

Feedback Form

Resource Adequacy – August 26, 2021

Feedback Provided by:

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

Following the August 26, 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 September 17, 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.

Capacity Auction – Review of Performance Obligations and Assessment Framework Recommendations

Topic	Feedback
What questions or feedback do you have on Proposed Change #1 – Test to Capability for All Resources	AEMA supports the concept of a level playing field for all resources who are participating in procurement mechanisms in the Resource Adequacy Framework, and therefore the testing of capability. AEMA continues to support the need for the correct measurement of the HDR resource. Further comments may be provided on the testing of the full ICAP value once the IESO publishes the HDR Baseline Performance Review and the decision regarding HDR resources' ability to report outages.

Topic	Feedback
<p>What questions or feedback do you have on Proposed Change #2 – Changes to Thresholds</p>	<p>AEMA continues to support the concept of a level playing field for all resources who are participating in procurement mechanisms in the Resource Adequacy Framework, and therefore the introduction of Capacity Test thresholds for all resources. AEMA does have concern with the reduction of the threshold for HDR resources from 20% to 10% (and in subsequent years 5% as per the IESO presentation). The 20% threshold is a long-established threshold for demand response resources. Even when a resource 'fails to deliver' its obligation it does provide meaningful MW to the IESO (79 MW of a 100 MW commitment would be considered a fail). Other traditional resources may not be able to provide any MW towards their obligation if an issue occurs. The penalty/incentive scheme that exists for the Capacity Auction will ensure that the resources is not paid for what it does not deliver and will face penalties. An additional de-rate to the threshold is not necessary to drive compliance with dispatch signals. AEMA continues to support the need for the correct measurement of the HDR resource. Further comments will be provided on the reduction of thresholds for HDR resources once the IESO publishes the HDR Baseline Performance Review.</p>

What questions or feedback do you have on
Proposed Change #3 – **Future De-Rates**

The HDR resource is different from other capacity auction participants since it is made up of an aggregation of contributors. The 'contract'/obligation is made with the Demand Response aggregator, who then fulfills their capacity auction obligation with commercial, industrial, manufacturing, public sector contributors. They fulfill their obligation by ensuring they have enough MW to meet their capacity auction MW award. Through the comprehensive penalty/incentive schema that the IESO has set up, the aggregator ensures that its contributors are meeting their contractual obligations. If they are not, the aggregator will remove the contributor from the resource and find more responsive MW to fill the void. This is not a new concept but will become more prevalent as additional aggregation resources join the supply mix. Under the current proposal, if issues exist with contributors not performing, the aggregator will be impacted through the penalty schema for the current year and will then reset their portfolio for the next year (remove problem contributors and recruit new ones). However, the HDR resource will also be derated the following year despite having a completely different set of contributors. Meaning that the contributors responsible for the derate will likely not be subjected to it. Moreover, it creates barriers for the HDR resource to procure new reliable contributors because new contributors will lack incentives to join a de-rated resource. The end result is a potential runaway winner problem in which any HDR resource that underperforms in a given year is unable to recover in any subsequent year because reliable HDR resources will flock to well performing assets. Instead, because both HDR resources will be quite different in future years, they should be 'judged' based on their yearly performance. If the IESO is intent on pursuing the derating approach, we

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	<p>encourage them to look to how other ISOs, such as PJM and NYISO, tackle this issue. NYISO and PJM derate individual contributors based on their performance in previous years. This ensures that the contributor is unable to ignore a dispatch and then move to a new aggregator the following year to avoid a derate. Similar to our comments on including loss factors into UCAP at the contributor-level, we encourage the IESO to shift to a more granular approach for HDR resources. AEMA continues to support the concept of a level playing field for all resources who are participating in procurement mechanisms in the Resource Adequacy Framework, and therefore future de-rates should only apply if the resource maintains its current make-up and capability. Capacity Auction participants who upgrade their resources should not face a future de-rate. AEMA supports the ability to request a second test. AEMA looks forward to a discussion with IESO and stakeholders on parameters for ability to be re-tested. This is a common practice in other jurisdictions.</p>
<p>What questions or feedback do you have on Proposed Change #4 – Common Notification</p>	<p>AEMA continues to support the concept of a level playing field for all resources who are participating in procurement mechanisms in the Resource Adequacy Framework, and therefore the introduction of day ahead capacity test notifications.</p>

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<p>What questions or feedback do you have on Proposed Change #5 – Incenting Performance at the Right Time</p>	<p>AEMA supports a penalty structure that enforces performance, but coupled with the other proposed changes this will not incent the right behavior. In an emergency event it is crucial to secure all possible MWs, but the significant two-month penalty eliminates incentive for resources to remain in market if they are forecasted to be below the dead band. There is a cost for HDR resources to curtail, and they will not incur those costs if they know they may also be receiving a two-month availability charge. This is especially true should the baseline adjustment remain in place because a resource could be failing the event before it even begins. It does not benefit the grid to penalize resources the same for performing at 0% and 75%, for example. The resource should be rewarded for the 75% performance value provided in a time of emergency, and only penalized for the 15% shortfall below the proposed compliance deadband. QUESTION: Will performance in emergency events also be assessed at the ICAP value or will it be assessed against the bid in place when the activation is called?</p>
<p>What questions or feedback do you have on Proposed Change #6 – Availability Assessment True-Up</p>	<p>AEMA continues to support the concept of a level playing field for all resources who are participating in the procurement mechanisms in the Resource Adequacy Framework, including the ability to be assessed a 'true up' payment at the end of the obligation period.</p>

