

# Incremental Capacity Auction (ICA) – Stakeholder Feedback Form

Stakeholder Meeting: December 4<sup>th</sup>, 2017

<b>Date Submitted:</b> <a href="#">2017/12/22</a>	<b>Feedback provided by:</b> Company Name: <u>HQ Energy Marketing Inc.</u> Contact Name: <u>Frederic Belanger</u> Phone: <u>[REDACTED]</u> Email: <u>[REDACTED]</u>
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The IESO held the fourth meeting of the ‘Options Phase’ of the Market Renewal – Incremental Capacity Auction engagement on December 4<sup>th</sup>, 2017.

The presentation can be [found here](#).

In order to maximize the effectiveness of this stakeholder engagement process, the IESO requests that stakeholders use the template below to provide feedback on content presented as follows:

- Provide responses to the questions posed
- For options presented, indicate your preference along with applicable rationale/supporting arguments (reference slide numbers where applicable)
- Identify any aspects that you believe require further elaboration or discussion

Please provide feedback by **January 8, 2018** to [engagement@ieso.ca](mailto:engagement@ieso.ca). Feedback received will be summarized and will help inform further discussions at future stakeholder engagement meetings.

Design Element	Features	Questions/Next Steps/Recommendations	Stakeholder Feedback
Length of the Forward Period	(1) Length of the Forward Period  <i>Slides 55-62</i>	<p><b>QUESTION:</b> What length of forward period between 3 and 4.5 years would enable the most competition, while minimizing price volatility, forecasting error and other potential risks?</p> <p><b>QUESTION:</b> Are there any other advantages/disadvantages that should be considered when determining the exact length of the forward period?</p>	<p>Both of the proposals would allow enough time for new generation, in general, to be able to deliver capacity from new development. The longer the forward period is, the greater certainty will be provided for resources who want to enter/exit the market after knowing if their resource clears. This would be beneficiary for competition.</p> <p>On the other hand, a longer period would expose consumer and supplier to a higher risk. Unnecessary cost could be paid by consumer due to over-procurement, and greater forecast error risk could be faced by the supplier and developers</p> <p>Other jurisdictions like PJM and ISO-NE are currently using an approximately 3 year forward period. Keeping uniformity with neighboring market, while coordinated auction dates could benefit participants, who are active in multiple markets, with their forecasts</p>
		<p><b>RECOMMENDATION:</b> The length of the forward period should be three to four and a half years</p>	
		<p><b>NEXT STEPS:</b> The exact length of the forward period will be determined taking into account stakeholder feedback and linkages to other design elements</p>	
	(2) Timing of the Base Auction  <i>Slides 63-65</i>	<p><b>QUESTION:</b> Are there any comments the IESO should consider related to this feature?</p>	<p>As mention in the previous comment, auction dates should be coordinated with neighboring jurisdictions in order to be fair, efficient and openly competitive for every market participant</p>
		<p><b>NEXT STEPS:</b> Decisions around timing of the</p>	

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		<p>base auction will be determined as part of the detailed design, once decisions have been made with respect to related design elements. The potential implications of the timing of the base auction on capacity trade opportunities will be explored further</p>	
<p><b>Commitment Period</b></p>	<p>(1) Seasonal vs. Annual Obligations  <i>Slides 75-85</i></p>	<p><b>QUESTION:</b> Which type of Obligation Period would enable the most efficiency and competition, while minimizing complexity and other potential risks?</p> <p><b>QUESTION:</b> Are there any other advantages/disadvantages that should be considered when evaluating options?</p>	<p>The choice between an annual and a seasonal obligation period will have impacts on many levels.</p> <p>On efficiency, a seasonal obligation would lead to a lower capacity requirement, since the requirements aren't based on a yearly peak, instead of a seasonal one. Participants dealing with resources having to face seasonal variations would be valuable to the market, as they could bonify their offer instead of being limited, based on an annual basis. That being said, this would also increase the opportunity for participants, having more flexibility in their offer, as they can either provide a greater amount of capacity in one season, or simply provide capacity for the season they would be able to provide this product.</p> <p>Based on offering flexibility and fairness to participants, as well as increasing competition in the auction, we would suggest a seasonal obligation</p>
		<p><b>NEXT STEPS:</b> Based on stakeholder feedback, further review of other jurisdictions, and considerations in the Ontario context, the IESO will determine whether seasonal or annual</p>	

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		design should be recommended	
	(2) Timing of Commitment Period & Obligation Periods  <i>Slides 86-90</i>	<p><b>QUESTION:</b> What considerations should drive the decision regarding in which months the Commitment Period should start?</p> <ul style="list-style-type: none"> <li>• What considerations should determine which months fall into each season?</li> </ul> <p><b>QUESTION:</b> Are there any technology specific considerations that could influence the start of the Commitment Period or which months fall into each Obligation Period?</p> <ul style="list-style-type: none"> <li>• Freshet/drought conditions? Summer A/C load? Other?</li> </ul>	This feature should be aligned with other jurisdiction in order to provide the best incentive to market participant and optimal competition.
		<p><b>NEXT STEPS:</b> Decisions around timing of start of the Commitment Period will be determined as part of the detailed design, once decisions have been made with respect to related design elements</p>	

General Comments/Feedback: