

Engagement Plan

Capacity Auction Enhancements (2023)

Introduction

The IESO's annual Capacity Auction is one of the competitive procurement mechanisms included in the IESO's Resource Adequacy Framework. The Capacity Auction serves as the short-term balancing mechanism in the Framework, securing the capacity needed to meet Ontario's short-term resource adequacy needs. The Capacity Auction enables participation from a diverse range of resources that compete to be available for defined obligation periods.

As enhancements are introduced over time, the Capacity Auction is expected to attract a broader mix of resources, enabling the IESO to further increase competition, and incent greater resource reliability and market performance. The 2023 Capacity Auction enhancements include: the introduction of a capacity qualification process and modifications to the Auction's performance assessment framework.

- The capacity qualification enhancement involves the adoption of a transparent process, and methodologies to derive an Unforced Capacity (UCAP) value for all resources while accounting for unique resource participation frameworks. By introducing an IESO-administered capacity qualification process, both the IESO and auction participants will have the confidence that the capacity contribution from each resource is being accounted for appropriately using fair and transparent methodologies.
- Modifications to the Auction's performance assessment framework will incent improved performance from acquired capacity resources, and reduce the risk of underperformance from cleared resources during hours of system need, all while ensuring alignment and fairness from qualification through to assessment.

To support these enhancements, and ensure they are informed by stakeholder feedback, this engagement plan describes the activity related to those enhancements over time. The [Capacity Auction Enhancements webpage](#) will include the most accurate and timely information for those interested in this initiative.

This engagement plan is specific to the enhancements for the 2023 Capacity Auction, while similar plans are expected to be developed for future auction years. The IESO encourages all those interested in the Capacity Auction to remain informed and active on this engagement. To be added to the distribution list for communications related to this engagement, or to submit comments and enquiries, please email engagement@ieso.ca.

Stakeholders and Communities

The IESO encourages all interested parties to participate and anticipates that this initiative will be of particular interest to current active participants in the Capacity Auction as well as others who support or might be considering a more active role in the future, including, but not limited to, consumers and consumer groups, generators, industry associations, energy technology companies and other energy solution providers and demand response providers.

Engagement Objectives

The main objective of this engagement is to work with industry stakeholders on focus areas that drive enhancements to the IESO Capacity Auction in an effort to meet the system adequacy and reliability needs of Ontario. IESO decisions benefit from industry input and feedback. There will be regular opportunities for discussion, feedback and IESO responses to all feedback prior to implementing enhancements into future auctions.

Approach

The focus of this engagement is on the development and implementation of enhancements to IESO Capacity Auctions that are informed by stakeholder feedback. The IESO anticipates having additional streams of Capacity Auction enhancements in future auction years. As a result, it will be critical to have topic areas presented in both a detailed and organized manner for appropriate review and feedback along the way.

As presented at the July 2022 Engagement Days meeting, the IESO is proposing a series of nine topic areas to help scope the 2023 Capacity Auction Enhancements. The topics in scope for this phase of the Capacity Auction Enhancements engagement are:

1. Qualification – Non-HDR
2. Qualification - HDR/Standby Charge
3. Standby Trigger Review
4. Performance Assessments - Charges/True-ups
5. Performance Assessments - Testing Framework
6. Performance Assessments - Thresholds/ HDR Baseline
7. Forward Capacity Auction (FCA) - Procurement Design
8. Demand Curve Review
9. Audit Updates (engagement timing TBD)

In order to work through the above noted topics, the IESO is proposing the following approach to engage with stakeholders on the 2023 Capacity Auction Enhancements:

- **General Sessions** (Engagement Days): utilize general sessions to introduce topic areas and provide high-level details for stakeholders. In addition to traditional presentations that summarize the topic areas at the General Sessions, the IESO will provide a **Design Memo** for each topic that includes more information and other interdependencies that will be helpful for stakeholder review and drafting of rules required for implementation.
- **Technical Sessions:** Some of the topics will require a “deeper dive”, and these detailed discussions with interested stakeholders are being proposed to take place during Technical Sessions. These Technical Sessions will be scheduled separately from the General Sessions to ensure the appropriate audience is present and to allow stakeholders to select the level of engagement of interest to them. For each topic that requires a Technical Session, a **Discussion Brief** will be provided in advance and will be taken as read during the session to ensure a detailed discussion can take place (opposed to a presentation from the IESO).

Moving from Design to Implementation (and draft Rules)

Enhancement topics for the 2023 Capacity Auction will be introduced through General Sessions (with Design Memos), and if required at Technical Sessions (with Discussion Briefs), and will provide opportunities for feedback from stakeholders along the way. The IESO will provide responses to feedback with the goal of meeting the timelines (shown below) for implementation of these enhancements into the 2023 Capacity Auction activities.

