

# Market Rule Amendments: Transitional Capacity Auction

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# Purpose and Overview

- **Purpose:** Recommendation for approval
  - Seeking Board approval of market rule amendments for the Transitional Capacity Auction (TCA):
    - Enables off-contract, non-regulated dispatchable generators to participate in the December 2019 capacity auction along with dispatchable loads and hourly demand response resources
    - Evolution of the Demand Response Auction into a more competitive capacity acquisition mechanism
  - Technical Panel vote of 11-1 to recommend TCA market rule amendments for IESO Board approval
- **Overview:**
  - Stakeholder Engagement
  - Stakeholder Comments on Energy Payments
  - IESO Position

# Stakeholder Engagement

- IESO sought input on the TCA design and associated market rule amendments through a formal stakeholder engagement initiative
  - Five in-person meetings/webinars between March – June 2019 with multiple requests for written submissions followed by IESO responses
- Three meetings with Technical Panel; Technical Panel issued formal request for stakeholder comments on Jun 27 through to July 9
  - Three submissions to Technical Panel (AEMA, AMPCO, EnelX)
- AEMA and AMPCO submitted a legal brief to IESO staff on July 19, which reiterated their concerns about unjust discrimination as mentioned in their respective July 9 submissions to Technical Panel
  - AEMA and AMPCO indicated that they would like to make the legal brief public after having discussed timing at the IESO's convenience
  - It was IESO staff who asked AEMA and AMPCO to clarify if the brief should be provided to Technical Panel members in advance of the August 13 vote

# Stakeholder Comments on Energy Payments

- AEMA and AMPCO assert that the TCA market rule amendments introduce undue and unjust discrimination against demand response (DR) resources by requiring them to compete with generators prior to resolution of DR resources eligibility for energy payments
  - AEMA/AMPCO seek to be paid a \$/MWh amount for each MW of reduced consumption
- The AEMA/AMPCO positions rely on the US Federal Energy Regulatory Commission (FERC) decision and order requiring energy payments for economic activation of DR where there is a net benefit of DR activation
  - FERC decisions are not binding on Canadian entities
- Energy payments were contemplated previously as part of the original DR Auction design discussions and were included in Demand Response Working Group (DRWG) 2017 work plan

# Energy Payments (continued)

- In 2017, the IESO commissioned Navigant to prepare a discussion paper in order to facilitate an informed discussion on the topic
  - The Navigant paper concluded, in part, that the “arguments for and against *[energy]* payments are nuanced and prudent. Responsible stakeholders can arrive at different conclusions based on preferences for evaluation criteria” and that “Additional effort is required to estimate the quantum of the impacts”
- Stakeholder interest in energy payments was renewed as a result of TCA and the IESO committed to conduct a study to determine whether there is a net benefit to ratepayers if DR resources are compensated with energy payments for economic activations
  - Discussions at the April 13 Technical Panel meeting and the April 14 Stakeholder Advisory Committee meeting highlighted the need to engage a broad group of stakeholders, beyond the DRWG
  - August 22 announcement of comprehensive stakeholder engagement initiative on energy payments

# IESO Position

- IESO position is that the proposed TCA market rules do not unjustly discriminate against DR resources
  - TCA initiates a process that will allow more market participants to access a capacity auction, thereby increasing competition and providing the greatest value for ratepayers while meeting a growing reliability need
- Access to energy payments for DR resources with a capacity obligation has not been material historically nor is it expected to be material under the TCA rules for the December 2019 auction
  - Economic activations of DR resources have been very limited to date, and we do not expect the likelihood of economic activation to increase appreciably in 2020
- Energy payments for DR is a complex issue and would be a substantive change to the energy market; the IESO has not taken a position as to whether these payments would result in a net benefit to ratepayers – further study is underway

# Next steps/ Implementation

- Recommend that the Board accept the majority vote and recommendation of the Technical Panel to approve market rule amendment MR-00439: Transitional Capacity Auction
- Recommended effective date is October 15, 2019