

Stakeholder Feedback and IESO Response

Resource Adequacy – January 26, 2021 Webinar

Following the January 26, 2021 Resource Adequacy engagement webinar, the Independent Electricity System Operator (IESO) invited stakeholders to provide feedback on the materials presented.

The IESO received feedback from:

Advanced Energy Management Alliance (AEMA)

Association of Power Producers of Ontario (APPrO)

Capital Power

Power Advisory on behalf of Consortium of Renewable Generators, Energy Storage Providers, and the Canadian Renewable Energy Association (Consortium)

Electricity Distributor Association (EDA)

Energy Storage Canada (ESC)

Market Surveillance Panel (MSP)

Northland Power

Ontario Energy Association (OEA)

Ontario Power Generation (OPG)

Ontario Waterpower Association (OWA)

Power Workers Union (PWU)

TC Energy

Voltus Energy Canada

This feedback has been posted on the [engagement webpage](#).

Note on Feedback Summary and IESO Response

The IESO appreciates the feedback received from stakeholders. The table below outlines a summary of the feedback received and an IESO response in relation to that feedback.

Concerns Regarding Transparency Related to Resource Adequacy Decision-making and Non-competitive Procurements

Feedback	IESO Response
<p>Concerns about lack of transparency and competition in the unsolicited proposals process and other non-competitive procurements and that more detail beyond the Feb. 2021 Stakeholder Advisory Committee presentation on unsolicited proposals process is needed.</p> <p>Transparency in decision-making is needed, specifically regarding:</p> <ol style="list-style-type: none"> 1) Reasons why the IESO determined it needs to pursue a sole-source procurement and forgo the benefits of competitive procurement 2) What alternative options did the IESO explore and why those options were eliminated 3) Analysis demonstrating the cost-effectiveness and/or viability of a sole-source procurement outweighs a competitive procurement with multiple resources 	<p>The IESO understands the importance of clear and transparent information related to the Resource Adequacy framework in order to inform stakeholders business and investment decisions in Ontario. By continuing discussions with stakeholders on the operationalization of the Resource Adequacy framework, the IESO is seeking to provide greater transparency and certainty to proponents participating in Ontario's electricity sector. The AAR will provide stakeholders with a summary of forecasted system needs and a clear statement of how the IESO will meet those needs. As noted previously, the AAR will also identify acquisitions that are driven by government directives or policies.</p> <p>Regarding non-competitive procurements, including any assessment of unsolicited project proposals provided to government, the IESO may share further details on the methodology it uses for analysis on project proposals involved in any such procurements. Any other information that is confidential to proponents can not be shared.</p>
<p>Continued procurement outside of competitive mechanisms will undermine efficiency of competitive framework and raise electricity costs for consumers.</p>	<p>The IESO is committed to enhancing competition where it is able to. As the Resource Adequacy framework is operationalized, there may be situations, particularly during the transition period, where competition is not possible given the system needs that have been identified</p>

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Prior to any non-competitive procurements, IESO should disclose planning information and transparently solicit the market for potential solutions to address Resource Adequacy needs.	As outlined in the January presentation, the AAR will, to the extent possible, transparently outline the system needs and how they will be met. Where non-competitive solutions are needed and known, the AAR will provide that information.
IESO should publish the amount of capacity currently being considered under unsolicited proposals and other non-competitive procurements.	The IESO is unable to disclose the details of the specific proposals that are being assessed in the Unsolicited Proposals Process. The IESO will consider ways to disclose aggregate data on capacity that may be procured through non-competitive procurements.
How government policy will be integrated into the framework still remains unclear. For example, how will the government's LTEP consultation impact the Resource Adequacy framework	Government policy does and will continue to inform decisions related to the Ontario electricity sector.
IESO should always look for opportunities to assess the ability of new resources to meet needs in comparison to existing resources	IESO agrees with this statement.

Considerations for the Annual Acquisition Report (AAR)

Feedback	IESO Response
Stakeholders indicated general support for the AAR and releasing it after the Annual Planning Outlook (APO)	The IESO is pleased that stakeholders generally support the development of this report and the timing of its release.
AARs and target capacity should be updated based on new information, such as capacity procured through unsolicited proposals and capacity under expiring contracts.	The IESO agrees with this feedback. The AAR and target capacities are continually reassessed based on updated system information.
Various requests for additional information on scope, timing and content, including whether stakeholders will	The IESO will consider this stakeholder feedback as we engage further with

