

# Feedback Form

## Resource Adequacy – November 23, 2021

### Feedback Provided by:

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- Date: December 14, 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
Proposed changes for the December 2022 Capacity Enhancements	Click or tap here to enter text.
Input on how the point in time rule could be enhanced	Click or tap here to enter text.

Topic	Feedback
<p>Implementation of PAF Slide 8</p>	<p>Slide 8 states that the PAF used in the December 2023 auction will be based on performance during the obligation periods associated with the 2021 auction (i.e., May 2022 – April 2023). OPG feels this approach is too short notice and will not drive the most efficient market outcomes. The IESO has outlined that rules and manuals in effect on the day of the auction will apply through the end of the associated obligation period. By calculating PAFs for the 2023 auction according to performance in the 2021 auction’s obligation period, the IESO is making changes after the 2021 auction that will affect the auction’s obligation period. OPG recognizes that the PAF itself was not applied to the 2021 auction, but argues that the lack of firm rules describing how the PAF will be applied in the 2021 auction’s obligation period may have affected how participants offered into the auction. When offering into the Capacity Auction, resource owners must consider the risk that a resource fails to meet its capacity obligation during a test. The costs of failing an activation may be a part of a resource owner’s strategic decision about how much capacity to offer into the auction. As of the day of the 2021 auction, participants had no certainty of how the 2023 PAF will be calculated, and therefore were unable to make a fully informed decision. This ambiguity could have led to inefficient market outcomes. To address this issue, OPG proposes delaying the implementation of the PAF until the 2024 auction.</p>
<p>Capacity Testing Procedure Slide 12-13</p>	<p>Please clarify how resources are scheduled during the 5-day capacity test window. Do resources have discretion to choose any block of hours in the availability window, or does the IESO decide?</p> <p>Can a resource attempt several activations during the 5-day window and choose to submit only the best test performance for the IESO’s review?</p>

Topic	Feedback
<p>Dispatch Testing Slide 15</p>	<p>The slide states:</p> <p>"the IESO will continue to have the ability to conduct testing of a participants' ability to deliver their scheduled energy or load curtailments (as is the case today) based on submitted bids and offers (up to twice per obligation period)."</p> <p>Does this clause imply that, including the required test described on slide 12, a resource could be tested up to three times during an obligation period? OPG suggests this is an unreasonable number of tests that could be burdensome on both the IESO and participants. To align with the current rules that limit the total number of tests to two, OPG suggests the number of discretionary tests is limited to one.</p>
<p>Zonal Group Limits Slide 20-24</p>	<p>OPG requests that the designations of zonal group limits be accompanied by explanations of why the limit exists (e.g., reference to transmission limiting elements causing the limits, results of IESO system studies, etc.)</p> <p>Such explanations should also be provided in the IESO's designation of individual zonal limits, as this additional information allows participants to better understand auction dynamics and optimize auction efficiency.</p>
<p>Point in Time Rules</p>	<p>OPG appreciates the IESO's acknowledgement that the current point in time rules may not be aligned with Market Renewal timelines and looks forward to a solution.</p> <p>As alluded to above in OPG's comment on slide 8, due to the focus on past resource performance in calculating UCAP, expectations of rules taking effect on the day of an auction can have an effect on participants' actions in the auctions or obligation period leading up to that auction. OPG feels this leads to ambiguity and could cause inefficient market outcomes. When developing the new strategy for point in time rules, the IESO should consider the impact this impact on previous auctions.</p>

## 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.

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## 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.

