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## Market Rule Amendment Proposal

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### PART 1 – MARKET RULE INFORMATION

Identification No.:	MR-00439-R02		
Subject:	Transitional Capacity Auction		
Title:	Auction Parameters and Publication		
Nature of Proposal:	<input checked="" type="checkbox"/> Alteration	<input checked="" type="checkbox"/> Deletion	<input type="checkbox"/> Addition
Chapter:	Ch. 7	Appendix:	
Sections:	Ch. 7, 18.5-18.8		
Sub-sections proposed for amending:			

### PART 2 – PROPOSAL HISTORY

Version	Reason for Issuing	Version Date
1.0	Draft for Stakeholder Review and Comment	May 15, 2019
2.0	Submitted for Technical Panel Review and Comment	June 18, 2019
3.0	Posted for Stakeholder Review and Comment	June 27, 2019
4.0	Submitted for Technical Panel Vote	August 6, 2019
5.0	Recommended by Technical Panel; Submitted to IESO Board	August 16, 2019
6.0	Approved by IESO Board	August 28, 2019
Approved Amendment Publication Date:	September 5, 2019	
Approved Amendment Effective Date:	October 15, 2019	

### PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

Provide a brief description of the following:

- The reason for the proposed amendment and the impact on the *IESO-administered markets* if the amendment is not made.
- Alternative solutions considered.
- The proposed amendment, how the amendment addresses the above reason and impact of the proposed amendment on the *IESO-administered markets*.

#### Summary

The IESO proposes to amend the market rules to evolve the Demand Response Auction (DRA) into the Transitional Capacity Auction (TCA) to address capacity needs in Ontario.

Over its four auctions, the DRA has proven successful in driving down capacity costs and increasing competition. Enhancing the IESO's approach to capacity auctions this year by opening participation to other resources is another step toward a more competitive electricity marketplace; it moves Ontario's electricity marketplace down the path of efficiency, competition, and transparency – the key principles of the market renewal efforts.

This proposal will be discussed as part of the Transitional Capacity Auction stakeholder engagement initiative before consideration by the Technical Panel.

Further information on the Transitional Capacity Auction stakeholder engagement is found [here](#).

#### Background

The TCA will determine capacity obligations for the obligation periods and the auction clearing price for successful capacity auction participants. For each obligation period, the IESO will establish a demand curve, and the auction offers will be stacked against the demand curve to determine the capacity obligations that minimize total cost while respecting the parameters of the TCA.

Prior to each TCA, the IESO will establish and publish the demand curve parameters in a public, pre-auction report. The pre-auction report will also identify key milestones for participation and zonal constraints. The outcomes of the TCA will be included in both public reports available to the entire marketplace and private reports sent directly to capacity auction participants.

#### Discussion

Most additions in the rule amendment proposal are defined term changes. Section 18.5.2.4 has been removed as it is no longer required. In this section, the 'transitional capacity auction' defined terms are used to refer specifically to the first TCA to avoid confusion with the ongoing DRA.

This market rule amendment proposal was first circulated to stakeholders and market participants who are participating in the Transitional Capacity Auction stakeholder engagement. No responses to feedback were received pertaining to this proposal.

Specific changes to the market rules are listed below. There are five additional rule amendment packages that form the entirety of the proposed rule changes for the TCA.

## PART 4 – PROPOSED AMENDMENT

## 18.5 Demand Response Transitional Capacity Auction Parameters

18.5.1 The IESO shall conduct ~~a demand response auction on an annual basis~~ capacity auctions to ~~procure demand response~~ acquire capacity for ~~a one-year period~~ commitment periods. In each ~~demand response~~ capacity auction the IESO shall ~~procure demand response~~ acquire ~~auction~~ capacity for each ~~commitment~~ obligation period as specified in the applicable market manual.

