholders on the development of a high-level Resource Adequacy framework. Are there other principles that should be considered throughout this discussion?</p>	<p>The principle of fairness should be its own principle. Fairness in competition is key, as outlined in the Competition principle. But Fairness also needs to occur in the steps in advance of any procurement/auction that is competitive. This includes the ability to participate in the competition.</p> <p>The principle of Technology Agnostic needs to be worked into the objectives of this engagement, along with all engagements of the IESO. The market treatment needs to be consistent across all participating technologies.</p>
<u>Draft Resource Adequacy Framework</u>	
<p>Do these three capacity acquisition timeframes (commitment and forward periods) provide sufficient options for meeting the needs of your resource type?</p>	<p>Yes. All three capacity acquisition timeframes provide sufficient options for meeting the needs of the demand response resource (both load curtailment and load shifting to behind-the-meter DERs). The options would actually further enhance the ability to contract/design/install behind-the-meter DERs in Ontario.</p>
<p>Which option(s) are most suited to your resource type?</p>	<p>Flexible demand side resources are suited to, and should be permitted to, participate in all identified acquisition timeframes.</p>
<p>Based on timing when various mechanisms are going to be available, do you see timing gaps when a resource needs a mechanism before that mechanism is ready?</p>	<p>Market Participants need to understand the system needs in order to plan their participation in the IAM. Planning information – such as demand and supply forecast - is key. This information should also include what resources are deemed necessary to balance ‘supplier and ratepayer risk’ and what transition mechanisms will be available to ‘bridge them to the end of the decade’. In order to better understand the MW needs of the IESO and to better understand the related risks to current resources, this information should be made public and the principles identified in this engagement should be applied to any ‘transition mechanism’ or ‘bridge’.</p>
<u>Resource Adequacy Engagement Plan</u>	
<p>What needs to be considered in future engagement phases to develop the details of the mechanisms in the framework?</p>	<p>The Resource Adequacy engagement should focus on the competitive procurement tools identified and not on the resource types. <u>Market Participants should be able to participate in each procurement based on their own individual needs and risk profiles.</u></p>

	<p>If the Annual Capacity Auction is to be used in a similar manner as Rebalancing Auctions in other markets to meet the ‘fluctuating needs’, then the mid-term needs procured through Capacity Auctions or RFPs should act as the procurement mechanism for re-acquirement of existing resources. This procurement should not be based on a minimum size nor on ‘material costs’ that need to be re-invested. It should be based on existing capacity/MW.</p> <p>Similarly, new resources should be treated in a similar manner –whether they are large traditional assets, or new technologies such as behind-the-meter storage. Each resource should have access to similar forward periods and multi-year commitments, and the uptake should be based on the assets’ individual risk profile.</p> <p>However, if the framework does restrict access to the procurement mechanisms based on administratively decided points including “material reinvestment costs”, how these values will be determined will need to be stakeholdered under the correct governance framework. This would also include the other elements mentioned by IESO staff in the presentation such as ‘reinvestment’ and ‘major upgrades’. AEMA members look forward to participating in such an engagement.</p>
<p>What other areas need to be discussed with stakeholders to operationalize the framework?</p>	<p>Despite points raised by IESO staff on the September 28th Resource Adequacy engagement webinar, the initial short-term Capacity Auction proposal outlined in the slide deck indicates that the identified resources will be restricted to competing ‘for the scraps’ (ie. leftover MW year over year). This does not support the MRP principles of competition (“open, fair, non-discriminatory competitive opportunities for participants to help meet evolving system needs”) or efficiency (“focus on efficient outcomes to reduce system costs”).</p> <p>If the identified resources are to be so restricted, then the Capacity Auction needs to be further defined as an annual Auction for the procurement of existing MW that have cleared in the past, as well as new capacity requirements. Market Participants will not choose this procurement mechanism if there is a risk that certain commitment periods in the Capacity Auction will have 0 MW targets.</p>

	<p>What Market Rules/Governance mechanism will exist that will give the market confidence that an Annual Capacity Auction will run each year with meaningful and transparent MW targets? This is even more important to Market Participants if they are 'boxed in' to only one procurement tool (ie. the Annual Capacity Auctions) as it seems to be what is being proposed in the presentation. At this time aggregated Demand Response resources are only permitted to participate in one market/have access to one revenue stream (via the Capacity Auction).</p>
<p>What other areas need to be discussed with stakeholders to operationalize the framework?</p>	<p>AEMA supports the question raised during the September 28th engagement on the topic of participation in the wholesale market and potential to eventually participate in 'local markets'. Non-wire alternatives can provide local distribution companies with cost-effective local demand side solutions to meet their local system needs. Moving forward, all policy aspects of procurement engagements should be coordinated between IESO, the OEB, the Ministry of Energy, Northern Development and Mines and the local distribution companies to ensure participants are able to provide value to a variety of different competitive procurement mechanisms/markets.</p>