

# Feedback Form

## Resource Adequacy – November 23, 2021

### Feedback Provided by:

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Date: December 14<sup>th</sup>, 2021

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

Following the November 23, 2021 Resource Adequacy webinar, the Independent Electricity System Operator (IESO) is seeking feedback from stakeholders on the following items: the ***Annual Acquisition Report (AAR), enhancements to the Capacity Auction, the Long-Term RFP and IESO Procurement Fees.***

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 December 14, 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.

## Annual Acquisition Report

Topic	Feedback
How can the IESO evolve the Resource Adequacy Framework to enhance it?	Click or tap here to enter text.
What sections of the 2021 AAR were most helpful?	Click or tap here to enter text.
Are there specific topic areas the IESO should focus on in upcoming AARs?	Click or tap here to enter text.
What additional data would be most helpful to be included as supplemental information in future AARs?	Click or tap here to enter text.
General comments and feedback	Click or tap here to enter text.

## Capacity Auction

**Topic**

**Feedback**

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## Proposed changes for the December 2022 Capacity Enhancements

### **1. Performance Enhancements**

AEMA is pleased to see the IESO has moved off the initial proposal for a capacity charge equal to two month's availability payment for failure to deliver on cleared ICAP during EOSCA activations, however AEMA is shocked by the capricious and arbitrary proposal to submit HDR to a 10x availability charge instead. The IESO has not presented evidence to support a 10x penalty and proposes to only expose HDR Capacity Market Participants to this charge. AEMA still does not agree with the measurement standards used for HDR performance and the inability to manage contributor outages. Until that is resolved this proposed rule change is premature. Additionally, the \$100/MWh price trigger for stand-by notifications was never designed or considered to be a signal of acute system need or an appropriate threshold for a 10x penalty.

### **2. Implementation of Performance Adjustment Factor - Timing**

Although AEMA appreciates the response to the recommendation that the Performance Adjustment Factor is not based on a previous set of rules and risks (using the 2021 season to determine the PAF for 2022), AEMA continues to have concerns with both the administrative timelines and the concept of a PAF/UCAP in general.

#### Timelines:

IESO brought forward the proposal to include a PAF for UCAP during summer 2021, although this topic was stakeholdered, the majority of discussions occurred after the Pre-Auction Report for the December 2021 Capacity Auction was published. Resources began the qualification process at the latest on October 4<sup>th</sup>, based on a set of assumption that were currently still not finalized. On November 18<sup>th</sup>, due to stakeholder comments, IESO announced that the PAF would not be applied until delivery year 2023. Capacity Auction participants had 3 business days to adjust capacity auction enrollment and only 9 business days to adjust offers based on a new set of rules that they would be functioning under for delivery in 2022.

Due to the timelines Capacity Auction participants did not have the right nor full set of finalized information necessary to prepare their Auction Strategies in advance of the December 2-3 Capacity Auction. This means that the IESO may not receive

the full amount of capacity available in the province participating in the December Auction. These changing, last-minute proposed market rules create uncertainty and inconsistency that are deterrents for market participants to continue participating in the market.

To facilitate an effective Capacity Auction, Market Rules must be finalized well in advance of the Auction pre-Report being published and AEMA recommends that the rules be set at least 6 months in advance of the Capacity Auction for the next commitment period. Only through these timelines will Auction participants have an understanding of the set of rules that they will be participating under, and therefore can participate to their full ability in each Auction.

### **3. Implementation of PAF – Flawed Market Design**

Since the IESO introduced the proposed use of UCAP for HDR resources in summer of 2021, the AEMA has consistently provided feedback that the IESO's proposed approach is flawed for the HDR resource type. As stated previously, AEMA supports the IESO's goals to procure a consistent Capacity product across resource types and to put in place market structures which incent good performing resources. However, in the AEMA's opinion, the current proposed structure of UCAP applying to HDR resources at a Market Participant level will not accomplish the IESO's goals.

The AEMA sees two main issues with the proposed UCAP approach for HDR resources:

- 1) Unlike other Capacity Auction participants which are tied to a single physical resource like a generator or battery, HDR resources are made up of contractual obligations with several contributors. These contractual obligations apply for a set period which aligns with the Obligation Period of the Capacity Auction when the Market Participant is being paid for a service by the IESO. By measuring performance on a Market Participant level instead of a contributor/resource level, the current UCAP implementation will encourage poor performing resources to move to a different Market Participant in the next Obligation Period but leave the impact of a lowered UCAP with the Market Participant. Under the current proposal, a poor performing contributor will be able to indefinitely evade the impact their poor performance has on the future UCAP of a Market Participant.

**Topic****Feedback**

- 2) The UCAP methodology is intended to derate a Market Participant in the next obligation period based on their performance in the current obligation period. By creating a structure which applies a penalty to a Market Participant in a period outside of the current obligation period, the IESO is creating a misalignment of incentives for a Market Participant.

The AEMA encourages the IESO to revisit the UCAP design for HDR to better align incentives/penalties for performance within the obligation period and also to consider performance measurement at the resource/contributor level.

**4. Testing Procedures – Capacity Test to demonstrate ability to get scheduled to their cleared ICAP**

AEMA requests seeks to clarify the point of the new capacity test that is being proposed. For the HDR resource, what additional value does this provide to the IESO? This test, in addition to the dispatch test is providing the wrong incentives to the HDR resource. The IESO should continue to hold HDR resources accountable to their bid. Based on the proposed structure, there is no reason to adjust bids to be accurate to what is deliverable on a given day/hour. If an HDR resource adjusts their bid, they will be exposed to the proposed 10x penalty and fail. However, if the bid is not adjusted, then the HDR resources is just exposed to a fail. This will not incent HDR resources to reflect actual bids in the dispatch stack.

If the IESO intends to move forward with the capacity test for HDR resources, AEMA recommends that Capacity Test be treated in a similar way to the current dispatch test, where resources dispatched out of merit, receive an administrative fee. This test will financial harm resources whose dispatch price is well above the under \$100 amount that the IESO is proposing HDR resources bid to ensure they are dispatched. This will be an out of market action, as this bid will not be reflective of the cost for the dispatch and the bid will be changed through an administrative measure by the market participant.

Topic	Feedback
Input on how the point in time rule could be enhanced	Click or tap here to enter text.
General comments and feedback	As noted above, the IESO does not seem to be incenting the HDR resources the correct way. It seems that the IESO proposals continue to try to fit the HDR resource into a traditional large generator paradigm. As the system increases the amount of new and different resource types, including DERs, the IESO needs to ensure that it evolving its tools and systems to use these resources meet the emerging needs. This work should be done now to enable today's resources and not wait until 2026

## Long-Term RFP

Topic	Feedback
Proposed LT RFQ process and high level considerations	Click or tap here to enter text.
LT RFP design considerations	Click or tap here to enter text.
LT RFP engagement considerations	Click or tap here to enter text.
General comments and feedback	Click or tap here to enter text.

## Procurement Fees

Topic	Feedback
Does the proposed framework assist the IESO in running effective procurements with serious proponents?	Click or tap here to enter text.
Does the proposed approach and then stakeholdering the exact fees under each procurement provide appropriate opportunities for feedback?	Click or tap here to enter text.
General comments and feedback	Click or tap here to enter text.

## General Resource Adequacy 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.