

# Meeting Ontario's Capacity Needs 2020-2024 Stakeholder Engagement Session April 18, 2019

## Minutes of Meeting

<b>Date held:</b> April 18, 2019	<b>Time held:</b> 9:00 am to 12:30 pm	<b>Location held:</b> Sheraton Centre Toronto Hotel, 123 Queen St W, Toronto, ON
<b>Invited/Attended</b>	<b>Company Name</b>	<b>Attendance Status</b> (A)ttended; (TC) Teleconference; (WebEx) Attended via WebEx
Anderson, Colin	AMPCO	A
Gillespie, Sean	Atlantic Power	A
Palimaka, Alex	Bluewater Power	WebEx
Zhang, Alvin	Bruce Power	A
Olmstead, Derek	Carleton University	WebEx
Cavan, Peter	Centrica Business Solutions	WebEx
Gu, Michael	City of Toronto	A
Koff, Chaimo	City of Toronto	A
Salih, Yasir	CLEAResult	A
Araujo, Oscar	Convergent Energy and Power	WebEx
Hourihan, Mike	CPower Energy Management	WebEx
Widdup, Brad	CPower Energy Management	WebEx
Major, Candace	CustomerFirst	WebEx
Luukkonen, Paul	Customized Energy Solutions	A
Withrow, David	Customized Energy Solutions	WebEx
DeVito, Anthony	Direct Energy	WebEx
Houle, Jonathan	Ecobee Inc	A
MacCaull, Aira	Ecobee Inc	A
Farmer, Kathi	EDA	WebEx
Williams, Lynn	EDA	A
Ferguson, David	Emera Energy	WebEx
Passmore, Libby	Enbridge	A
Chibani, Yanis	Enel X	WebEx

Griffiths, Sarah	Enel X	WebEx
Mahajan, Atul	Fare Vostro Energy Solutions Inc.	A
Anthofer, Jeff	Gerdau Long Steel North America	A
Forsyth, Dave	Gerdau Long Steel North America	A
H, Kevin	Goreway Power Station	WebEx
Wharton, Karen	Great Circle Solar Management Corporation	A
Kirwan, Jill	Greater Sudbury Hydro	WebEx
Lin, Jane	GTAA	WebEx
Belanger, Frederic	HQEM	WebEx
Gillenwater, Daniel	HSI	WebEx
Garg, Ajay	Hydro One Networks	A
Boily, Jacques	Hydroméga Services Inc.	A
Kopinski, John	ITC	TC
Abdelnour, Francois	Ivaco Rolling Mills	WebEx
Rawji, Altaf	Just Energy	WebEx
Bertholet, Kelly	Manitoba Hydro	WebEx
Yauch, Brady	Market Surveillance Panel	A
Freeman, David	Ministry of Energy	WebEx
Zerek, Peter	Ministry of Energy	A
Sparkes, Brian	Nalcor Energy	WebEx
Newall, Paul	Newall Consulting Inc.	A
Pichette, Steven	Northland Power Inc	WebEx
Samant, Sushil	Northland Power Inc.	A
Veldhuizen, Jon	Northland Power Inc.	A
Zajmalowski, Mike	Northland Power Inc.	A
Briggs, Kara	NRG	WebEx
Popova, Julia	NRG	WebEx
Carver, Cam	NRG Peaks	A
Brown, David	Ontario Energy Board	A
Cincar, Chris	Ontario Energy Board	WebEx
Chidiac, Marc	Ontario Power Generation	A
Wizniak, Lynn	Ontario Power Generation	A
Norris, Paul	Ontario Waterpower Association	A
Pohlod, Michael	Peak Power Inc.	WebEx
Simmons, Sarah	Power Advisory LLC	A
McKenzie, Kim	Power Workers' Union	WebEx
Laflamme, Serge	Rayonier Advanced	WebEx

