Feedback Form

Capacity Auction Enhancements – October 16, 2026

Feedback Provided by:

Name: Linda Heron

Title: Chair

Organization: Ontario Rivers Alliance

Email: [redacted]

Date: 30 October 2026

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**
- X **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?	Yes. The Ontario Rivers Alliance (ORA) supports allowing an emergency activation to satisfy the capacity test. A test that a resource schedules for itself measures what the resource can do when it is fully prepared. An emergency activation measures what it delivers in the hours that ratepayers are paying for. The Independent Electricity System Operator (IESO) has found that hourly demand response (HDR) resources meet expectations in capacity tests but, on average since 2023, deliver only 60 to 70 percent of their obligations in real system events. ORA asks that the same measure of delivery be published for every resource type (Recommendation 9, under General Comments).

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?	ORA defers to HDR participants on the four questions in this table. They concern how individual operators assess and bid the capability of their own facilities.
How does this process differ when an activation notice is received day-of?	Same
What is the typical timeline for this assessment of capability to occur? 1-2 hours or more?	Same
How far in advance can this capability be firmed up?	Same

High-level Design: Emergency Activation Charge

Topic	Feedback

Do stakeholders have feedback on the proposed design of the emergency activation charge?	ORA supports the proposed Emergency Activation Charge (see Section 1 and Recommendation 1, under General Comments).
Does the charge appropriately address the misaligned settlement incentives stakeholders pointed out in previous feedback submissions?	Yes. In the IESO's own example, a resource that delivers 75 percent of its activation keeps an Emergency Activation Payment of about $13,500 and pays a dispatch charge of about $1,434. The proposed charge raises the consequence of that shortfall to about $5,000 and costs nothing to a resource that bids accurately (Section 1, under General Comments).
Is there potential for any unintended participant behaviour to arise from this proposed enhancement?	Yes, in two ways. First, a resource may offer less than it can deliver simply to avoid the charge, which would leave capacity unused when the grid needs it. The IESO should watch for a fall in bids after the charge takes effect. Second, an operator that bids honestly could still be charged if it cannot see its baseline before the bid deadline, or if it cannot follow a partial activation (Section 2 and Recommendations 2 and 3, under General Comments).

General Comments/Feedback

The Ontario Rivers Alliance (ORA) is a grassroots not-for-profit organization with a mission to protect, conserve and restore Ontario rivers. We speak for the people who live on them, fish them, paddle them and pay for the power taken from them.

ORA supports the proposed Emergency Activation Charge. ORA asks that the same accountability, and the same public reporting, apply to every resource that ratepayers pay to deliver, including hydroelectric generation.

1. Ratepayers are paying for capacity that does not arrive:

The Capacity Auction pays resources to stand ready for the hours when the grid is under stress. Hourly demand response (HDR) is one of those resources. HDR resources are businesses and institutions that are paid to cut their electricity use when the Independent Electricity System Operator (IESO) calls on them.

The IESO's own figures show the problem. In summer 2025, HDR resources delivered only about 64 percent of their capacity obligations when called, yet "*a majority of real-time HDR bids remained unchanged at the obligation value*".[1] Since 2023, when called on in real system events, HDR resources have delivered "*on average only 60-70% of obligated capacity when called upon*".[2] In summer 2025, "*Only 122 hours (9%) of 1,315 total activation hours*" showed any change in bids between the day ahead and real time.[2]

The payments explain why. HDR resources typically bid $1,999 per megawatt-hour (MWh), and when called in tight supply conditions they receive an Emergency Activation Payment based on that price.[1] In the IESO's own example, a 10 megawatt (MW) resource that delivers 7.5 MW keeps an Emergency Activation Payment of about $13,500 for the hour and pays a dispatch charge of about $1,434.[1] The IESO explained at the session that the current dispatch charge is a fixed amount, the same whether a resource delivers 84 percent or 34 percent of what it was dispatched for.[3]

The proposed Emergency Activation Charge applies the bid price to every megawatt not delivered. In the same example, the charge for the 2.5 MW shortfall is about $5,000.[1] A resource that lowers its bid in advance to what it can actually deliver pays no Emergency Activation Charge.[1] ORA supports this design. Ratepayers should pay for capacity that shows up, and a resource that bids honestly loses nothing under it.

