

Capacity Auction Design Memo 6.3

Engagement Topic: Performance Assessment – Capacity Test Thresholds

Engagement Status: Complete

Date: March 2023

The purpose of this memo is to summarize the changes to capacity test performance thresholds for capacity auction resources as part of the 2023 design enhancements.

Existing Design

HDR resources must demonstrate delivery of 80% of their capacity obligation in order to avoid a capacity charge. Other capacity auction resources are not currently subject to capacity test performance thresholds.

2023 Enhancements

Under the enhanced framework, IESO has made the following adjustments to the capacity test performance assessment threshold for Hourly Demand Response (HDR) resources and non-HDR resources.

HDR Resources:

HDR resources participating in the capacity auction will be required to demonstrate their ability to deliver at least 90% of the cleared Installed Capacity (ICAP) to pass the capacity test instead of 80% of the capacity obligation according to the existing requirements. If a resource is not able to deliver within this prescribed threshold, the test will be deemed a failure, resulting in a capacity charge being applied to that resource. In addition, a performance adjustment factor (PAF) will be applied in a future capacity qualification process for that resource, as detailed in the final Performance Adjustment Factor design memo posted on the [Capacity Auction Enhancements](#) webpage.

To avoid an in-period adjustment being applied, HDR resources will also be required to demonstrate their ability to deliver at least 90% of their cleared Unforced Capacity (UCAP).

Non-HDR resources:

Non-HDR resources participating in the capacity auction will be required to demonstrate their ability to deliver at least 95% of the cleared ICAP during a capacity test. If a resource is not able

to deliver within this prescribed threshold, the test will be deemed a failure, resulting in a capacity charge being applied to that resource. In addition, a performance adjustment factor (PAF) will be applied in a future capacity qualification process for that resource.

For further details on the testing framework, in-period adjustment and PAF, please refer to Memo 2.1 - Testing Framework, Memo 5.2 - HDR Capacity Qualification and Memo 10.0 - Qualification – PAF that are posted on the top of the [Capacity Auction Enhancements](#) webpage. Stakeholder engagement on the design of the PAF is still ongoing and the final design memo will be posted once the design is finalized.

The difference in performance thresholds between HDR and non-HDR resources is because virtual HDR resources are not directly metered by the IESO, meaning their performance is assessed using a calculated baseline which estimates what the resource would have been consuming in absence of the activation. IESO proposed adjusting the threshold for HDR resources from 20% to 10% of cleared ICAP delivered in order to more closely align with the very small (5%) deviation from cleared ICAP allowed for other capacity auction resource types.