

Feedback Form

2022 Capacity Auction Enhancements - Implementation – February 24, 2022

Feedback Provided by:

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Date: March 17, 2022

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

- Following the February 24, 2022 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 March 17, 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
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Ch. 7

System Operations and Physical Markets

19.4.11 - The IESO has stated in Stakeholder sessions that good performance on the new "capacity auction capacity test" would be expected to eliminate the need for the capacity auction dispatch test. Can the IESO please confirm and point to where in the market rules or manuals this is stated? From stakeholding, AEMA understands the PAF will be set only by performance on the "capacity auction capacity test". Can the IESO please confirm and provide clarity in the market rules? For all resource types, performance on the 'capacity auction capacity test' is very important to future UCAP values. The IESO has proposed to provide a week in which participants can self-schedule. AEMA is seeking clarity on how a market participant can mitigate PAF impact if there is a forced outage during the week designated by the IESO. Will there be a mechanism to reschedule the test week? For HDR resources which do not have a formal outage process, we would ask the IESO to consider how HDR should deal with the same issue. AEMA notes that the performance of the 'capacity auction capacity test' will erode the baseline of HDR resources. Will the hours of the test be excluded from the baseline calculation? MM12, Page 37 states that the IESO will provide 5 business days' notice ahead of the testing window. Should this language also be included in the Market Rules? If there is an emergency or in-market dispatch of a Capacity Auction participant in the week of the 'capacity auction capacity check', how will that be addressed by the IESO since that will not be a self-scheduled activation? AEMA disagrees with the inclusion of 18.2.1.2a and believes that there is no reason to shift minimum capacity qualification requirements from ICAP to UCAP. ICAP values are offered into the energy market each day and as a result, the minimum participation threshold should remain at 1 MW of ICAP.19.4.15 Section 19.4.12 sets out the similar treatment if a participant fails either the

Market Rule Chapter	Title	Sub-section	Feedback
			<p>capacity auction dispatch test or the capacity auction capacity test (subject to a non-performance charge in accordance with the applicable market manual; considered a breach of market rules). However, it is only for the capacity auction dispatch test that participants receive compensation in accordance with the applicable market manual. Both these tests should continue to be administered in a similar manner including compensation as both tests will take administrative actions to be deployed (on behalf of the IESO or the participant). Compensation for the Capacity Auction capacity test will also continue with the IESO's theme of comparable resources/leveling the playing field which has been a key objective of the Capacity Auction enhancements for CA 2022. Although all resources must ensure that they are dispatched and therefore offer below their marginal cost, all resources except dispatchable loads and HDR will receive an energy payment to make up for some of the costs of the activation. HDR resources are not entitled to energy payments and therefore will not be treated in a similar manner of having some costs recovered for a test, which was the justification of enabling compensation for out of market activations. Moreover, the IESO identified in its September 2019 DRWG session that compensating resources for capacity tests resulted in more efficient capacity auction outcomes. Removing energy payments for HDR resources during tests will reduce auction efficiency. We propose the following revision: 19.4.15 The hourly demand response resource shall be entitled to compensation for valid tests conducted during a commitment period pursuant to section 19.4 and in accordance with the applicable market manuals.</p>