ORA Recommendation 1: That the IESO adopt the proposed Emergency Activation Charge.

2. Accountability must be workable for the resources ORA supports:

ORA supports demand response and battery storage. Both add capacity without damming a river, and both can be built quickly. The purpose of the new charge should be to make these resources dependable, not to drive them out of the auction.

Two problems raised in this engagement should be fixed before the charge takes effect. The first concerns the baseline, which is the estimate of how much electricity a facility would have used had it not been called. Part of that estimate is an in-day adjustment, and stakeholders told the IESO that its effect "*is not known until after the close of the mandatory window, which makes it difficult for participants to adjust bids*".[1] The IESO has said it "*will consider concerns raised by stakeholders regarding the timing of the in-day adjustment relative to the bid adjustment as part of future auction enhancements*".[1] A charge for inaccurate bids should not come into force before participants can see the number their delivery will be measured against.

The second concerns facilities that cannot cut part of their load and can only shut a process down in full. A participant told the IESO at the session that a facility without on-site generation or storage cannot follow a partial activation without delivering more than it was asked for, and will not do so unless that oversupply is paid for.[3]

ORA Recommendation 2: That the IESO resolve the timing of the in-day baseline adjustment before the Emergency Activation Charge takes effect.

ORA Recommendation 3: That the IESO set out, before the Emergency Activation Charge takes effect, how a facility that can only curtail in full will be treated when it receives a partial activation.

The IESO is also moving to let dispatchable generation and storage connected to local distribution systems take part in the auction. In the IESO's words, expanding eligibility "*will support more robust competition, ratepayer value, and allow the Capacity Auction to better meet growing resource adequacy needs*".[2] ORA supports this change.

ORA Recommendation 4: That the IESO proceed in 2027 with Capacity Auction eligibility for dispatchable generation and storage connected to distribution systems.

3. The same standard must apply to hydroelectric generation:

The principle behind the Emergency Activation Charge is that ratepayers should not pay in full for power that is not delivered. In the hydroelectric contracts it is now offering, the IESO applies that principle only after a free margin of 20 percent, measured against a target the supplier sets for itself.

The Long Lead-Time energy contract, known as LLT(e), is for hydroelectric generation. Its recitals record that the Minister of Energy and Mines directed the IESO to procure energy from facilities that, "*among other things, are hydroelectric Electricity generating facilities other than pumped hydroelectric facilities*".[4] The contract runs for 40 years from commercial operation.[4] Under it:

- The supplier chooses its own target. The Annual Average Imputed Production Factor, the share of its capacity the facility is expected to generate over a year, is fixed in the contract and, in the words of the Request for Proposals (RFP), is "*a bid parameter by the Proponent taken from its Proposal*".[5]
- In most months, the contract payment is calculated from that target, not from what the facility actually generates.[5]
- Performance is not measured until after the third contract year, and then only as an average over the most recent three years.[4]
- A shortfall of up to 20 percent below the supplier's own target costs nothing. Where the shortfall is "*less than or equal to 0.20*", the charge "*shall be $0*".[4]
- A shortfall becomes a default only when output falls more than 35 percent below the target.[4]

The draft contract for Window 2 of the Long-Term 2 procurement, known as LT2(e-2), is open to waterpower and sets the same 20 percent threshold for every facility except solar. For solar facilities, the threshold is 10 percent.[6]

In the LT2 procurement, the IESO has told proponents how to use the target they set: "*The more conservatively a Supplier bids their Monthly Imputed Production Factors relative to their actual estimated capability, the less production risk they will be exposed to.*"[7]

The two standards can be set side by side. An HDR resource that delivers 75 percent of what it was called for, in a single hour, would pay about $5,000 under the proposed charge.[1] A hydroelectric facility that delivers 80 percent of a target it chose itself, averaged over three years, pays nothing.[4]

There is a further gap, and it concerns drought. Force majeure is the part of a contract that excuses a party when an event it could not have foreseen prevents it from performing. Drought is named in the force majeure clause of the LLT(e) contract as an example of an act of God, and every hour of force majeure is left out when the IESO measures how much a facility produced.[4]

A drought counts only if its impact "*could not reasonably have been anticipated as at the Contract Date*".[4] The contract does not say how that test applies to low water flow. A supplier claims force majeure by written notice to the IESO and must satisfy the IESO, acting reasonably, with supporting information. Any disagreement goes to the dispute resolution process in the contract.[4] ORA has found no public record of such claims or of how they are resolved.

