

Memorandum

To: Stakeholder Advisory Committee

From: Adam Butterfield, Senior Manager, Electricity Resource Development
Tom Chapman, Senior Manager, Market Development & Strategy

Date: February 17, 2021

Re: IESO Business Update – December 2020 Capacity Auction Results Summary

The following provides an update to members of the Stakeholder Advisory Committee (SAC) on the results of the December 2020 Capacity Auction.

Update

The IESO successfully ran its first capacity auction between December 2 and 3, 2020 for the summer 2021 obligation period. The December 2020 Capacity Auction was an expanded auction replacing the previous Demand Response (DR) Auction, and allowing participation from generation and storage resources, and system-backed imports, in addition to demand response. Despite the uncertainty of impacts of the COVID-19 pandemic on the electricity system, the auction saw a decrease in the clearing price compared to the 2019 DR Auction, participation from all eligible resource types, and new organizations participating in the auction. Overall, the auction results showed the benefits of a transparent and competitive mechanism in meeting resource adequacy needs.

The December 2020 Capacity Auction [cleared 992.1 MW from 75 different resources](#) at a clearing price of \$197.58/MW-day. In addition to demand response, each of the newly eligible resource types (generation resources, storage resources and system-backed imports) cleared the auction. This was from a total of 1144.1 MW that were offered into the auction from 83 different resources. In comparison, the 2019 DR Auction cleared 858.6 MW for the summer obligation period, at a clearing price of \$268.16/MW-day. This was from a total of 972.4 MW that were offered into the auction for the summer 2020 obligation period.

The total cost of the December 2020 Capacity Auction will be approximately \$25M, which is a decrease of approximately \$3.4M from the last DR Auction (summer 2020 obligation period).

At the February engagement days, the IESO will present analysis on the results of the December 2020 Capacity Auction, followed by a discussion with stakeholders who participated in any aspect of the auction to gather participant insights and potential improvements to the auction based on lessons learned. Stakeholders can find out more about this engagement session, including how to register, on the [February engagement days](#) agenda page.

It will be important to continuously evolve the auction to ensure it can continue to play a critical part in IESO's Resource Adequacy framework. As part of the Resource Adequacy engagement, the IESO intends to focus on engaging on enhancements that further support competition and innovation by enabling more resources to participate (e.g., resource-backed imports), implement a qualified capacity methodology to ensure alignment between planning assessments and acquisition mechanisms, and to run annual capacity auctions.