

Feedback Form

2022 Capacity Auction Information Update – July 21, 2022

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 July 21, 2022 Resource Adequacy webinar, the Independent Electricity System Operator (IESO) is seeking feedback from stakeholders on the following items: **Revised Forward Capacity Auction (FCA) proposal, Timing of Annual Capacity Auction (ACA), and 2023 Auction - engagement priorities.**
- 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 August 5, 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.

Revised Forward Capacity Auction Proposal

Topic

Feedback

Please provide any feedback on the revised Forward Capacity Auction (FCA) proposal.
(slides 15/16 of the July 21 presentation)

Although AEMA did not submit comments after the June Resource Adequacy engagement session, AEMA is supportive of a tool box approach for procurement in Ontario including the introduction of a FCA. However, AEMA members believe it is difficult to comment fully on the proposed FCA without clearing understanding how the FCA and the ACA will interact. A few questions are outlined below.

AEMA understands the benefits of longer forward period for some resources but is confused in the change of the proposed FCA design from a multi-year commitment procurement to a 1 year commitment. What type of resource benefits from such a design, other than one who would be able to take advantage of one of the RFP options presented? Would this be for resources who are committed to building in ON but do not receive a commitment via the LT RFP? Does a 3 year forward period with only a one year commitment, provide the right investment signals?

Additionally, the current proposal includes 3 different lengths for each forward period ranging from ~1.5 years to 3.5 years. Is there a plan to hold FCAs in years other than 2023 to ensure a consistent forward period and cadence of FCAs moving forward?

Currently demand response resources and DERs (BTM) are only able to participate in the ACA (and potentially a FCA). DR resources are flexible resources that are usually "already on the ground" in Ontario – which is why a 1 year/6 month forward period makes sense. Also some DR participants may not want to take on a commitment 3 years in the future without rules in place that allow for more flexibility during the obligation periods (such as buying out capacity monthly, allowing capacity transfers during the obligation periods, and allowing transfers between physical and virtual resources).

As noted in the past, AEMA has questioned why all resource types who can participate in the Long-Term suite of procurements, get a long-term commitment, but Demand Response and behind-the-meter DERs, are only

Topic	Feedback
	<p data-bbox="781 170 1503 359">offered the option of a 6 month/seasonal commitment? AEMA recommends that the proposed FCA return to a 3 year commitment period to satisfy investment certainty for capital intensive resources including DERs that are located behind the meter.</p> <p data-bbox="781 411 1503 674">If the ACA is to become a 'balancing auction', then AEMA requests that the FCA maintain the original proposal of a multi-year contract. Also, AEMA requests that the IESO sets clear expectations on what market rules and rule changes will apply to FCA vs. ACA obligation periods and how the interplay between them will work.</p> <p data-bbox="781 726 1503 831">AEMA requests information on the benefits of a 3 year forward period as outlined in the updated/July 21st 2022 FCA proposal.</p>

Timing of Annual Capacity Auction (ACA)

Topic	Feedback
<p>Please provide any feedback on the proposed timing of the Annual Capacity Auction (ACA).</p> <p>Is there support for shifting the ACA earlier in the year? Are there any concerns?</p> <p><i>(slide 17 of the July 21 presentation)</i></p>	<p>AEMA does not support moving the ACA to earlier in the year. If the ACA is to act as a 'balancing auction' it makes sense to hold the auction after the other procurement mechanisms have taken place. Having a delay between the FCA and ACA gives participants greater clarity on what is needed for the ACA and allows participants time to prepare by pursuing other options to obtain capacity and customers.</p> <p>The current ACA timeline requires any new resource to start registration as much as 1.5 years in advance of a potential delivery period. There is risk in committing that far in advance given uncertainty around development, sales and/or construction timelines. The FCA should act as a procurement mechanism for those resources that require longer forward periods. Moving the ACA earlier in the year would increase risk for other resources unless there are additional rules added that give participants more flexibility to mitigate risk (such as buying out capacity for individual months, allowing transfer of MW between physical and virtual resources, etc.).</p> <p>AEMA recommends that ACA and the FCA should be staggered, and that the FCA should allow for 3 year commitment period as noted above.</p>

2023 Auction: Engagement Priorities

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<p>Please provide any feedback on priorities and areas of focus that will contribute to the engagement plan for future CA enhancements.</p> <p><i>(slides 22-23 of the July 21 presentation)</i></p>	<p>AEMA supports reviewing the ACA current performance assessment framework and exploring alternative assessment mechanisms that will drive expected and needed performance that meets the objectives of the IESO, the Market Participant and the Ratepayer.</p> <p>AEMA supports the establishment of process to ensure qualified capacity better reflects the performance capability of each resource types. AEMA looks forward to engaging with IESO on these objectives.</p> <p>As noted in the July 21st engagement session, AEMA is willing and ready to discuss topics that were brought up during the Implementation discussions of the 2022 Enhanced Capacity Auction (and well before). These topics include outage management for demand side resources, impact of line losses, audit process, measurement and verification (unknown impact of the in-day adjustment) and the overall HDR participation model.</p>

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.