### Demand Curve, Zonal Constraints and Pre-Auction Reports

18.5.2 The IESO shall, in accordance with the applicable market manual, publish a pre-auction report in advance of each ~~demand response~~ transitional capacity auction, including the following ~~demand response~~ transitional capacity auction demand curve reference points:

18.5.2.1 a ~~demand response~~ target capacity in accordance with section 18.1.2;

18.5.2.2 a ~~demand response~~ transitional capacity auction reference price;

18.5.2.3 a maximum and minimum ~~demand response~~ transitional capacity auction clearing price;

18.5.2.4 ~~a minimum demand response capacity limit that a demand response auction shall clear; [Intentionally left blank – section deleted]~~

18.5.2.5 a maximum ~~demand response~~ capacity limit at the maximum ~~demand response~~ transitional capacity auction clearing price that a ~~demand response~~ transitional capacity auction shall clear; and

18.5.2.6 a maximum ~~demand response capacity limit that a demand response auction~~ capacity limit that a transitional capacity auction shall clear.

18.5.3 The IESO shall define ~~demand response~~ capacity auction zonal constraints for each ~~demand response~~ transitional capacity auction and the IESO shall publish, in the pre-auction report, those requirements as specified in the applicable market manual.

18.5.4 The IESO shall specify and publish the following timelines associated with a ~~demand response~~ capacity auction:

- 18.5.4.1 the deadline to submit the amount of *demand-responsequalified capacity* the *demand-responsecapacity* auction participant is willing to provide pursuant to section 18.2.1.2;
- 18.5.4.2 the deadline for a *demand-responsecapacity* auction participant to submit a *demand-responsecapacity* auction deposit in accordance with section 18.2.1.3;
- 18.5.4.3 the dates in which a *demand-responsecapacity* auction participant may submit *demand-responsetransitional capacity* auction offers for a *demand-responsecapacity* auction;
- 18.5.4.4 the period over which the IESO shall conduct the *demand-responsetransitional capacity* auction; and
- 18.5.4.5 the date of *demand-responsetransitional capacity* auction post-auction reporting in accordance with sections 18.8.1 and 18.8.2.

## 18.6 ~~Demand Response~~Capacity Auction Offers

- 18.6.1 A *demand-responsecapacity* auction offer:
  - 18.6.1.1 may be submitted or revised by the *demand-responsecapacity* auction participant on the dates specified in accordance with section 18.5.4 and the applicable *market manual*;
  - 18.6.1.2 shall only be applicable to the *commitment periodobligation periods* for which a *demand-responsecapacity* auction participant has submitted a *demand-responsecapacity* auction offer, in accordance with the applicable *market manual*; and
  - 18.6.1.3 shall be time stamped by the IESO when received.
- 18.6.2 A *demand-responsecapacity* auction offer shall only be submitted in respect of a given *demand-responsecapacity* auction if:
  - 18.6.2.1 the *demand-responsecapacity* auction participant complies with the *demand-responsecapacity* auction ~~participation~~participant requirements in section 18.2.1; and
  - 18.6.2.2 the *demand-responsecapacity* auction participant has not been disqualified from full or partial participation in the *demand-responsecapacity* auction ~~in accordance with section, pursuant to sections~~ 19.4.8, 19.5.4 and the applicable market manual, or 19.6.4.

