

# Memorandum

To: Stakeholder Advisory Committee

From: JoAnne Butler, Market and Resource Development

Date: October 13, 2016

**Subject: IESO Business Update – Capacity Exports**

The Capacity Exports engagement is intended to enable those capacity resources that are deemed to be in excess of Ontario's needs to export their capacity. Capacity trade has the potential to offer several benefits to the sector. Enabling capacity exports:

- Provides Ontario based resources an opportunity to monetize capacity not required for Ontario reliability.
- Offers an alternative to facilities that would otherwise choose to idle or shut down due to Ontario market conditions.
- Improves the efficient utilisation of assets regionally.

As indicated in the last update, in the short term, the IESO will support specific projects on a transitional basis. The key objective in this work-stream is to gain experience and lessons-learned that can be applied to a long-term design. One market participant has come forward with a specific project which the IESO will facilitate; in this case participating in a NYISO seasonal capacity auction. Other participants have expressed an interest in principle and the IESO has made clear its willingness to meet and discuss specific projects at any time.

The NYISO Winter 2016/17 auction was held on September 29 and 30, 2016 and served to secure capacity for NY for the commitment period November 1, 2016 through April 30, 2017. The results of this auction are now public. In total, 88MW of capacity from an Ontario facility has been committed to NY for the above-mentioned period. The lessons learned by both the IESO

and the participant through this project will assist with the further development of the capacity exports Initiative.

To support the specific project, the IESO and NYISO signed an MOU which facilitates the trading of capacity from Ontario to New York. To ensure reliability in Ontario is maintained, only capacity that is determined by the IESO to be above required reserve levels, over a defined period of time, can be exported. The IESO has also posted draft market manuals required to transparently outline the IESO and a participant's obligations when a capacity resource is 'called' by the external jurisdiction. These manuals were reviewed and discussed with stakeholders during a webinar on September 23<sup>rd</sup>.

Over the longer-term, the IESO will work to create a design that will support broad-based participation in capacity trade, something which is an integral part of the IESO's Market Renewal Initiative. This will include instituting a formal authorization process including procedures for prioritizing multiple requests for participation in external capacity procurements. A process for assessing the deliverability of energy from an externally committed resource to the applicable jurisdiction will also be created. The IESO will continue to engage with stakeholders to pursue capacity trade with other jurisdictions with Québec targeted as a near-term priority (later in 2017). As part of the engagement, the IESO will also develop a market rule set to transparently support a comprehensive enduring capacity exports process.