	Materials	
Coulbeck, Rob	RC Energy Markets Consulting	A
Degelman, Cara	Resolute Forest Products	WebEx
Forsyth, Dave	Rodan Energy	A
Goddard, Rick	Rodan Energy	A
Ingram, Rachel	Rodan Energy	WebEx
Quassem, Farhad	Rodan Energy	A
Rowles, Adam	Saturn Power Inc.	WebEx
Lampe, Aaron	Southcott Ventures	A
Amaral, Utilia	Stem	WebEx
Tzolov, Marty	Strategic Policy Economics	A
Smith, William	Terrestrial Energy	A
Luthra, Amit	TransCanada Energy	A
Marzoughi, Rei	Toronto Hydro	A
Grav, Jorgen	Voltus Inc	WebEx
Strawczynski, Zygmunt	Voltus Inc	A
Gibson, Brent	Whitby Cogeneration Ltd	WebEx
Schuler, Fabio	Whitby Cogeneration Ltd	A
Jayapalan, Jennifer	Workbench Corp	WebEx
Sears, Heather	Workbench Corp	A
Aloussis, Carrie	IESO	A
Byers, Darren	IESO	WebEx
Campbell, Alexandra	IESO	A
Cirovic, Marko	IESO	WebEx
Desai, Shilpan	IESO	A
Doyle, Robert	IESO	TC
D'Souza, Danielle	IESO	TC
Fitzgerald, Dale	IESO	A
Grbavac, Jason	IESO	TC
Haratym, Thomas	IESO	WebEx
Hunter, James	IESO	A
Jaipargas, Angeli	IESO	WebEx
Jabbar, Adnan	IESO	TC
King, Ryan	IESO	A
Kula, Leonard	IESO	A
Lafoyiannis, Anna	IESO	A
Peng, Ran	IESO	TC
Rashid, Fahad	IESO	WebEx
Roger, Sarah	IESO	WebEx
Savage, Jessica	IESO	A
Short, David	IESO	A

Switalski, Julie	IESO	A
Tam, Samantha	IESO	A
Tang, Jessica	IESO	A
Young, Jessica	IESO	WebEx
Young, Terry	IESO	A
Scribe: Julie Switalski. Please report any corrections, additions or deletions e-mail to scribe.		

**April 18, 2019**

**Introduction – Dale Fitzgerald, IESO**

The IESO welcomed participants and introduced the first session’s presenter- Leonard Kula.

**Welcome and Opening Remarks – Leonard Kula, IESO**

The IESO thanked the participants for their ongoing interest and time invested in the Transitional Capacity Auction (TCA). The IESO reiterated the reliability need for the TCA in preparing for the future, while recognizing the impact on the participants.

**Review of Stakeholder Feedback from March 7<sup>th</sup> Meeting – David Short, IESO**

The IESO provided the stakeholders with an overview of today’s agenda. Thereafter the IESO led the stakeholders through the stakeholder feedback themes from the March 7<sup>th</sup> meeting. The following themes were: Timelines, Future Opportunities and Capacity.

A participant asked if the IESO can comment on the activities that will take place in phase II.

*The IESO replied that the expected stakeholder conversations for phase II will begin in late September, early October. The IESO understands phase II is quite complex and will need significant amount of time for stakeholdering and implementation, which will include the new additional resources that may be participating in the future auctions.*

A participant asked if any of the evolutions that will be discussed in the different forums (i.e. Market Development Advisory Group (MDAG) and Demand Response Working Group (DRWG) will be considered or implemented in the TCA phase II?