Feedback	IESO Response
have an opportunity to comment on AAR details such as targets, mechanisms, etc.	stakeholders on the AAR at upcoming engagement meetings.
Need for clear description of timelines and capacity targets for short, medium and long-term timeframes and rationale for selection of mechanisms to meet Resource Adequacy needs.	These aspects will be outlined in the AAR.
Procurement targets and product description in AAR must be precise and binding (in the one-to-three-year timeframe) so participants can rely on them to make investment decisions	The AAR is intended to provide stakeholders and participants with the information they need to inform their investment decisions and will be continually updated based on the latest system information. For this reason, the information contained in the AAR will not be binding.
Level of certainty in the plan and potential contingencies required should be included.	It is acknowledged that any reasonable plan should acknowledge any uncertainties and associated contingencies.
A one-to-three-year timeframe would not provide sufficient information to make decisions on long-term mechanism.	The AAR is expected to address various timeframes, acknowledging that uncertainty increases the further out it looks.
Further details needed on the sector scan, particularly regarding how it will facilitate, not limit, competition.	The IESO will take all available information into account in conducting the sector scan, which may involve using tools such as market sounding, request for information (RFI), request for expression of interest (RFEI), request for qualification (RFQ) and other qualification and registration processes.
Specify requirements in AARs in the form of Ontario's demand and reliability needs.	Demand and reliability needs are inherently considered in resource adequacy, which the AAR and Framework are intended to address.

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<p>Various other requests for specific details to be included, such as:</p> <ul style="list-style-type: none"> • Transmission and distribution system considerations, connection constraints and hosting capacity of areas of grid • Seasonal targets, zonal minimum and maximum acquisition restrictions similar to what is provided in the Capacity Auction Pre-Auction Report • UCAP default summer and winter values for each resource type in market or anticipated to participate in each mechanism • Review of uptake of DERs and behind the meter (BTM) resources and their contribution to meeting resource adequacy needs and other value streams • Specify requirements in AAR in form of Ontario's demand and reliability needs (baseline, intermediate and peak) 	<p>The AAR will need to address many items. The IESO will consider this stakeholder feedback as we engage further with stakeholders on the AAR at upcoming engagement meetings.</p>

Resource Adequacy Engagement Plan and Concerns Regarding Timing of Implementation

Feedback	IESO Response
<p>Timeframe of full implementation of Resource Adequacy framework by the end of the decade is too late. Framework should be fully defined in 2021 and implemented in 2022.</p>	<p>Full implementation of the Resource Adequacy framework might suggest that all elements are in place and have been executed multiple times. The end of the decade may continue to be a reasonable date for this outcome. However, as noted, the opportunity to introduce and build on various elements of the framework is upon us, starting with the Capacity Auction which will continue to run annually going forward. The IESO looks forward to engaging with stakeholders on other elements that will need to be introduced in the relatively near term.</p>

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<p>IESO should provide a set schedule of Resource Adequacy Engagement meeting dates for remainder of 2021.</p>	<p>As part of the March 2021 Resource Adequacy webinar, the IESO will provide a summary of the expected topics of discussion for upcoming meetings. An updated Resource Adequacy engagement plan is under development and will be shared with stakeholders at a future meeting in 2021 as well. In the meantime, the IESO expects to hold regular Resource Adequacy engagement meetings throughout the remainder of 2021.</p>

Suggested Resource Adequacy Engagement Discussion Topics/Streams

Feedback	IESO Response
<p>Eligibility for Resource Adequacy mechanisms, including resource types and their location (transmission/distributions system, behind the meter), overlapping participation in more than one mechanism, etc.</p>	<p>Discussions related to eligibility will be covered in future engagement sessions in 2021.</p>
<p>Within a category dedicated to transition, a definition of what transition means is needed, which facilities and projects will be included within any such categorization and which mechanism may be used with respect to this category.</p>	<p>The topic of how the Resource Adequacy framework is fully implemented over time should capture the concept of transition.</p>
<p>Other suggested discussion topics/streams of engagement:</p> <ul style="list-style-type: none"> • Capacity Auction design enhancements • Scope, structure, timing and design of RFPs/contracts • Scope, structure, and design of specific programs - gather lessons learned for improving programs • Defining circumstances/conditions when non-competitive mechanisms must be used and principles that must be followed when 	<p>Capacity Auction enhancements will be a regular topic of discussion at future Resource Adequacy engagement meetings. The use of competitive and non-competitive mechanisms will be discussed through the development of the AAR. An updated Resource Adequacy engagement plan, to be shared with stakeholders at a future meeting in 2021, will provide an indication of the approach to engaging with stakeholders on the other items identified.</p>

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<p>negotiating such contracts, including unsolicited proposals</p> <p>Reform to governance, decision-making and recourse framework, specifically related to Resource Adequacy and development of framework.</p>	

Planning Considerations

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<p>Changes to demand, especially the shift of peak hours and summer peak season and their causes (i.e. increasing embedded generation, storage, demand management, etc.) should be made public.</p>	<p>The IESO agrees with this feedback. The Annual Planning Outlook (APO) endeavours to communicate our system needs as they evolve. Forecasts will continue to change with time and Factors that contribute to change will be discussed in the narratives of future planning products.</p>
<p>Ontario demand patterns are changing needs which may require new resources, such as energy storage, to meet them.</p>	<p>Ontario's demand patterns are evolving continuously. The IESO will continue to communicate reliability needs, seek ways to translate these to procurement targets and employ competitive processes to meet these needs, rather than specify preferred resource types.</p> <p>The IESO will begin to engage with stakeholders on its DER Roadmap in Q2 2021. The Roadmap will identify IESO objectives, initiatives, and timelines for DER integration.</p>
<p>Greater linkages needed between regional system needs and bulk system needs and information to understand if transmission system expansion is needed.</p>	<p>The IESO agrees with this feedback. The 2020 APO introduced some of the regional needs, and how they interact with overall provincial needs. The IESO sees the ongoing engagement on the Bulk Planning Process as an opportunity to build on this work.</p>

