



**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

- Capacity Auction Status Update
- Proposed 2024 market rule amendments
- Update on 2024 market manual amendments
- Next Steps



# Capacity Auction Status Update

# 2023 Capacity Auction Results

- The 2023 auction was held at the end of November
- The results show a continued, strong interest in the annual Capacity Auction, following the introduction of a capacity qualification process, new testing and performance requirements, and updates to the demand curve
- With a sizeable increase in cleared capacity over the 2022 Capacity Auction, the Auction continues to demonstrate its ability to leverage competition to meet growing system needs
- Consistent with previous years, ~~virtual hourly~~ demand response makes up the largest share of capacity cleared by resource type; however, the overall supply mix continues to become increasingly more diverse

# 2023 Capacity Auction Results Overview

## 2023 Capacity Auction cleared:

- **1867.2 MW at \$367.41/MW-day** for the summer 2024 obligation period
- **1310.8 MW at \$146.96/MW-day** for the winter 2024/2025 obligation period

## Compared to 2022 Auction results:

- 31% more summer capacity for only a 15% price increase
- 13% more winter capacity for only an 11% price increase



# Training Activities

To prepare participants for the updates rules and requirements from the 2023 enhancements, the IESO has provided multiple training sessions

- Summer of 2023: provided two pre-auction and auction training sessions to prospective participants
  - Included capacity qualification, pre-auction registration, auction offers and clearing
- March 2024: provided forward period and obligation period training for the upcoming 2024/25 commitment in the form of self-guided training videos and two follow-up Q&A sessions
  - Included new testing framework and other performance obligations, payments and charges, contributor outages

# Implementation Activities

The IESO has been working to implement the 2023 Capacity Auction Enhancements over the last year and are nearing completion. Some implementation activities include:

- o Capacity qualification incorporated into Online IESO
- o New charge types added to settlement system, and existing charge types updated where necessary
- o Buy-out process automated in Online IESO
- o Internal processes and procedures updated





# 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
- A resource may be placed on standby anytime between 2 p.m. on the pre-dispatch day and 7:00 a.m. on the dispatch day
- A standby is triggered in two ways
  - If the pre-dispatch shadow price is equal to or greater than \$200
  - If the schedule of record is less than the bid quantity (i.e. they receive a schedule in market)
- If placed on standby, the resource may receive an activation notice 2.5 hours before the dispatch hour

# Availability Charge for HDRs

There are two availability assessment timeframes for HDRs: one if they are placed on standby and one if they are not. If they are not placed on standby by 7a.m. of the dispatch day they can remove their bids without penalty.

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 can apply 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

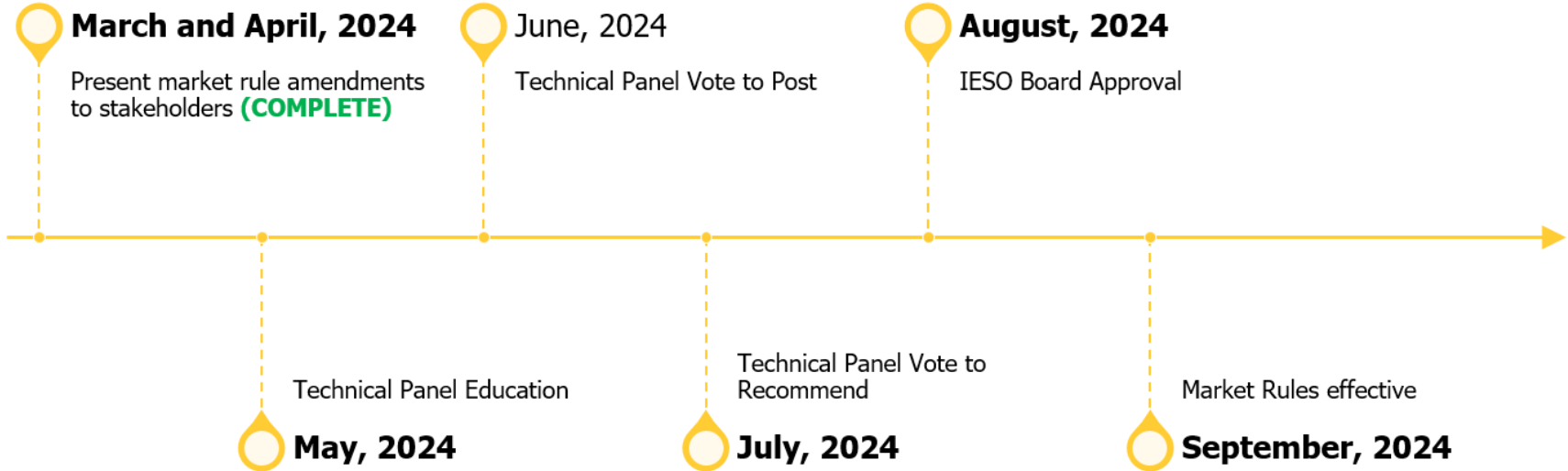
## Availability Charge

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

<b>Administrative Topic</b>	<b>Detail</b>	<b>Market Rule or Manual</b>
Performance Adjustment Factor	<ul style="list-style-type: none"><li>- Additional language to specify how delivered MWs will be determined in the calculation of the performance adjustment factor</li></ul>	MM 12: Capacity Auctions
Settlements	<ul style="list-style-type: none"><li>- Re-inserting definitions omitted through the baseline process</li><li>- Adjust formula for capacity charge assessment for C&amp;I HDR resources</li></ul>	MM 5.5: Physical Markets Settlement Statements
Import Operations	<ul style="list-style-type: none"><li>- Update the number of boundary entity resources available to generator-backed imports</li></ul>	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

- Proposed amendments to the market rules were presented to affected stakeholders in March and April 2024
- Technical Panel Vote to Post at the June 11 meeting
- Pending stakeholder feedback, Technical Panel vote to recommend at the July 16 meeting

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# Thank You

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