*The IESO replied if the DRWG comes up with a plan for utilization payments, the TCA would move forward with the implementation. The forum group would hash out the details of the plan (i.e. does it make sense and how does it look?) However, if it is past the TCA timelines, it may be shifted to Market Renewal Project (MRP) to either the Incremental Capacity Auction (ICA) team or the Energy Stream. That process applies to any evolutionary discussions which will take place at MDAG or DRWG.*

A participant commented that based on the future opportunities slide and the stakeholder feedback that was submitted, the energy payment piece is quite critical. Based on the content on the slide, it seems the IESO will be punting the energy payment issue to MDAG and it won't be discussed until 2021. The responsive time is concerning and the issue being discussed is directly related to fair competition. A TCA that ignores this issue, will result in a fundamental design flaw. Punting the issue is unacceptable. The issue should be discussed at the TCA forum. The participant asked the IESO to rethink in which forum the issue should be discussed.

*The IESO acknowledged and thanked the participant for their comments. The IESO does not feel the issue is being punted and MDAG is the right forum where the discussions should be held. It will take a significant time and effort for implementation which the TCA may not have. MDAG and the Market developments team are the right teams to look at this issue at broader perspective. However, it does not mean there will not be opportunities for quick wins. The TCA team is in close discussions with Barbara Ellard and her team. If there are opportunities for quick wins, the TCA will look to implement them. It is not just a Demand Response (DR) item but a reliability service that the IESO is interested in expanding participation whether that's import, storage, etc. but it has to be looked at broadly at an energy market perspective.*

The participant commented that the excuse of the MDAG just being kicked off can not be used to allow expedience to overrule what is right. The committee has just started and baby steps will be taken, fundamental issues in respect to fair competition will be put aside for MDAG to catch up, rule on it and provide feedback in 2021 or later. This is a competition issue and a corner stone of what the IESO markets are suppose to be about and the issue can not be punted.

*The IESO replied that there might be a bit of confusion around utilization payments. Utilization payments are not being discussed in MDAG. The MDAG is looking at the operating reserve and regulation.*

The participant replied that they were referring to energy payments. Utilization payments is the term that exists right now when it is just DR providers that are in the pool. And the existing rules are universally discriminatory against those DR providers because they do not get energy payments, which can be called utilization payments. When you integrate a new source of supply in a form of generation you know have two tiers of service providers. One of which receives and one which does not. There is a delta in between some of the players and others. That delta speaks differently to fair competition.

*The IESO replied that the participant is saying that energy payments are not synonymous with utilization payments?*

The participant replied that they are not synonymous.

*The IESO thanked the participant for their comments. From a stand point of utilization payments, IESO feels the right forum for these discussions are at the DRWG. The IESO would like to further understand*

*what the participant is referring to when stating that utilization payments are different from energy payments.*

The participant replied the situation that exists right now, utilization payments are a proxy for energy payments. It is something that is built into the capacity bids to compensate. The difference is when generators will be part of the game and playing, they will not build that in their capacity bids. If a DR resource wants to be picked up, they will have to strip that out of their capacity bid and will not get any other form of revenue while generators will get a corresponding energy payment. It is a difference between the way it is being done now with one group of participants versus the way it will have to be done later when there will be two fundamentally different groups of participants. Generators will factor their utilization payments (or energy payments) into their capacity offers.

A participant further added that fundamentally what is being discussed here is designing a program where the first design principle states, "will provide open, fair and non discriminatory competitive opportunities" However one set of resources will be allowed to participate in multiple markets and receive multiple revenue streams while at the same time competing for the same capacity product with resources that cannot participate in any other market and receive multiple revenue. The capacity product is the only revenue stream for DR participants. That is not open, fair and non discriminatory competition between the resources.

*The IESO replied that utilization payments are being looked at through the DRWG and will be part of the 2019 work plan. As for comparing DR to generators and imports, they are fundamentally different and will not have access to the same products. The IESO understands there is a potential opportunity for DR to operate in the operating reserve and to supply regulation as dispatchable load does that today. The IESO is looking at how significant the impact is on DR to manage from a capacity perspective, remember from test activations that are run once or twice per commitment period, the number of actual activations for energy for DR is small, it is a low energy product. Generators are dispatched on a more frequent basis. The IESO is focusing where reliability services can be acquired and that is with capacity when it comes to DR. When it comes to generators, we are confident they can supply capacity and they are already supplying other reliability services such as regulation and reserve. From a TCA perspective, the focus is trying to get ready to deliver capacity for 2023.*

A participant replied the core concern that is being expressed is not if utilization payments are the same as energy payments or in what forum the conversations are being held. The core concern is the IESO is implementing a TCA with a known design defect. A design defect that speaks directly to unfair competition.

