

2022 Capacity Auction Enhancements - Implementation – December 15, 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 December 15, 2021 Resource Adequacy webinar, the Independent Electricity System Operator (IESO) is seeking feedback from stakeholders on the following items: **Capacity Auction proposed Market Rule amendments and draft Market Manuals for the 2022 Capacity Auction**
- 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 January 7, 2022.** 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.

Market Rules

Market Rule Chapter	Title	Sub-section	Feedback
Ch. 7	System Operations and Physical Markets		
Ch. 9	Settlements and Billing		<p data-bbox="873 426 1528 1052"> Voltus does not support the finalization of market rules until the IESO addresses the underlying concerns raised by Voltus and the AEMA at the December 15th Resource Adequacy meeting. Voltus, along with other market participants, have previously provided thoughtful feedback on the proposed changes which the IESO has not yet responded to, including the emergency condition penalty structure outlined in Ch. 9. The changes drafted by the IESO in the market manuals and rules are material and we believe that further stakeholder engagement is warranted prior to implementation. </p> <p data-bbox="873 1108 1528 1713"> <u>Proposed Market Rule Amendment 4.7J.2.1B:</u> <i>"Where the IESO has issued an advisory notice that there is the potential for declaration of an emergency operating, a capacity market participant participating with an hourly demand response resource or a capacity dispatchable load resource shall be subject to an availability charge in the amount of ten (10) times the availability charge determined under section 4.7J.2.1 for every hour of the availability window it fails to submit demand response energy bids in the amount of their capacity obligation in either the day-ahead commitment process through to pre-dispatch or in the real-time markets."</i> </p> <p data-bbox="873 1770 1528 1801"> <u>Voltus feedback on the rule amendment above:</u> </p>

			<ol style="list-style-type: none"> 1. The following language in the new rule <i>"Where the IESO has issued an advisory notice that there is the potential for declaration of an emergency..."</i> is too vague in our view and must provide a clear boundary on the circumstances during which the new penalty structure will apply. Voltus would expect the increased penalties to apply only when there is a formal declaration of an EEA1 operating state, rather than an "advisory notice that there is a potential" for the declaration of an emergency. 2. As stated in previous comments, we strongly believe that the newly proposed standby mechanism should be revised to better align the financial incentives that HDR resources face with the IESO's mandate to maintain grid reliability. We understand that real-time operators depend on an accurate view of availability during times of acute system need. Rather than improving the accuracy of availability data, however, the proposed market changes will have the opposite effect. Increased availability penalties will create an incentive for aggregators to show full availability and take on the risk of a dispatch failure even for resources that are not available for curtailment. The IESO should instead decrease availability charges relative to the dispatch charge to incentivize aggregators to revise their bids in real-time to reflect true availability and to dispatch accordingly.
Ch. 11	Definitions		

Market Manuals

Market Manual	Title	Sub-section	Feedback
12	Capacity Auctions		<p>As read in Ch. 12, section 3.3, Voltus understands that the approach for determining the maximum UCAP for an hourly demand response resource involves the calculation of a Performance Adjustment Factor (PAF): “The PAF will be calculated according to the formula in Section 5.3 (Capacity Auction Capacity Tests), and will be based on the resource’s historical performance in a capacity auction capacity test in the most recent obligation period for which data is available, starting from the obligation periods associated with the 2022 capacity auction.”</p> <p>Voltus is seeking clarification as to how the IESO plans to handle the PAF of a resource that will operate in Summer 2022, but does not clear the Summer 2023 auction, instead returning to the market in Summer 2024? If a resource clears the auction in subsequent years after taking a one-year hiatus, Voltus believes that the resource should be allowed to reset its performance to the resource average in this case. This approach will enable the IESO to best incentivize additional capacity resources at the lowest possible cost and aligns the IESO rules with other ISOs in North America.</p>
4.2	Submission of Dispatch Data in the Real Time Energy and Operating Reserve Markets		Click or tap here to enter text.
4.3	Real Time Scheduling of the Physical Markets		Click or tap here to enter text.

5.5	Physical Markets Settlement Statements		<p>Voltus appreciates the ability to recover availability charges by offering increased availability throughout the obligation period, as outlined in section 1.6.26.3.2A. of Market Manual 5 (Availability Charges True-Up Payments).</p> <p>However, we are unclear as to why there is an additional component for measuring resource capacity for hourly demand response resources, compared to other resource types. As per the manual, resource available capacity used to calculate the true-up payment is capped at the minimum of:</p> <ul style="list-style-type: none"> • <i>resource energy bids or energy offers as applicable,</i> • <i>capacity auction resource’s cleared ICAP,</i> • <i>115% of a capacity auction resource’s capacity obligation,</i> • capacity auction resource’s registered capability (applicable only to HDRs). <p>Voltus believes that Cleared ICAP values should function as the maximum for HDR resources as well.</p>
	IESO Charge Types and Equations		
7.3	Outage Management		Click or tap here to enter text.

General Comments/Feedback

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