In order to ensure progress can be made on these topics, the period for feedback after engagement sessions may be revised to one week to allow time for the IESO to incorporate input into subsequent materials at the next touchpoint. If additional time for feedback is required, that will be communicated during the engagement sessions/materials directly.

Also, as progress is made during the engagement on the nine topics noted above, draft rules will be presented in batches to ensure the participants active in this engagement are aware of how the design will be captured in the draft Market Rules for the Technical Panel’s review in early 2023.

Other Topic Areas and Priorities

The IESO continues to conduct outreach with certain resource groups and sectors on how they participate in the Capacity Auction, and other areas of the IESO-Administered Markets. This outreach and dialogue is important for both the IESO and these participants to exchange information on priorities and feedback that can help inform both enhancements to the IESO Capacity Auction, as well as to other areas of the market. More information on that outreach and discussion of the topics not in scope for the 2023 Capacity Auction Enhancements will be conducted outside of this engagement.

Proposed Timelines for 2023 Capacity Auction Enhancements

Implementation Timelines – High-Level



This engagement plan will be implemented in accordance with the [IESO’s engagement principles](#).

This is a public engagement process. All materials related to this initiative will be posted on the dedicated IESO engagement webpage. In addition, any information and feedback supplied by interested parties will become part of the public domain. Information and feedback that is marked confidential will be treated accordingly by the IESO.

Proposed Engagement Schedule

A proposed schedule for this engagement is provided below. This schedule is tentative and subject to change. The Capacity Auction Enhancements webpage will be the most accurate source for timely updates for this initiative.

Timing	Engagement Topic and Description	
August 25, 2022 (General Session)	Qualification – Non-HDR	These topics were previously engaged on in 2022 with no further engagement time planned for these topics at this time based on the status of these discussion in the previous phase of engagement. A Design Memo is included in the August 25 materials package to prepare these topics for the implementation phase unless there are concerns from stakeholders to revisit these topics.
	Performance Assessments – Charges/True-ups	
	Performance Assessments – Testing Framework	
	Standby Trigger Review	IESO to present scope of work, and initial set of considerations for feedback.
	Demand Curve Review	IESO to present scope of work.
	Qualification – HDR/Standby Charge	IESO to present scope of work, and set up conversation to be had at the August 26 Technical Session.
	Performance Assessments – Thresholds/HDR Baseline	
	FCA – Procurement Design	IESO to address feedback from the July session, and provide additional details.

Timing	Engagement Topic and Description	
August 26, 2022 (Technical Session)	Qualification – HDR/Standby Charge	IESO to recap the objectives of qualifying HDR resources; and solutions previously raised by the IESO and stakeholders HDR participants to present any alternative options to qualifying HDR resources in a manner that would achieve the stated objectives
	Performance Assessments – Thresholds/ HDR Baseline	IESO to present a summary of Baseline related conversations to date. In particular, discussion to be had on accounting for forced outages of contributors in baseline calculations, and the accuracy of the baseline assessment with In-Day adjustment factor.
September 2022 (General Session) Date TBD on CA webpage	Qualification – HDR/Standby Charge	Provide update from August Technical Session and continue the discussion at September Technical Session.
	Performance Assessments – Thresholds/ HDR Baseline	
	Standby Trigger Review	IESO to provide first draft of Design Memos on each topic for further stakeholder feedback.
	FCA – Procurement Design	
September 2022 (Technical Session) Date TBD on CA webpage	Qualification – HDR/Standby Charge	Seek alignment for an appropriate qualification approach for HDR resources.
	Performance Assessments – Thresholds/ HDR Baseline	Seek alignment on proceeding with threshold updates, starting with the 2023 Capacity Auction.

Timing	Engagement Topic and Description	
October 2022 (General Session) Date TBD on CA webpage	Qualification – HDR/Standby Charge	IESO to present first draft of Design Memos for review and feedback.
	Performance Assessments – Thresholds/ HDR Baseline	
	Standby Trigger Review	IESO to provide 'final' draft of Design Memos informed by stakeholder feedback based on earlier discussions.
	FCA – Procurement Design	
	Demand Curve Review	IESO to provide first draft of Design Memo for review feedback.
October 2022 (Technical Session) Date TBD on CA webpage	TBD	
November 2022 (General Session) Date TBD on CA webpage	Qualification – HDR/Standby Charge	IESO to provide 'final' drafts of Design Memo informed by stakeholder feedback and earlier discussions
	Performance Assessments – Thresholds/ HDR Baseline	
	Demand Curve Review	
November 2022 (Technical Session) Date TBD on CA webpage	TBD	
December 2022 (General Session) Date TBD on CA webpage	Draft Market Rule Amendments and Draft Market Manuals	Consolidated draft Market Rules & Manuals for feedback based on final memos for each topic

Additional Background and Resources

For more information and background on this engagement, please visit:

Related Engagements

For information on previous engagement activity on the IESO Capacity Auction, please visit:

[Resource Adequacy - Engagement Webpage](#)

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