- 18.6.3 A ~~demand-response capacity~~ auction offer may include up to twenty price-quantity pairs for each ~~commitment obligation~~ period and shall comply with the following:
- 18.6.3.1 the ~~demand-response capacity~~ auction offer shall be for and applicable over an entire ~~commitment obligation~~ period associated with a ~~demand-response capacity~~ auction;
- 18.6.3.2 the ~~demand-response capacity~~ auction offer price in any price-quantity pair shall:
- be expressed in dollars and whole cents per MW-day of ~~demand-response auction~~ capacity to be provided in each hour of the availability window throughout the ~~commitment obligation~~ period associated with that ~~demand-response transitional capacity~~ auction;
  - be greater than or equal to \$0.00/MW-day;
  - not exceed the applicable maximum ~~demand-response transitional capacity~~ auction clearing price; and
  - increase as the associated ~~demand-response capacity~~ auction offer quantity increases.
- 18.6.3.3 the ~~demand-response capacity~~ auction offer quantity in any price-quantity pair shall be expressed in MW to not more than one decimal place and the total offered quantity shall not exceed the ~~qualified demand-response~~ capacity of the resource, determined through the submission of ~~demand-response auction~~ capacity that a ~~demand-response capacity~~ auction participant is willing to provide in accordance with section 18.2.1.2; and
- 18.6.3.4 the ~~demand-response capacity~~ auction offer shall indicate whether the ~~demand-response capacity~~ auction participant is willing to clear an ~~capacity~~ auction with the full amount of ~~demand-response auction~~ capacity offered in a lamination or a partial amount of the ~~demand-response auction~~ capacity offered in a lamination, in accordance with the applicable market manual.

## 18.7 **Demand Response Transitional Capacity Auction Clearing Prices and Quantities**

- 18.7.1 The IESO shall determine a ~~demand-response transitional capacity~~ auction demand curve to be utilized for each ~~commitment obligation~~ period in an auction

- year, based upon the ~~demand response~~transitional capacity auction parameters detailed in the pre-auction report pursuant to section 18.5 and in accordance with the applicable *market manual*.
- 18.7.2 The IESO shall, in each ~~demand response~~transitional capacity auction, determine for each ~~commitment~~obligation period the ~~demand response~~transitional capacity auction clearing price in accordance with the applicable *market manual*.
- 18.7.3 The IESO shall, in each ~~demand response~~transitional capacity auction, determine for each ~~commitment~~obligation period the ~~demand response~~capacity obligation for each ~~demand response~~capacity auction participant and its resources in accordance with section 18.7.5 and the applicable *market manual*.
- 18.7.4 The IESO shall, for each ~~demand response~~transitional capacity auction, determine for each ~~commitment~~obligation period associated with the ~~demand response~~transitional capacity auction:
- 18.7.4.1 the ~~demand response~~transitional capacity auction clearing prices for each electrical zone identified in the pre-auction report; and
- 18.7.4.2 the zonal ~~demand response~~capacity obligation for each ~~demand response~~capacity auction participant, in accordance with this section 18.7.
- ~~in accordance with this section 18.7.~~
- 18.7.5 If two or more ~~demand response~~capacity auction participants submit a ~~demand response~~capacity auction offer at the same price, for the last available quantity, the ~~demand response~~capacity auction offer with the earlier time stamp shall be selected as the successful ~~demand response~~capacity auction offer, in accordance with the applicable *market manual*.

## 18.8 Post-Auction Notification and Publication

- 18.8.1 The IESO shall, as soon as practicable following the conclusion of a ~~demand response~~capacity auction, *publish* the following in accordance with the applicable *market manual*:
- 18.8.1.1 the ~~demand response~~transitional capacity auction clearing price;
- 18.8.1.2 the amount of ~~demand response~~capacity auction capacity that has been ~~procured~~acquired; in each electrical zone;

- 18.8.1.3 those ~~demand response capacity~~ auction participants who received a ~~demand response capacity obligation~~ and all respective ~~demand response capacity obligations~~; and
- 18.8.1.4 the qualified ~~demand response~~ auction capacity of each ~~demand response capacity~~ auction participant.
- 18.8.2 The IESO shall, following the conclusion of a ~~demand response capacity~~ auction, issue post-auction reports to each ~~demand response capacity~~ auction participant by the date specified in the pre-auction report, to detail the ~~demand response capacity~~ auction offers that have cleared in the ~~demand response capacity~~ auction and the associated ~~demand response capacity obligations~~ for each ~~commitment obligation~~ period in accordance with the applicable market manual.

#### **PART 5 – IESO BOARD DECISION RATIONALE**

Documents presented to the IESO Board of Directors as well as the reasons for adopting the amendments are available [online](#).