

Memorandum



Independent Electricity System Operator
1600-120 Adelaide Street West
Toronto, ON M5H 1T1
t 416.967.7474
www.ieso.ca

To: **MARKETS COMMITTEE**

From: Michael Lyle, Vice President, Legal Resources and Corporate Governance, Chair of Technical Panel

Date: June 23, 2022

Re: Capacity Auction Market Rule Amendments (MR-00469-R00)

Purpose of Item: Direction from the Markets Committee

Executive Summary:

The IESO is seeking direction from the IESO Board on next steps for proposed market rule amendments that will provide a series of enhancements to improve and modify the 2022 Capacity Auction (MR-00469-R00). The proposed market rule amendments were reviewed by Technical Panel at its June 14 meeting. At the June 14 Technical Panel meeting, a majority of Technical Panel members voted not to recommend the proposed market rules for adoption by the IESO Board. Eight members voted against the proposal, two members voted to recommend the proposal and four members abstained.

Background:

Within the Resource Adequacy framework, the Capacity Auction plays the role of a short-term balancing mechanism. The IESO has

committed to annually reviewing the auction to understand any areas of improvement and further enhancements for future capacity auctions. In order to achieve greater competition, cost effectiveness and improve the performance of participating resources, the three sets of enhancements have been put forward for the 2022 Capacity Auction:

- *Capacity Qualification* - The IESO proposes a pre-auction capacity qualification process to apply a resource-specific capacity qualification methodology to derive a resource adequacy or unforced capacity (UCAP) value which will represent the maximum quantity that the resource may offer into the auction.
- *Performance Assessment Modifications* - In order to enhance the reliability and market performance of acquired capacity resources, the IESO proposes modifications to the resource testing framework and implement mechanisms to incent greater availability and performance at times of system need.
- *Expand Participation to Generator-Backed Capacity Imports* – The objective is to increase competition by expanding participation in the auction to generator-backed capacity imports, supporting cost-effective outcomes.

Additional information, including the Capacity Auction design document and all stakeholder feedback submissions can be found on the stakeholder engagement [webpage](#).

Proposal and Analysis

Stakeholder engagement on the proposed enhancements to the 2022 Capacity Auction commenced in 2021, and the Technical Panel received an education presentation in March, 2022. The Technical Panel requested stakeholder comment on April 19. Feedback was received from the Advanced Energy Management Alliance (AEMA) with statements of support from Rodan Energy and EnPowered. Additional feedback was received from Ontario Power Generation and Voltus Energy. Further comment was requested at the May 17 TP meeting, and feedback was received from the AEMA with statements of support from Enel X and Voltus Energy.

All Technical Panel materials including stakeholder feedback submissions and meeting minutes are available on the TP [webpage](#).

Next Steps / Implementation:

The provisions within the IESO market rules state that the IESO Board can:

- Decide in favour of the adoption of the amendment;
- Decide in favour of the adoption of the amendment with changes made by the IESO Board;
- Refer the amendment back to the Technical Panel for further consideration and vote;
- Decide against the adoption of the amendment.

IESO staff will discuss these options with the Markets Committee.

Michael Lyle

Cc: IESO Records

Encls.

a. Market Rule Amendment Proposal form

b. Technical Panel Materials

i. Memo to Technical Panel from IESO staff

ii. TP member Rationale

c. Stakeholder feedback summary, stakeholder engagement and Technical Panel

d. Consumer Impact Assessment

e. IESO Legal Memo (privileged and confidential – not made publicly available)