Ch. 9

Settlements and Billing

For HDR resources, the IESO has explained that the augmented availability charge will apply during both emergency operating states and stand-by notifications. The market rules do not identify the stand-by condition as triggering the augmented availability charge. AEMA acknowledges the IESO's goal of creating equal UCAP methodologies across all resource types and continues to believe that the current proposed implementation of the augmented availability charge fails to create a level UCAP value for HDR resources and also fails to align the economic incentives of the HDR resource type with the IESO's stated goals. AEMA strongly recommends the IESO revisit the design of this element and would be pleased to engage with the IESO on more viable options to accomplish their goals. The IESO's declared intent of market rules related to the Augmented Availability Charge (I.E. 4.7J.2.1B) is: 1) provide the ability for resources to take an outage by not submitting into the DACP. By doing so, they would be subjected to the Availability Charge, but not the Augmented Availability Charge; and 2) assess the augmented availability charge on HDR resources who are issued a stand-by notice and whose offers into market are less than their capacity obligation. AEMA continues to have significant issues with the penalty structure and believes it will cause inappropriate incentives for market participants. Moreover, as written, AEMA believes this does not accomplish either goal. First, Market Rule 4.7J.2.1B, only applies the Augmented Availability Charge to an HDR resource in the event of reduced availability on a day that the IESO has issued an emergency advisory or declared an emergency operating state. This does not allow resources to declare outages prior to the DACP, nor does it establish a stand-by notice being issued to an HDR resource as a deciding factor for that resource to be subject to an Augmented Availability

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			<p>Charge. Moreover, AEMA believes that to meet the intent of the IESO's rulemaking, the Augmented Availability Charge rules must allow for resources to declare partial outages. Failing to do this will incentivize resources with partial outages to declare complete outages to reduce their penalties. To this end, AEMA proposes the following changes: "Where the IESO has issued an advisory notice that there is the potential for declaration or has declared an emergency operating, or has placed a resource on standby, 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 in which it reduces its energy bids below the bids entered into the day-ahead commitment process, where those bids are less than the resource's capacity obligation."</p>
Ch. 11	Definitions		Click or tap here to enter text.

Market Manuals

Market Manual	Title	Sub-section	Feedback
12	Capacity Auctions		<p>AEMA requests that the IESO reinstate language allowing HDR resources that have previously passed a test and have not changed its obligation by more than 5 MW to be eligible for reduced tests. The IESO has at no point stated that it was its objective to remove this option. AEMA disagrees with a section of Market Manual 12, Capacity Auction Tests, HDR Resources... that requires CMPs to notify the IESO of which window to use for the test within 5 business days of the closing of the test window.. Performance Data is not due to the IESO until 6 business days before the month after the test. The AEMA believes that the IESO should be notified at this time of which testing window to use for HDR Resources. This will provide HDR Resources with adequate time to collect required data from customers about the test.</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.

Market Manual	Title	Sub-section	Feedback
5.5	Physical Markets Settlement Statements		<p>1.6.26.3 Since HDR resources will be activated out of market for both the capacity auction dispatch test and the capacity auction availability test, both should be treated in a similar manner from a compensation perspective. Since the non-performance charges are similar, the payments should be too. This is also in line with the objectives of the Capacity Market Enhancements that are moving towards comparable treatment of resources. See response to the MRA 19.4.15 above. 1.6.26.3.5 Recognition that IESO is trying to treat resources in a comparable manner and therefore will now apply a deadband to all resources. However, the 20% deadband (versus the proposed 10%) should remain for HDR resources until an outage management plan is developed for HDR resources. Currently all resources including a proposal for Generator Backed Imports have an outage management process except load resources. Section 7.3 outlines the outage management process for resources connected to the IESO grid. Market Participants are required to request permission and receive approval for planned outages. However, now Generator backed imports are also allowed to request permission and receive approval for planned outages which should be expected. Generator backed imports are not directly connected to the IESO grid. A similar process should be developed for load resources and proposed changes to deadbands and augmented availability charges should be delayed until such a process is included in the market manuals.</p>

Market Manual	Title	Sub-section	Feedback
	IESO Charge Types and Equations		AEMA believes that to meet the IESO's intention, the Augmented availability charge calculations should be amended to: $\sum h_n (-1) \times \text{Max}(0, (\text{DREBQDACP} - \text{DREBQh})) \times \text{CACPh} \times (10 - \text{CNPfM})$
7.3	Outage Management		Click or tap here to enter text.

General Comments/Feedback

Advanced Energy Management Alliance ("AEMA") is a North American trade association whose members include distributed energy resources, 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. The comments herein represent those of the organization, not those of any individual member.