



July 9, 2019

IESO Stakeholder Engagement

Submitted via email

Re: AMPCO Submission - MR-00439 - Transitional Capacity Auction

AMPCO is the voice of industrial power users in Ontario. Our goal is industrial electricity rates that are competitive and fair.

Attached is AMPCO's submission made in response to the call for input as part of the market rule amendment process associated with the IESO's proposed Transitional Capacity Auction.

AMPCO appreciates the opportunity to provide such a submission, and looks forward to continuing the dialogue.

Best Regards,

[Original signed by]

Colin Anderson
President

MR-00439 - Transitional Capacity Auction:

Submissions of the Association of Major Power Consumers in Ontario (AMPCO)

INTRODUCTION

Ontario's electricity system is complex and always evolving. AMPCO provides Ontario industries with effective advocacy on critical electricity policies, timely market analysis and expertise on regulatory matters that affect their bottom line.

These submissions are made in response to the call for feedback issued by the IESO in relation to market rule changes required to operationalize the Transitional Capacity Auction (TCA). AMPCO's members are major power consumers, responsible for over 15 TWh of annual load in the province. A reliable and affordable energy supply is critical to the success of their businesses, which is why AMPCO has an interest in these discussions.

AMPCO appreciates the opportunity to provide this feedback and looks forward to continued discussion on the TCA.

GENERAL COMMENT

AMPCO is among the stakeholders that believe the proposal for market rule changes, as it currently stands "*may cause discriminatory treatment against a class of market participants*" [June 25th, TP presentation, page 37]. The proposed market rule changes are designed to facilitate participation by generators in an expanded Demand Response Auction (DRA) platform (i.e. an evolving TCA). Requiring Demand Response (DR) participants to compete against generators in a capacity market without first resolving issues regarding compensation to DR resources for the value which these resources provide in the energy market will undermine the current success of the DRA and handicap DR resources from successfully participating in the market through their own

existing (DRA) platform, as AMPCO has previously set out in its submissions to the IESO of March 25, 2019, May 2, 2019, June 5, 2019 and July 5, 2019.

Generators would bid into a TCA taking into account their anticipated energy payments. DR resources would have to compete against these bids without the prospect of an equivalent energy payment stream. DR resources would thus be at a competitive disadvantage to generators in the TCA.

While the IESO proposes to study the introduction of energy payments to DR resources, the study is proposed to be concluded “*before the end of 2020*”, with a next step proposed to be to “[o]btain input from stakeholders on the approach to conducting the analysis required...” [IESO Demand Response Working Group Meeting Materials, June 19, 2019, p.7].

While AMPCO does accept resolving the issue of DR resources compensation through DRWG and/or MDAG engagement [June 25th TP Presentation, page 39], we are also of the view that requiring DR resources to compete with generators in a TCA prior to resolution of the issue would:

- (a) Undermine competition and market confidence, not only failing to achieve the IESO’s objectives for the TCA/ICA program but actually unduly constraining competition.
- (b) Introduce undue and unjust discrimination against DR resources in the expanded auction program by requiring them to compete with generators prior to resolution of their eligibility for energy payments.

It is our understanding that, contrary to the suggestion otherwise [June 25th TP presentation, page 39], there are a number of DR participants that remain similarly concerned.

Given the lack of any apparent urgency for launch of the TCA, while supporting the proposed market rule and market manual amendments *per se* AMPCO is of the view that the TCA should not proceed prior to resolution of the issue of appropriate compensation

for the value to the market provided by DR resources. Introducing an interim Transitional Capacity Auction (TCA) which undermines the ability of DR resources to compete in Ontario's electricity market would be a regressive step in the quest for enhanced competition and innovation.