Topic	Feedback
General comments and feedback	<ul style="list-style-type: none"> <li data-bbox="841 163 1513 415">• The LRP I procurement was a good model for participation fees and proposal security. The 2 stage security process used in the LRP I procurement should be used again, i.e. proposal security required at time of bid submission, followed by a 2x larger completion and performance security to accept a contract.</li> <li data-bbox="841 447 1513 972">• It is important to require proponents to post financial security in order to discourage speculative bids, however it is inappropriate to think of this as a way to fund IESO's costs. The procurement is being run for the purpose of meeting ratepayer needs and therefore ratepayers should bear the cost of the procurement. In order to prepare proposals for an IESO procurement, proponents probably already collectively spend upwards of 10x the amount IESO does to run the procurement. The majority of fees for participation in the procurement should be in the form of financial security that is refundable if the proponent's proposal(s) is not accepted by the IESO.</li> <li data-bbox="841 1003 1513 1224">• The proposed maximum procurement submission fee cap of \$50,000 is too low for a 1,000+ MW procurement. A cap of \$100,000 is a more reasonable number, assuming it takes the form of refundable security, scaled based on the MW capacity of the proposal.</li> </ul>

## General Resource Adequacy Comments/Feedback

- As previously stated, in the long-term commitment procurement mechanism, 7-10 years is insufficient to recover the capital costs of a hydroelectric facility. Further, the lead time for certain technologies for long term procurements is too short. The long-term RFP is slated to start in 2026 / 2027 which is approximately 4-5 years away. Certain projects may need at least 4 years to seek approvals, conduct design, develop, secure financing and construct. Specifically a hydro project will require environmental approvals and may not have enough lead time for in-service in 2027. It is our understanding that the IESO is planning to align planning methodologies between forecast tools in the future. We are hoping that this alignment is still in the plan.
- The bridging mechanism proposed for both the medium RFP and the Capacity Auction may be problematic and not financially advantageous for a contract owner to cancel a contract early. This could occur in the circumstance where the contract owner would not

be able to recoup all of its costs in the Capacity Auction. This may have consequences to grid reliability if the IESO is expecting certain resources coming off contract to continue to be available.

- Additional clarification is required on the approach planned to be used for bridging. The IESO might review their transition bridging considerations to accommodate the generators that are critical to the reliability of the system during the contract term being contemplated. IESO should consider if there are simpler methods that can be taken in the mid-term in order to reprocure the resources required to maintain reliability to the system. For example, when would a supplier need to make a decision if a contract expires in August. What would transpire in the case where a contract expires on May 2 and the medium term RFP begins May 1. Please provide some examples of how bridging would work with different contract expiry dates.
- OPG recognizes that the IESO is contemplating several strategies to fill the supply gap however these may not be sufficient. The IESO should also evaluate other approaches to mitigate the supply risk in 2026 some of which include:
  - Expand the Medium Term RFP to allow other resources to compete over and above the existing expiring contracts which amount to about 750MW on a UCAP basis.
  - Advance the 1000MW long term RFP forward to possibly Q1 of 2022 with an in-service date in 2024 instead of 2026 / 2027.
  - In order to address the transition with expiring contracts and the Long Term RFP the IESO should consider either extending existing contracts to the proposed in-service date for the Long Term RFP or blend and extend existing contracts to the same date?. This may result in elimination of the first proposed Medium Term RFP.
- In determining the acquisition targets in the AAR, special consideration must be given to storage and its peak contribution, as there are diminishing returns as more storage is added to the system. In 2006, the maximum differential between the daily minimum and maximum demand was close to 11,000 MW, which was the highest in history. This is the amount of flexible generation that has to be online during the peak of the day but off-line at night. Solar compresses the on-off peak differential and the addition of solar generation over the last decade reduced this differential by about 1000 MW. This diminishes the value of energy storage and consequently batteries have diminishing returns. Peak contribution of batteries flattens with increased installed capacity. As we add capacity, shorter duration batteries offer much less effective capacity. OPG estimates that there is a 3000 MW impasse above which batteries are ineffective at reducing peak demand. This is a consequence of having to charge the battery off peak. A longer battery life (longer than 4 hours) would be required to mitigate the peaking problem. Any planning scenario should take into account that the value diminishes to the ratepayer if overbuilding a particular resource.
- The AAR should include a decisive designation of what different mechanisms are desired in specific areas of locational capacity need. What criteria will the IESO use in evaluating the different capacities that could possibly meet the need in areas such as the Northeast

that show a local capacity need of approximately 500MW in 2029 to meet transmission security standards.