

# Feedback Form

## Resource Adequacy – October 21, 2021

### Feedback Provided by:

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Date: November 12, 2021

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

Following the October 21, 2021 Resource Adequacy webinar, the Independent Electricity System Operator (IESO) is seeking feedback from stakeholders on the following discussed items including the Capacity Auction, Medium and Long Term RFP. 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](mailto:engagement@ieso.ca) by November 12, 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

Topic	Feedback
Introduction	<p>Although AEMA has responded to the questions below, in advance of moving forward with any changes on how resources are qualified, the issue of how HDR resources are measured needs to be completed. As noted during engagements and in previous comments submitted, a review of the in-day adjustment that account for actual market activation conditions needs to be completed to ensure that IESO is correctly counting and assessing the value of the MW it receives from HDR participants. Without correct measurement, changes in performance thresholds or UCAP qualifications cannot be implemented fairly or accurately. Please see the comment in the General Resource Adequacy Comments/Feedback section below.</p>
Enhancement #1: Capacity Qualification	<p>AEMA takes issue with the current Enhancement proposal on Capacity Qualification and has raised these issues often during the engagement process. The Capacity Qualification Proposal undervalues and unnecessarily penalizes Demand Response resources, while creating a potential loophole. As currently drafted, this proposal would undermine reliability. To improve reliability and market efficiency, AEMA proposes the following revisions:</p> <p>First and foremost, we ask that the IESO use UCAP on a go-forward basis based on performance in 2022, and not use Summer 2021's Capacity Factors for UCAP in 2022. We are of the view that using UCAP on a go-forward basis would provide a more accurate measure of the performance capability of a resource, thus improving the IESO's ability to adjust to changing system needs.</p> <p>Furthermore, the introduction of UCAP was made during the Summer 2021 Capacity season but will use performance factors from Summer 2021 to inform derates for the auction in 2022. The IESO is changing the rules around the future impact of performance of an event after the event took place. AEMA views this as a violation of IESO's primary operating principles of transparency and market fairness.</p>

Second, the IESO should include Loss Factors in the calculation of UCAP for Demand Response resources to incent additional Demand Response participation by properly valuing the service behind-the-meter resources provide, which includes the avoidance of transmission and distribution system losses. The IESO remains the only jurisdiction in North America using UCAP that does not include Loss Factors in the calculation of UCAP for Demand Response resources.

Third, Market Participants need to understand all the risks associated with their actions in a true market so they can make informed decisions. The risks associated with the Capacity Auction are clearly identified as Penalties in the Market Rules. Layering additional "performance factor" penalties would result in a form of retroactive ratemaking and submit participants to additional penalty factors. Additionally, this proposed lookback is a violation of the vintaging rules for the capacity auction. Penalties should not be carried forward; they are already applied in the current vintage year. This new retroactive ratemaking ploy would not be in the spirit of the rule. Mr. King indicated during the stakeholder session on October 21 that aggregators are best positioned to manage the reliability risks of DR, and ensuring delivery and derating. If that is the IESO's position then they must allow us to understand and manage the risk, and not retroactively penalize aggregators.

Enhancement #2 Performance Assessment Modifications

AEMA suggests that this new "emergency" capacity charge should be based on performance relative to availability, not relative to ICAP, thereby incentivizing all resources to both maintain accurate availability and deliver what they can during an emergency. Alternatively, the IESO should use a different methodology to assess performance during emergency events that would properly account for any contributor that that is impacted due to emergency conditions.

	<p>The current proposal establishes the wrong incentives and introduces a risk that the IESO will not have all available resources at its disposal when needed the most.</p> <p>In general, the HDR program’s rules create a financial incentive for aggregated demand response resources to offer volumes at as high a price as possible and to then remove those offers when there is a potential activation. This is the result of HDR resources not being paid for energy during any in-market activation and facing severe penalties for performing below their threshold, so it is not worth the risk of facing a dispatch triggered by high energy prices. As a result, these resources are unlikely to make themselves available when there are local transmission or short-term supply issues. During an emergency event, HDR is paid for energy, however, the severity of the new capacity charge penalty will incentivize any DR portfolio that may have a significant contributor on outage for any reason (or one that has already dispatched in response to grid or weather conditions) from providing partial capacity to the grid during a time of need. We believe that this has potentially severe consequences for grid reliability and that this is not the intent of the IESO. Shifting this specific penalty to be based on availability drives the right behavior for all market participants.</p>
<p>Enhancement #3 Expand Participation to Generator-Backed Capacity Imports</p>	<p>Click or tap here to enter text.</p>
<p>Other General Comments or feedback on the <b>2022 Capacity Auction Enhancements Design Document</b></p>	<p>AEMA recognizes that a number of key changes are required to ensure that resources perform in accordance with their cleared volumes, and we understand the importance of this. However, AEMA is generally concerned that the IESO is going in the wrong direction with these changes and that future reliability and market efficiency will suffer as a result. Ontario saw the exit of a major Demand Response provider from the province this past year (NRG Curtailment Solutions) and we are concerned that other market participants may follow suit given the current direction.</p>

## Medium Term RFP

Topic	Feedback
Feedback on the draft schedule	Click or tap here to enter text.
Feedback on the extension to the commitment term	Click or tap here to enter text.
General comments and feedback	Click or tap here to enter text.

## Long Term RFP

Topic	Feedback
General comments and feedback	Click or tap here to enter text.

## General Resource Adequacy Comments/Feedback

AEMA appreciates the opportunity to provide feedback but has generally felt that this process has been rushed. The feedback solicitation process also seems disingenuous; we see no evidence that IESO has taken stakeholder feedback into consideration to improve proposals over time. AEMA has repeatedly made compelling arguments against the timing of these changes, the failure to value loss factors, and more. These comments come from extensive experience in Ontario as well as in other markets that have implemented mechanisms like UCAP. We have seen the benefits of UCAP when done right, and the pitfalls when it is not implemented well. We encourage the IESO to continue to engage with us and to solve these problems before they cause major issues for Demand Response participants, aggregators, and the grid in Ontario.

The AEMA would like to reiterate its previous comments that “The UCAP methodology should not be finalized until after the HDR baselines and outage management issues are addressed” which we filed on October 13<sup>th</sup>. The issue of measurement is one that the AEMA has been raising in many engagements but do not feel it’s been adequately addressed.

AEMA would also like to acknowledge that detailed engagement on the UCAP methodology, including whether or not the Summer 2021 season would drive Performance Factors did not start until the engagement on October 21<sup>st</sup>, 2021 (At the very end of the summer season). This did not allow for aggregations to properly manage the risks of such penalties going into the 2021 season. Moreover, it is still unclear if UCAP will be applied to this year’s auction as the IESO continues to say that UCAP will be implemented for the December 2022 auction. If this is the case, then the AEMA is concerned that Performance factors will be used from this past summer (Summer 2021), instead of next Summer, a performance period occurring after the announcement.

The AEMA proposed that the IESO create an opportunity for the AEMA to engage with the IESO to ensure that stakeholder concerns are understood and addressed.

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.