*The IESO acknowledged and thanked the participant for their comments. Furthermore, welcomed the participants to submit further feedback on the design document.*

A participant commented that DR does not deliver high amounts of energy to the market and a big reason, perhaps, for this is the lack of utilization payments. There is no incentive for DR to

bid below the maximum market clearing price. And there has been discussions on how do we get DR to participate more and maybe it is through utilization payments.

*The IESO replied if you look at the issues raised in the FERC Order and the items that came through the Navigant report, the topic needs further discussions at DRWG.*

A participant asked that the date for the next stakeholder engagement session be confirmed as soon as possible. The participant agrees with the former participant's comments about utilization payments. And wants to add operating reserve and the direction it will take at the MDAG. And it is a topic that has been brought up by multiple participants in the past.

*The IESO thanked the participant for their comment.*

The IESO outlines the TCA target capacity methodology and proposed winter and summer target capacity numbers.

A participant asked if the target capacity numbers are in addition to the megawatts procured through the Demand Response Auction (DRA) in December 2018?

*The IESO replied that the proposed TCA target capacity number is per auction period.*

A participant asked between 2019-2024, the IESO anticipates the capacity numbers to quadruple. Is that being procured through the TCA?

*The IESO replied yes and thanked the participant for their question.*

A participant asked that in a scenario where DR capacity prices are going down year after year and presumed to continue with the injection of competition. How do you anticipate load wanting to participate in the program? Under those circumstances.

*The IESO replied what is the participant presuming as the price?*

The participant replied that they are not sure, five years is a long time from now. There was a 30% drop between 2018 and 2019.

*The IESO replied that it would be based on the continual participation of DR resources. If the capacity participation numbers continue to increase, that puts pressure on competition which will directly affect price. It is no different than any other supply and demand perspective.*

The participant replied there is quite a bit of curtailable load in the province including the conversation with generators. Generators can go to the floor in a capacity price situation. Nobody will do DR from a curtailment point of view if the pricing continues to drop 30% year after year for five years.

*The IESO replied it is a market, it is not a price guarantee in an auction. The auction will be open and the TCA encourages participants to put in an offer that is consistent with each participant's cost. This is a learning opportunity before the implementation of the ICA. This allows for a price discovery for all parties. As a general rule, more participants means more competition, but it does not necessarily mean the price will go down because the demand profile is being shifted. Keep in mind, the target capacity number is going up.*

A participant asked if the IESO can comment on the percentage of TCA capacity that is driven by demand and the demand forecast versus the conclusion of generator contracts.

*The IESO replied the majority of the need is driven by the generators going off contract and the retirement of nuclear. Work is being done to update the demand forecast to accurately reflect changes in economic drivers such as the conservation government policy. It will continuously be updated and reflected in the annual Planning Outlook that will be published later this year.*

A participant asked if the IESO will be able to keep the participants informed on the changes in the forecast demand?

*The IESO replied the changes will be reflected in the next Annual Planning Outlook to be released in September. There are ongoing stakeholder engagement sessions in the Planning Outlook for those interested. More information can be found on the IESO Planning Outlook webpage [here](#).*

A participant asked how do the phase I efforts versus phase II efforts overlay the TCA strategy timeline or targets presented on slide twelve and thirteen? For example, would only phase I apply to delivery year 2020 but delivery year 2021 would be phase I and II?