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General comments and feedback	<p>AEMA continues to support the concept of a level playing field for all resources who are participating in the procurement mechanism in the Resource Adequacy Framework, including the ability to report outages. Currently HDR resources are unable to report outages similar to other resources. Based on how the HDR resource is measured, the outage of a large contributor in a resource will negatively impact the result of a dispatch for the aggregator. AEMA looks forward to having this discussion once the HDR Baseline Performance Review is published by the IESO. Additionally, when UCAP mechanisms are finalized, AEMA proposes the removal of the Virtual Zonal DR Limits currently in place.</p>

Medium-Term RFP

Topic	Feedback
What questions or feedback do you have on the Medium-Term RFP proposed design consideration on Contractual Considerations	Click or tap here to enter text.

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<p>What questions or feedback do you have on the Medium-Term RFP proposed design consideration on Resource Eligibility</p>	<p>The principles that have guided the Resource Adequacy framework, and the entire Market Renewal Project include efficiency, competition, implementability, certainty and transparency. The Medium-Term RFP does not seem to follow the principles as the restriction of participants will impact competition and the efficiency of the market. On slide 6 of the Medium-Term RFP Engagement Kick-Off presentation, the IESO states that the "MT RFP represents IESO's transition to a product/service-based acquisition framework ...the need in the second half of the decade is centered around capacity, and providing a competitive and transparent mechanism for existing resources coming off contract is integral step in meeting system needs". If the need is defined as capacity, why is participation in the RFP excluding other capacity resources? AEMA request that the IESO provide transparent reasoning on why they are restricting participation that will create an uncompetitive market where only some resources qualify for a 3-year contract and others are exposed to a year over year market. Market Participants and other stakeholders, including AEMA members, have long advocated for technology-agnostic view for the implementation of market mechanics as the market moves away from large centralized traditional generation toward a 'product/service-based acquisition framework'. The IESO should define the product/service that is required and let the market decide who will participate. This will lead to a more efficient and cost-effective system, which is a principle of the Resource Adequacy Framework. With the introduction of the eligibility requirements of the Medium-Term RFP, IESO does not seem to be moving in the same direction as other ISOs/regions nor following their own defined focus.</p>

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<p>What questions or feedback do you have on the Medium-Term RFP proposed design consideration on Proposal Evaluation</p>	<p>What questions or feedback do you have on the Medium-Term RFP proposed design consideration on Proposal Evaluation AEMA requests further information on the 'Rated Criteria' (slide 20) – the IESO intends to design the MT RFP to evaluate attributes that provide higher value from a system and operational perspective. If the MRP project intends to more efficiently schedule and dispatch natural gas resources, why then does the MT RFP evaluation process need to mimic the post-MRP market drivers? Shouldn't the Market Renewal Project already accomplish this? The Rated Criteria defined represents a traditional large, centralized supply system versus a decentralized, flexible system which is the path that the electricity system is moving. By requiring 4+ hours, or visibility of resources to the Control Room, the IESO will miss out on localized cost-effective supply. Existing alternative resources to large natural gas plants can provide value to the electricity system if it is modeled and accommodated properly. This is what the IESO should be focused on as we move towards electrification and net zero. Moreover, some of AEMA's member companies already provide aggregated demand response portfolios in other jurisdictions for 4-hour+ products, with visibility to the Control Room. The IESO's own market design continues to be its own obstacle in enabling lower cost alternatives to large, centralized generation.</p>
<p>What questions or feedback do you have on the Medium-Term RFP proposed design consideration on Contract Expiry and Bridging</p>	<p>AEMA requests that the IESO provide a timeline on how resources that terminate their contracts early are participating in the CA. Will there be cross-over that a resource has received an obligation from the Med Term RFP for a start date of 2026, but will also be participating in the CA up until the 2026 delivery year? Will this cross-over impact their bid strategy/bid price?</p>

Topic	Feedback
What questions or feedback do you have on the Medium-Term RFP proposed Timelines and Milestones	Click or tap here to enter text.
What questions or feedback do you have on the Medium-Term RFP UCAP approach outlined in the presentation materials	Click or tap here to enter text.
What areas of the draft RFP and Contract do you want to see more details on in the September engagement session, ahead of the issuance of draft documents?	As requested above, please provide a timeline of coming off contract (on time or early), and how the alignment of the start of the MT RFP and Capacity Auction participation.
Do you have a resource that is eligible, or may be eligible, to participate? If so, please provide feedback specific to your resource based on the proposed design considerations. Please indicate if you would like to meet with the IESO to discuss eligibility or any other aspects of the Medium-Term RFP.	Click or tap here to enter text.
General comments and feedback	Click or tap here to enter text.

General Comments/Feedback

AEMA is a North American trade association whose members include distributed energy resources (“DER”), 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. These comments represent the views of AEMA as an organization, not any individual company.