

Rule Amendments

From: Michael Pohlod

Sent: May 31, 2022 5:44 PM

To: Rule Amendments

Cc: Emily Orvis; ERS; Dana Guernsey; Allison Bates Wannop

Subject: RE: MR-00469 – Capacity Auction Enhancements

Dear IESO Technical Panel,

This letter is written in support of the comments submitted by the Advanced Energy Management Alliance (AEMA). Voltus is a member of the AEMA and was involved in the drafting of these comments. A copy of these comments have been included for reference.

Voltus continues to advocate for on-going stakeholder engagement on these rules and believes significant changes are still required to bring them in line with industry standards.

Sincerely,

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May 31, 2022

IESO Technical Panel
Submitted via email
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Re: MR-00469 – Capacity Auction Enhancements

Advanced Energy Management Alliance (AEMA) requests the Technical Panel members review all comments submitted by AEMA and its members throughout the entire Capacity Auction Enhancement consultation to understand the challenges the proposed market rule amendments bring to both Hourly Demand Response (HDR) resources, as well as Dispatchable Loads. *The comments submitted by AEMA for the May 17th Technical Panel meeting remain relevant* and outline the issues identified by all the market rule amendments that will impact how an HDR and a dispatchable load resource will participate.

The following market rule amendments will change the nature of the HDR resource and how it participates in the IESO Administered Markets. These amendments will change the business risk and the participation model for HDR and Dispatchable Load resources.

Loss of payments for testing

Chapter 7 section 19.4.15

- For the newly introduced Capacity Auction Capacity Test, payment should be included for HDR and Dispatchable Load resources as they will be administratively scheduled, and they do not receive energy payments similar to the other resources.

Shift from ICAP to UCAP

Chapter 7 section 18.2.1.2a

- AEMA does not support shifting minimum capacity qualification requirements from ICAP to UCAP for the demand response resources.

Market Manual 12

- The AEMA does not support the current equation for UCAP for HDR and Dispatchable Loads. The IESO continues to not include line losses in the UCAP equation for demand-side resources. In doing so, the IESO is failing to acknowledge capacity being delivered to the system by these resources to both its own and these resources detriment.

Augmented Availability Charge

Chapter 9 section 4.7J.1B

- AEMA continues to request transparency on how the ten times availability charge was determined.

Standby Availability Charge

Chapter 9 section 4.7J2.1D

- The fundamental structure of this penalty is flawed and will not incent the right behaviour.
- The trigger for the penalty (\$100) was an agreed upon administrative trigger to ensure demand response resources were available; by tying the penalty to an administrative trigger the participation model of the demand response resource has changed. The trigger was also created at a time when pricing was consistently lower, and the \$100 threshold was much less common. Market participants did not agree to the frequency of this trigger nor having it tied to any penalty.

Threshold change from 20% to 10%

Market Manual 12

- This change should be paused until the issues that negatively impact performance of demand response resources are fixed (inability to submit outages; continuance of an in-day adjustment; incorrect measurement of HDR resources; mandatory resource-level IDAF).
- Depending on the size of a single load within a resource, a single contributor outage could result in a resource's performance being below 90% before an event even starts. The in-day adjustment factor could also cause a resource to fail before an event starts if the baseline is close to the capacity commitment.

Introduction of the Performance Adjustment Factor

- AEMA and its members have noted that applying the Performance Adjustment Factor at the HDR Resource level is both unprecedented in Capacity markets in North America and exposes all HDR aggregators and the IESO to increased risk. Poor performing contributors will be able to move between aggregators each season to avoid penalties and existing contracts, which were signed prior to these rules being drafted will not be able to prevent this behaviour.
- AEMA again urges the IESO to apply the performance adjustment factor at the contributor level to incentivize the right behavior by all parties.

Outstanding Issues

The following outstanding issues, that are not found in the market rule amendments, lead to cascading negative impacts that are of continued concern to the HDR community and lead to the difficulty of modeling how the resource will participate in the upcoming December 2022 Auction (and potentially future auctions based on language in the Forward Capacity Auction consultation). These issues have been brought forward numerous times with IESO staff throughout the stakeholder consultation (and in some cases over numerous years in different

consultations). Please review the minutes from the May 17th Technical Panel to understand the compounding nature of the impacts brought forward by Technical Panel members.

- The impact of the in-day adjustment (which is unknown in real time)
- The lack of an outage management process
- Line losses
- Continued misalignment between the Capacity Auction participation rules and the energy market participation rules

The market rule amendment proposals put demand response participants in a difficult position. A technical Panel member outlined an example of this risk during the May 17th meeting. The way to reduce this risk is to keep the current performance thresholds for demand response resources (HDR and Dispatchable Loads).

As noted in previous comments, at the very least AEMA advocates to pause the implementation of the HDR performance threshold and the Standby Availability Charge until the impact of the other proposed changes (capacity auction test; change from ICAP to UCAP; introduction of Performance Adjustment Factor) are understood by the participants and the IESO.

AEMA supports the market rule amendments for enabling resource backed capacity imports to be able to participate in the December 2022 Capacity Auction.