*The IESO replied phase I covers the next auction in December providing capacity for the summer period of 2020 and the winter of 2020/2021. It covers the obligations period that essentially start in May 2020 through to April 2021. Anything subsequent to that is phase II.*

A participant asked given that the IESO is actively procuring more capacity than the 2020 target through the DRA, why is the IESO not confident it can meet target capacity with the existing mechanism and wait to implement the TCA until next December.

*The IESO replied it does not want to try something new and for the first time during a time of need but wants to ensure it has a proven methodology and proven track record and that the tools and procedures are in place before the need. The IESO wants to ensure the business investment viability continues for when the 2023 need occurs.*

A participant asked if the IESO has any concerns with the ability to meet the ramp in capacity needs from 1 gigawatt to 4 gigawatts between 2022 and 2023.



*The IESO replied that it is planning ahead which includes enabling new resources to participate in the TCA. For example, if a generator in New York is interested in participating in the auction, the IESO wants to ensure they have the opportunity to participate earlier. Doing it early allows for price discovery, gives the generator more confidence in how the auction will play out. It is not guaranteeing that every generator that wants to play will be part of the auction; however, the IESO wants to ensure the tools, processes and mechanisms are enabled before the need to minimize surprises for everyone involved.*

A participant asked in the last TCA meeting it was mentioned that 400 megawatts of contracted generation will be coming off contract and 200 of that will be in the market. Can the IESO elaborate on that?

*The IESO replied number of megawatts also includes self-scheduling or are deregistering from the market. That is capacity that is out there; however, we don't know if they will participate in the auction – it is not a guarantee.*

A participant asked if information for the generators going off contract is public?

*The IESO replied that it is confidential information and cannot be shared.*

A participant commented that phase II looks like multiple sub phases, what periods would different resources enter the auction?

*The IESO replied the information will be published as the TCA proceeds with the phase II design. In a perfect world the TCA would like to be completed by 2020 however subsequent challenges may arise (i.e. resources not being available).*

### **Review of Phase One Draft Decisions – Jessica Tang, IESO**

The IESO provided the stakeholders with the phase I draft design decisions and welcomed the stakeholders to ask questions and provide feedback throughout the presentation.

A participant asked what is meant by shortening the forward period?

*The IESO replied the shortening is a result of the small delay of the auction itself. The date will be reflected in the pre-auction report which will be ready before the Christmas holiday.*

A participant asked if the TCA will allow for buyback of capacity at clearing price? Given that the forward period will be ramped up to 29 months.

*The IESO replied no and thanked the participant for their question.*

A participant asked if the IESO had considered a maximum bid for what the generators can offer into the energy market? Opposite of the minimum bid for loads.

*The IESO replied the topic and details will be further discussed in the May 6<sup>th</sup> stakeholder engagement session.*

A participant asked that generation resources that do not participate in the ICI but are a class A customer with generation resource can participate in the ICI, how does that work?

*The IESO replied behind the meter generators are not eligible to participate in the TCA. Behind the meter generators are participating and seen as a load in the DRA.*

A participant asked if they would not be required to have a minimum threshold?

*The IESO replied only eligible generators will be participating in the auction.*

A participant asked how do DR participants currently get notified of test activations?

*The IESO replied that currently only HDR resources get notices of test activations.*

A participant asked if phase I eligible generators will also get a notice a head of time of test activations?

*The IESO replied the discussion will be held on May 6<sup>th</sup> to discuss phase I eligible generator performance and obligations.*

A participant asked if phase I eligible generators will get paid an energy payment for test activations?

*The IESO replied yes and thanked the participant for their question.*

A participant asked why the availability rate on page 51 of the phase I design document is defined as an hourly auction clearing price as opposed to the auction price? Is it not the clearing price period?

*The IESO replied it based on the settlement process/tool which is settled every hour.*

The IESO thanked all participants and reiterated that the draft phase I design document feedback are due on May 2. Feedback should be sent to [engagement@ieso.ca](mailto:engagement@ieso.ca). On May 6, the IESO will host an engagement session on the TCA to discuss generator obligations and performance.