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Relationship between APO and Long Term Energy Plan (LTEP) should be explicitly recognized.	The APO is intended to provide a forecast of supply/demand, enabling an assessment of system need, however, the IESO does not view it as a firm plan to meet needs. On January 1, the government revoked Ontario Regulation 355/17 which required the government to publish a new Long-Term Energy Plan every three years. The Government is now undertaking a review of the future of Ontario's long term energy planning Framework (see here). The IESO will continue to engage with the government through its review ensure alignment.
Various suggestions of information that should be included in future APOs to help stakeholders make investment decisions.	The APO will continue to evolve. The requirements for the new AAR will help us prioritize future refinements.

GHG Emissions / Climate Change Mitigation Concerns

Feedback	IESO Response
Stakeholders indicated there may be an increased need to deploy energy storage to support broader net-zero carbon policy objectives	The IESO will continue to communicate reliability needs, and seek ways to translate these to procurement targets. To the extent that government policy requires the system to become less carbon intensive, the IESO will employ competitive processes to meet these needs, rather than specify preferred resource types.
Projected increased use of fossil-fueled generating resources will result in greater greenhouse gas emissions from electricity system, which will undermine Ontario's climate change efforts.	The APO provides an outlook for supply and demand, based on known/expected conditions. The economic dispatch included in the forecast reflects environmental policy at the time of publishing. The actual trajectory of emissions may be affected by the outcomes of the competitive processes being developed.

Capacity Auction Enhancements

Feedback	IESO Response
<p>Various stakeholders indicated general support for the Capacity Auction enhancements proposed.</p>	<p>Thank you for this feedback. The IESO looks forward to engaging with stakeholders on these Capacity Auction enhancements.</p>
<p>The current Capacity Auction is insufficient to maintain existing generating capacity, particularly system-critical, gas-fired generators</p>	<p>The Capacity Auction is the mechanism to acquire growing target capacity to meet short-term needs (up to 2026) and to balance longer term emerging needs. The interaction between the annual auction and other mid/long term mechanisms will be discussed within the Resource Adequacy engagement.</p>
<p>A minimum clearing price should be considered as part of future auction enhancements.</p>	<p>IESO is committing to annual auctions and plans to introduce enhancements to increase stability and certainty – including a minimum capacity floor and a target capacity trajectory through to 2026.</p>
<p>Minimum capacity floor for upcoming years needs to be specified so participants can plan for participation in future auctions.</p>	<p>IESO is committing to annual auctions and plans to introduce enhancements to increase stability and certainty – including a minimum capacity floor and a target capacity trajectory through to 2026.</p>

Capacity Auction Enhancement – Unforced Capacity (UCAP)

Feedback	IESO Response
<p>Stakeholders recommended using an Effective Load Carrying Capability (ELCC) study to define UCAP for variable generators.</p> <p>Stakeholders recommend capacity values be determined on a seasonal basis, not annual and included in AARs. This approach is more efficient and consistent with summer and winter capacity targets.</p>	<p>The IESO is pleased to see stakeholders recognize the importance of transitioning to UCAP. Over the course of the Spring of 2021, the IESO will begin consulting with stakeholders on a proposed approach to establishing a qualified capacity process to transition to UCAP-based acquisition (This</p>

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UCAP discussion will require significant stakeholder input and analysis, based on experience from other jurisdictions.	includes resource-specific qualified capacity methodologies).
Unforced capacity amount will have diminishing returns which will be further complicated if the amount purchased through the capacity auction is stated differently than what appears in the APO.	It will be important to ensure there is consistency in the APO, and the qualified product procured in the Auction.
IESO should implement UCAP by December 2021 to properly value effective capacity from existing generating facilities.	Engagement with stakeholders on a qualified capacity/UCAP methodology will begin in 2021 and is not expected to be completed in time for the December 2021 Capacity Auction.
Various suggestions and requests for more info on UCAP methodologies and values for different technologies.	IESO will consult with stakeholders on different approaches and considerations to establishing UCAP starting in Spring 2021.

Capacity Auction – Expanding Participation

Feedback	IESO Response
Stakeholders requested IESO provide a plan/timeline for when DERs are anticipated to be eligible to participate in Capacity Auctions.	The market participation framework for DERs needs to be determined first before any discussions on their eligibility in the auction. The IESO will begin to engage with stakeholders on its DER Roadmap in Q2 2021. The Roadmap will identify IESO objectives, initiatives, and timelines for DER integration.