

Feedback Form

Resource Adequacy – July 22, 2021

Feedback Provided by:

- Name: Brandon Kelly
- Title: Manager, Regulatory and Market Affairs
- Organization: Northland Power Inc.
- Email: [REDACTED]
- Date: August 11, 2021

To promote transparency, feedback submitted will be posted on the Resource Adequacy Engagement webpage unless otherwise requested by the sender.

- Following the July 22, 2021 Resource Adequacy webinar, the Independent Electricity System Operator (IESO) is seeking feedback from stakeholders on the following discussed items. Background 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 August 13, 2021.** If you wish to provide confidential feedback, please mark the document “Confidential”. Otherwise, to promote transparency, feedback that is not marked “Confidential” will be posted on the engagement webpage.
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Qualified Capacity Proposals

Topic	Feedback
<p>What questions or feedback do you have on the updated Qualified Capacity (QC) proposals?</p>	<p>Click or tap here to enter text.</p>
<p>What questions or feedback do you have on the proposed QC methodology for hourly demand response resources?</p>	<p>The IESO is proposing to use historic capacity check test performance as a means of qualifying HDR capacity for future auctions. Under such a framework, past performance, or underperformance, is relied upon as an indication of future performance.</p> <p>This principle seems to be disregarded in circumstances in which HDR resources fail their capacity check test, but by less than 20%. Under such circumstances, HDR resources will be qualified to offer the entirety of their ICAP capacity in the following auction, despite demonstrating their inability to deliver this capacity when called upon. This seems at odds with the IESO’s previous commitment to “ensure resources are capable of delivering their capacity obligation in real-time, and that resources are compensated consistent with the reliability value they provide.”</p> <p>The IESO notes that the 20% allowance is similarly used in the assessment of the Capacity Charge for HDR resources. While this is indeed consistent, it’s consistent in the way in which it fails to incent HDR resources to deliver on their full obligations. If HDR resources that fail to provide upwards of 20% of their promised capacity face neither a Capacity Charge nor penalization under the qualified capacity framework, how are those resources being held to account for poor performance?</p> <p>It’s worth noting that no other resource type receives such leniency under either the Capacity Charge assessment or the qualified capacity framework. Why does the IESO feel this preferential treatment is warranted?</p> <p>By allowing HDR resources to continue selling capacity they’ve demonstrated they’re unable to provide, the IESO is undermining the integrity of the Capacity Auction, suppressing prices, and compromising a key revenue source</p>

Topic	Feedback
	for other reliable sources of capacity competing in the auction.

Resource-Backed Imports

Topic	Feedback
What questions or feedback do you have on the proposed resource-backed import framework?	Click or tap here to enter text.

General Comments/Feedback

In its May 28, 2021 presentation to the Resource Adequacy stakeholder engagement group, the IESO laid out its rationale for introducing a minimum capacity target for future auctions. The IESO stated that setting a minimum, "Provides additional confidence to investors/asset owners while ensuring a continued competitive pool of resources available (and) Protects against inefficient short-term exit leading to sub-optimal long-term competitive outcomes."

In its July 22, 2021 presentation to the Resource Adequacy stakeholder engagement group, the IESO committed to setting the minimum capacity target to 500 MW for all future Capacity Auctions out to 2026.

Northland notes that a 500 MW target would only permit 900 MW of capacity to clear the auction, and that would require a clearing price of \$0/MW per business day. In reality, far less capacity should be expected to clear future auctions when the target capacity is set to 500 MW.

The IESO expects the Summer capacity target to increase from 1,000 MW ICAP in 2022, to 1,800 MW UCAP in 2026. If the Winter capacity target remains at the minimum 500 MW for that period, it would represent a significantly decreasing proportion of the growing Summer target (50% in 2022, 28% in 2026). As the system's capacity needs grow, a static minimum capacity target becomes an increasingly ineffective means of maintaining a competitive pool of resources to compete in future auctions.

Has the IESO committed to a 500 MW capacity target for all Winter capacity auctions between now and 2026? Will the IESO consider setting the minimum Winter capacity targets as a percentage of the Summer capacity target? If not, why? Can the IESO please provide its detailed rationale as to why a minimum capacity target of 500 MW was chosen, and its assessment as to how that quantity will satisfy the criteria laid out in its May 28, 2021 presentation (both in 2022 and 2026)?