Feedback Form

Resource Adequacy webinar – May 28, 2021

Feedback Provided by:

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Following the May 28, 2021 Resource Adequacy engagement webinar, the Independent Electricity System Operator (IESO) is seeking feedback from stakeholders on the items discussed during the webinar. The webinar presentation and recording can be accessed from the engagement web page.

Please submit feedback to engagement@ieso.ca **by June 18, 2021**. 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.

Resource Adequacy Information Guide

Topic	Feedback
Is there any important Resource Adequacy-related information not already considered in this guide?	Yes, the UCAP calculation for renewable resources (hydro, wind and solar) was not provided. With respect to cogeneration resources, we are not clear if those resources are simply treated the same as dispatchable thermal generation or if on-site load must also be accounted for in the UCAP. We also request that the Resource Adequacy Information Guide provide a general timeline for the process of qualifying capacity. We wish to understand what this process looks like for new and existing resources, how new assets with no historical data will be treated, and how fairness will be achieved such that new assets are not treated more favourably than existing resources (particularly, if new assets may be procured in entirely separate processes than existing assets). We are not clear that UCAP is necessary for fungibility given the limited number of resources that subject to a capacity obligation - most of Ontario's resources are contracted, which establishes a different framework than a capacity market construct. Additionally, the mechanisms for buying out or transferring capacity obligations exists (on an ICAP basis) even without this new framework for UCAP. We further note that as presently designed, the auction mechanisms are for the IESO to procure capacity and do not accommodate resource owners to transfer/exchange capacity obligations between each other. These facts suggest that developing and adopting a UCAP framework is not critical or integral for procurement.

Capacity Auction: Forward Guidance and Minimum Target Threshold

Topic	Feedback
Stakeholders are invited to provide general feedback on the proposed approach for forward guidance and minimum target threshold	TransAlta supports the development of firm forward guidance through the Annual Acquisition Reports. We understand that IESO plans to provide this guidance for the next 5 years but we ask that the IESO provide forward guidance on procurement beyond 2026 (to 2030). We request that the Annual Acquisition Report that will be issued

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	in June 2021 provide firm targets for the mid-term Request for Proposal (RFP) for the 2023-2026 and 2027-2029. We further request that the IESO provide guidance and details about the upcoming mid-term RFP and plan for a procurement at the end of 2021 or early 2022. We ask that the IESO consider procuring for 2023-2029 in one process to provide existing resources that are coming off certainty for operations. We believe that securing capacity from existing resources should be prioritized over long-term procurement or other bilateral contracts for new resources. Contracting with new resources should be considered when all contracting options with existing resources is fully exhausted and the resource adequacy requirement exceeds the capacity that can be provided from the existing system.

Transition to Qualified Capacity/UCAP

Topic	Feedback
Will the initial qualified capacity proposals presented result in a UCAP value that is consistent with the qualified capacity design principles for the resource types considered? If not, what changes would you suggest? Please offer alternatives.	We do have concerns that historical energy production data may not be reflective of energy production under the Market Renewable Program (MRP). We believe that resource owners should have some discretion in adjusting their UCAP values in the initial years of adoption until such time that the historical energy data reflects MRP and the IESO approach to procuring QC based on UCAP. Additionally, we are concerned that the non-performance factors for capacity obligations create higher penalty risks that will ultimately factor in as higher capacity offer prices. This risk will translate into higher costs to consumers. To address this concern, we ask the IESO to consider a phase in of the non-performance factors to provide capacity suppliers an opportunity to gain experience with the penalty regime. We are also concerned that fully implement UCAP before the procurements will be challenging given the tight timelines for future procurement. We would suggest that the IESO should prioritize the procurements and not the transition

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	from ICAP to UCAP. The need to secure existing resources is clear given the capacity deficit identified in the IESO's previous work, as such, procuring these resources is critically necessary for future resource adequacy (furthermore, there are capacity markets which procure based on ICAP). In other words, the IESO should procure in 2021 and 2022 even if those procurements must be done on an ICAP basis or some other interim approach until the framework for qualifying capacity from ICAP to UCAP can be fully developed – there is merit is waiting until after MRP has run for a few years before adoption of a UCAP framework.
Are the sources of data suggested as inputs into each UCAP formula appropriate? If not, please explain why and suggest alternatives.	Does the IESO have data by outage type (planned versus forced outage rates) to calculate the UCAP for thermal assets using the 1-EFORd calculation? Rather than relying on historical data and a formula to calculate UCAP, owners should be able to choose their forced outage rate. We recommend that IESO sets the range and allows all owners to elect the forced outage rate that applies to their asset in the future delivery period. In this way, the owners can factor in future risks to performance that may otherwise not be reflected in the historical average operational data.
Are there any incorrect assumptions the IESO has included that may not be appropriate?	We are concerned that the use of historical information will not appropriately capture the operations under the MRP. For example, MRP is expected to reduce unit commitment of non-quick start units compared to current energy market design. A reduction in the number of start-up and shutdown of a resource may reduce the force outage rates. As suggested above, we recommend that the IESO allow for owners to make elections on the UCAP of their resources. This would permit the owner to ensure that the UCAP assigned to their resource is representative of future expected operations.
Is there anything the IESO may not have considered that may contribute to the development of an accurate UCAP methodology?	The historical data that is used to establish UCAP should be reviewed to ensure it representative of UCAP in the delivery year. For example, changes could have occurred in the five-year historical period that substantially change the operations of the facility such that the historical data is not

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	a fair or good proxy/representative of future operations. Similarly, an unusual and prolonged forced outage may have occurred in the historical period that is highly unlikely to occur in a future delivery year. We request that the IESO implement a process that allow the historical data to be vetted and for UCAP to be adjusted. Additionally, generator-based capacity imports cannot be resources that are recallable to their native jurisdiction and should be fully dedicated to serve Ontario (not relied upon to meet a capacity requirement in their native jurisdiction) if they are going to be counted on to meet Ontario's resource adequacy requirements.
General Comments/Feedback	While TransAlta agrees that UCAP has merit, is used in other jurisdiction for capacity market procurements, and supports a fungible capacity product, we are unclear where the fungibility of this product is captured in the IESO's market design. For example, we aren't aware of a liquid market for resource owners to transact capacity obligation between themselves such that fungibility would be an important or critical feature of the design.

UCAP Resource-Specific Meetings

Topic	Feedback
Please indicate your interest in participating in these meetings sooner than June 18, if possible. Are bi-weekly meetings appropriate? What should the format be? How should attendance be managed?	Yes, TransAlta wishes to participate in future UCAP Resource-Specific Meeting. We wish to participate in the resource streams for gas-fired, wind, and hydro resources. We also support bi-weekly meetings.

General Comments / Feedback

TransAlta supports the IESO's work in resource adequacy and procuring for future needs. As mentioned in our comments above, we view the implementation of the mid-term RFP as soon as possible as a critical to ensuring Ontario's future resource adequacy. The IESO should not delay the mid-term RFP or capacity auctions to fully develop the framework for or transition from ICAP to UCAP.