Feedback Form

Capacity Auction Enhancements – October 16, 2026

Feedback Provided by:

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Following the October 16, 2026 Capacity Auction Enhancements webinar, the Independent Electricity System Operator (IESO) is seeking feedback from stakeholders on the items discussed.

The referenced presentation and supporting materials can be found under the October 16, 2026, entry on the Capacity Auction Enhancements webpage.

To promote transparency, feedback submitted will be posted on the Capacity Auction Enhancements page unless otherwise requested by the sender. If you wish to provide confidential feedback, please mark "Yes" below:

- ☐ **Yes – there is confidential information, do not post**
- ■ **No – comfortable to publish to the IESO web page**

Please provide feedback by October 30, 2026, to engagement@ieso.ca. Please use subject: *Feedback: Capacity Auction Enhancements*.

Improve HDR Performance: Activation Performance Relative to Obligation

Topic	Feedback
Does the proposed testing rules enhancement encourage activation delivery to the obligation amount?	Edgecom supports the one-month testing window and the IESO's proposal to let a qualifying emergency activation from the most recently completed obligation period satisfy the capacity test requirement. We ask that this remain optional for participants. A resource whose emergency activation did not meet the test criteria, or delivered below 90% of cleared ICAP, should always keep the option to complete a scheduled capacity test in the one-month window of the next obligation period, with that test result used to determine the PAF. Activation conditions (short notice, same-day peak shaving and repeated activations) differ from a planned test, and a single weaker activation should not by itself set a resource's qualification outcome. We also ask the IESO to clarify how the proposal applies when an aggregator's contributor base changes between seasons. If an aggregator enrolls additional contributors and the resource's obligation increases, will a prior-season activation measured against the smaller obligation still exempt the resource from testing? In addition, if a resource has multiple emergency activations in the obligation period that meet the test criteria, please clarify which activation will be used to assess performance.

Improve HDR Performance: Accurate Energy Market Bid Submissions and Compliance with Dispatch Instructions

Topic	Feedback
What does the process look like to assess capability and submit a bid according to this capability in day ahead?	
How does this process differ when an activation notice is received day-of?	

What is the typical timeline for this assessment of capability to occur? 1-2 hours or more?	
How far in advance can this capability be firmed up?	Edgecom supports a longer activation notice window. A longer period between notice and execution gives contributors time to adjust their demand. This matters most for commercial and industrial customers, whose curtailment must be planned around production schedules. Longer notice directly improves contributor performance during emergency activations. Where possible, Edgecom also supports a day-ahead activation notice. Our experience with distribution company demand response programs in summer 2026 shows that day-ahead notice increases contributor participation. Overall, longer and more consistent activation notice will support stronger delivery during activations and more accurate bids.

High-level Design: Emergency Activation Charge

Topic	Feedback
Do stakeholders have feedback on the proposed design of the emergency activation charge?	Edgecom supports the IESO's goal of more accurate HDR bids and better delivery during emergency activations. However, we have significant concerns with the proposed design. As drafted, the EAC creates large and uneven financial exposure for HDR contributors. It reduces contributors' net revenue and increases the risk of participating in the program, which will discourage contributors from participating. This works against the reliability outcome the IESO is seeking. Our specific concerns are below. **1. The charge is scaled to the bid price, not the auction clearing price.** HDR resources bid at or above $1,999/MWh to be eligible for the emergency activation payment, so the EAC is effectively a fixed charge of about $2,000 per MWh of shortfall. Most HDR revenue comes from the availability payment, which scales with the auction clearing price. As a result, the same

underperformance produces the same charge in every season, but a very different share of revenue. For example, for a 10 MW winter resource over 125 business days with 20 activation hours at 75% delivery, the EAC is about $100,000 regardless of price. At a clearing price of $139/MW-day (winter 2025-2026) this is about 58% of the season's availability payment; at $725/MW-day (winter 2026-2027) it is about 11%. The existing dispatch charge scales with the clearing price and stays at the same share of availability revenue in both cases. We recommend the EAC be based on the auction clearing price (for example, the hourly availability payment rate multiplied by the NPF, per MW of shortfall) so that risk stays proportional to revenue.

2. No tolerance band. The current dispatch charge applies only when delivery falls below 85% of the dispatched amount. This band gives contributors room to manage baseline uncertainty, including the in-day adjustment factor, lookback-period effects and ICI curtailment. We recommend that any new charge keep a similar band and apply only to shortfall beyond 15% of the activation amount (delivery below 85%).

3. Resource fatigue and activation volume.

HDR performance declines when activations are frequent or clustered, as seen in summer 2025. In a season with a high number of activations, contributor fatigue leads to lower delivery and higher EAC penalties. Combined with availability charges, this could erode a large share of contributors' net revenue over the obligation period and discourage them from participating in the HDR program. In effect, the charge penalizes contributors most heavily in the seasons when the grid needs them most, rather than rewarding their participation.

Introducing this charge without a cap on the number of activations would discourage participation. We recommend the EAC be paired

	with the seasonal activation cap discussed at the August 2026 session. **4. Alternative: cap the hours subject to the charge.** If an activation cap is not pursued, the IESO could apply the EAC only to a fixed maximum number of activation hours per season (for example, 10 hours). Activations beyond that limit would continue to receive the EAP without the EAC. This keeps the incentive in place for a typical season while limiting fatigue-driven exposure in unusually high-activation seasons.
Does the charge appropriately address the misaligned settlement incentives stakeholders pointed out in previous feedback submissions?	Partially. The EAC removes the incentive to leave bids at the obligation amount, and we agree the current flat dispatch charge is weak once delivery falls below the 85% threshold. However, the proposal overcorrects. As a result, the charge will reduce contributors' net revenue and discourage participation in the HDR program. More importantly, accurate bid updates depend on information participants do not have in time. The contributor baseline and in-day adjustment are not established until after the mandatory bid revision window closes. Where a contributor can confirm its capability and update its bid, the EAC exposure largely disappears. Where it cannot, the charge penalizes a timing gap in the market design rather than participant behavior. Before introducing such a penalty, we recommend the IESO provide longer activation notice, ideally day-ahead, and give contributors more time to revise their bids once their capability is known. These changes would let contributors reflect their true capability in their bids, which is the outcome the EAC is intended to achieve.
Is there potential for any unintended participant behaviour to arise from this proposed enhancement?	Yes. We see the following risks: **Lower contributor participation**. These penalties will reduce contributors' net revenue from demand response and increase the risk of participating in the program. Industrial contributors with variable process loads may leave

	the program or reduce their enrolled capacity. Over time, this will shrink the HDR fleet and put upward pressure on auction clearing prices. The effect will be strongest in summer obligation periods, when more activations are expected.

General Comments/Feedback

Edgecom Energy thanks the IESO for its continued engagement and the opportunity to comment as an HDR aggregator. We support the one-month capacity test window and the option to use emergency activation results to satisfy the test requirement.

Our main concern is the proposed Emergency Activation Charge. We support the goal of more accurate bids and stronger delivery, but ask the IESO to (1) base the charge on the auction clearing price rather than the bid price, (2) keep a 15% tolerance band consistent with the current dispatch charge, (3) pair the charge with an activation cap or a cap on charged hours, and (4) resolve the timing of the in-day adjustment relative to the bid revision window. These changes would keep the incentive for accurate bidding while protecting contributor participation in the HDR program. Edgecom looks forward to continuing this work with the IESO.