



MAY 14, 2024

Technical Panel Education Capacity Auction Enhancements

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Today's Discussion

This discussion is to update Technical Panel members on Market Rule amendments that will apply to the 2024 Capacity Auction. These amendments are administrative in nature, and are being brought forward to:

1. Clarify a drafting issue
2. Correct an omission

Both amendments are related to the Market Rules that were approved last fall, 2023.

Agenda

- Proposed 2024 market rule amendments
- Update on 2024 market manual amendments
- Next Steps



2024 Market Rules Amendments

Summary

Through internal implementation of the 2023 Capacity Auction Enhancements, two issues were identified in the Market Rules pertaining to the Capacity Auction. Amendments are required to address these issues:

Administrative Topic	Detail	Market Rule
Availability Charge	- Uncertainty created through transposition into Ch. 9, resulting in availability charge not described as intended for HDR resources	Ch. 9
Cleared ICAP	- Adjust the formula to calculate the post-auction cleared ICAP to consider the PAF	Ch. 7

Availability Charge

Overview: In 2023, the Technical Panel approved market rule amendments to Ch. 9 pertaining to the Capacity Auction. This was part of a larger effort to bring settlement equations and variables that were previously in the market manuals into the market rules.

Update: An unintentional transposing issue occurred when drafting the availability charge into Ch. 9 that may mislead market participants about how the charge applies to demand response resources. The language must be updated to reflect the original design of that charge and how it is meant to be applied.

Availability Charge Summary

- To ensure participants comply with the energy market must-offer requirement associated with the obligation, the resource is subject to an availability assessment
- The availability assessment looks at whether bids or offers were submitted in the day-ahead and maintained through to pre-dispatch or real-time and compares them against the obligation. This is done for the hours of the availability window.
- If a resource fails this availability assessment, an availability charge applies

Standby Notice Summary

- A standby notice is the mechanism that signals to a participant that an HDR resource may be activated on the dispatch day
- If a standby notice is received by 7am of the dispatch day, an HDR resource should:
 - Update bids to indicate capacity available that day
 - Monitor for an activation notice
 - Prepare the resource to be activated
- If no standby notice is received by 7am, the HDR resource is permitted to remove bids for the remainder of the day without penalty

Availability Charge for HDRs

The availability charge is designed to assess HDRs in these two different timeframes:

Standby Notice Issued	Availability Assessment
Yes	From day-ahead through to real-time
No	From day-ahead through to 7 a.m. of the dispatch day.

The availability assessment as currently drafted into the rules reads as though an HDR is only assessed for an availability charge when a standby notice is issued. It does not clearly explain how availability is assessed if no standby is issued.

Cleared ICAP

Overview: In 2023, the Technical Panel approved amendments to incorporate the Performance Adjustment Factor (PAF), an element of the capacity qualification process that applies to each resource type. The cleared ICAP is calculated by taking the cleared UCAP and dividing it by the availability de-rate and the PAF. It represents the amount of ICAP proportional to the amount of UCAP that was cleared in the auction and the amount of capacity the resource must deliver in the capacity test.

$$\text{cleared ICAP} = \text{cleared UCAP} \times \frac{1}{\text{availability de-rating factor}} \times \frac{1}{\text{performance adjustment factor}}$$

Cleared ICAP Update

The PAF portion of the cleared ICAP formula was unintentionally omitted from Ch. 7 of the market rules. The language must be updated to reflect the original design of that formula and how it is meant to be applied.

$$\text{cleared ICAP} = \text{cleared UCAP} \times \frac{1}{\text{availability de-rating factor}} \times \frac{1}{\text{performance adjustment factor}}$$

Stakeholder Engagement

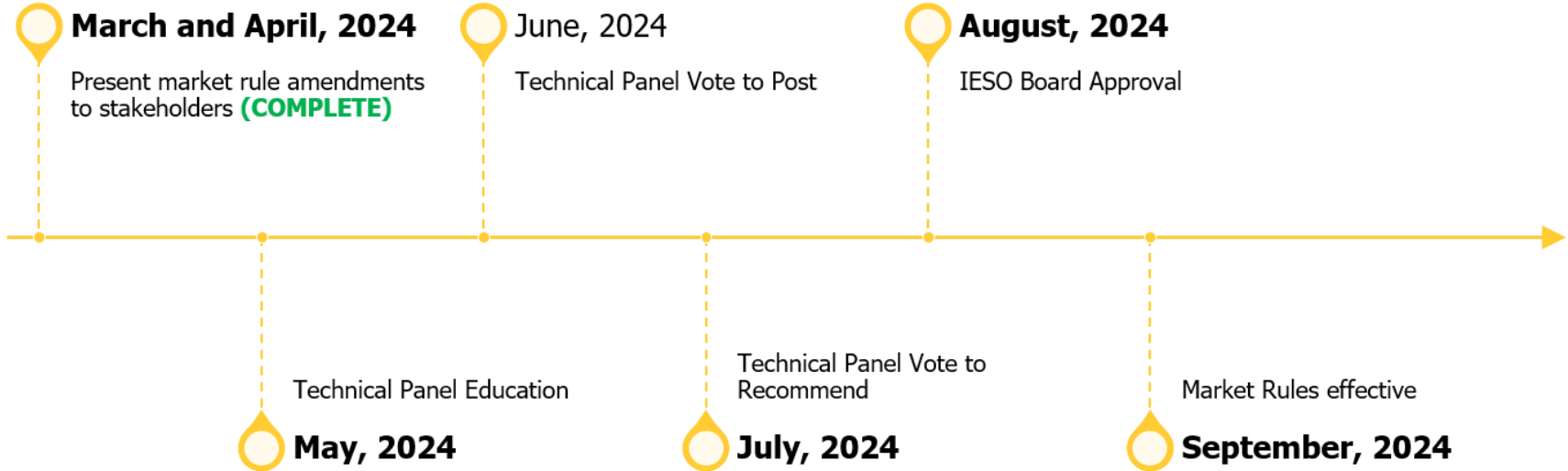
Availability Charge

IESO met with stakeholders in April 2024, followed by an email communication to all Capacity Auction participants and stakeholders, to highlight the transposing error and outline steps being taken to rectify it in the Market Rules.

Cleared ICAP

The IESO presented the omission during the March 2024 engagement session and no feedback was received relevant to the equation itself.

Timeline





2024 Market Manual Updates

Ongoing Engagement on Market Manual Updates

Administrative Topic	Detail	Market Rule or Manual
Performance Adjustment Factor	- Additional language to specify how delivered MWs will be determined in the calculation of the performance adjustment factor	MM 12: Capacity Auctions
Settlements	- Re-inserting definitions omitted through the baseline process - Adjust formula for capacity charge assessment for C&I HDR resources	MM 5.5: Physical Markets Settlement Statements
Import Operations	- Update the number of boundary entity resources available to generator-backed imports	MM 4.2: Submission of Dispatch Data



Summary

2024 Capacity Auction Updates

- Amendments being proposed are corrective in nature to clean up existing language in the rules to reflect original design intentions
- The IESO continues to engage with stakeholders to prioritize future Capacity Auction Enhancements

Next Steps

- Technical Panel Vote to Post at the June 11 meeting
- Pending stakeholder feedback, Technical Panel vote to recommend at the July 16 meeting

Thank You

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