

# Memorandum

**To:** Technical Panel

**From:** Adam Cumming

**Date:** July 5, 2022

**Re:** MR-00469-R00 – 2022 Capacity Auction Enhancements

The IESO's Capacity Auction helps to meet Ontario's reliability needs in a cost effective manner while allowing the IESO to adjust to changing system needs. Additional information on the Capacity Auction can be found on the IESO's Capacity Auction [webpage](#).

At the June 14, 2022 Technical Panel meeting, the Technical Panel voted against a motion to recommend the market rule amendment proposal MR-00469-R00 – 2022 Capacity Auction Enhancements - Version 4.0. This market rule amendment proposal consisted of three categories of proposed enhancements: (1) Capacity Qualification; (2) Performance Assessment Modifications; and (3) Enabling Generator-Backed Imports, in addition to administrative updates (zonal group constraints, and revised point-in-time rule provisions). On June 23, 2022, the IESO Board asked the IESO to bring a revised market rule amendment proposal to the Technical Panel that would focus on enabling participation from generator-backed capacity import resources. IESO staff have prepared a revised market rules amendment proposal.

In reviewing the feedback from stakeholders, the Technical Panel, and the IESO Board, the IESO is proposing to proceed with rule amendments associated with (3) Enabling Generator-Backed Imports as well as administrative updates (described below). The IESO believes that stakeholders and Technical Panel members support proceeding with this subset of enhancements for the 2022 Capacity Auction.

## **Expand Participation to Generator-Backed Capacity Imports**

As indicated in the 2021 Annual Acquisition Report, the Capacity Auction will serve as a flexible mechanism to meet short-term Resource Adequacy needs over the next several years with growing targets in future years. One of the objectives of the proposed Capacity Auction enhancements is to increase competition by expanding participation in the auction to generator-backed capacity imports.

## **Administrative Enhancement Updates: Point-in-time & Zonal Group Constraints**

In recognition of the pending volume of market rule amendments being introduced by Market Renewal, the IESO has identified a need to make necessary changes to the point-in-time rules of the Capacity Auction.

Additionally, the IESO is proposing to introduce zonal group constraints in the Capacity Auction to yield more economic outcomes.

For additional information, the 2022 Capacity Auction Enhancement [Design Document](#) is available on the Resource Adequacy Engagement webpage.

## **Stakeholder Feedback**

Copies of all previous stakeholder submissions along with IESO responses can be found on the Technical Panel [webpage](#).

Previously, as part of the Resource Adequacy Engagement, the IESO held a series of stakeholder sessions to discuss the evolution of the Capacity Auction. Materials from these sessions, including presentations and stakeholder feedback, is available on the [Resource Adequacy Engagement webpage](#).

## **Panel Action and Next Steps**

The IESO recommends that the Technical Panel vote to recommend the market rule amendment proposal MR-00469-R00 2022 Capacity Auction Enhancements - Version 5.0 to the IESO Board of Directors. These amendments are intended to be applicable for the upcoming 2022 Capacity Auction.

## **Accompanying Materials**

- Market Rule Amendment Proposal Form - MR-00469-R00 – Version 5.0
- Market Manual 5.5 - Physical Markets Settlement Statements
- Market Manual 12.0 - Capacity Auctions

- IESO Charge Types and Equations

Adam Cumming