This matters to ratepayers. A facility is not paid for hours of force majeure, but those hours are removed from the measure of its performance.[4] If the IESO accepts low water flow as force majeure, a drought shortfall never counts toward a non-performance charge or a default, on top of the free 20 percent margin. The power is still needed and must come from somewhere else, while the facility's record stays clean. Ratepayers would not know, because each facility's target is confidential (Section 4) and ORA has found no public reporting of force majeure claims.

The IESO itself anticipates that weather will change and that resources may not perform as they have in the past. Its own 2026 Annual Planning Outlook states: "*As actual weather and seasonal trends diverge from historical trends, supply resources may perform differently from assumed historical performance.*"[8]

The Province has gone further and has done so on the public record since 2023. Ontario's own Provincial Climate Change Impact Assessment rates electrical power generation as the only utility category already at "high" risk from climate change, and it keeps that rating "high" through the 2050s and the 2080s in every region.[9] The Assessment states: "*Electrical power generation can be impacted by climate change in a variety of ways, and in part depends on energy sources. For example, low water flows due to drought conditions can reduce hydroelectricity generation.*"[9] It adds: "*Hydropower generation may be particularly impacted by dry conditions or drought, should water availability be reduced.*"[9] Knowing this is the responsibility of every hydroelectric supplier and of the IESO. In ORA's view, with the Province's own assessment on the record, neither should be able to claim that the impact of drought on hydroelectric generation could not reasonably have been anticipated.

ORA Recommendation 5: That the IESO apply the principle of the Emergency Activation Charge, that ratepayers do not pay in full for power that is not delivered, to its energy contracts for hydroelectric generation.

ORA Recommendation 6: That the IESO set the non-performance threshold for hydroelectric facilities no higher than the 10 percent it sets for solar facilities.

ORA Recommendation 7: That the IESO state publicly that it will not accept drought or low water flow as force majeure for hydroelectric facilities under the LLT(e) and LT2(e-2) contracts, since its own 2026 Annual Planning Outlook anticipates changing weather and the Province's Climate Change Impact Assessment anticipates the impact of drought on hydroelectric generation.

ORA Recommendation 8: That, if the IESO does not adopt Recommendation 7 and keeps its current contract terms, it publishes its rationale for that decision, including how leaving ratepayers to carry the risk of drought shortfalls protects their interests.

4. Transparency is the IESO's own test:

The IESO conducts this engagement under its own principles, including "*Traceable – Allow everyone to follow the path that is being taken*" and "*Transparent – Show how engagement helped shape the final outcome*".[1]

The IESO measured how HDR resources performed in emergencies and published the result. That is to its credit. ORA has found no equivalent published measure for hydroelectric generation. The hydroelectric targets are not public either. The LLT(e) contract makes the Fixed Price and the Imputed Production Factors "*Mutually Confidential Information*".[4] Ratepayers fund these contracts for 40 years, yet they cannot see the target each facility is measured against, or whether it was met.

The engagement record shows the same gap. Feedback on the 20 August session was due on 3 September 2026.[2] Six weeks later, the 16 October presentation reported that "*five responses were received*" and stated that the IESO's full response "*will be posted shortly*".[1] As of 16 October 2026, the engagement web page shows no IESO response.[3] The 16 October presentation was itself posted late, which the IESO acknowledged at the session.[3]

ORA Recommendation 9: That the IESO publish each year, for every resource type that holds a capacity obligation, including hydroelectric generation, the share of that obligation delivered when activated in tight supply conditions.

ORA Recommendation 10: That the IESO publish each year, for every resource type under contract, actual output against contracted output, with hydroelectric generation reported separately.

ORA Recommendation 11: That the IESO publish each year, for every resource type under contract, the non-performance charges paid, with hydroelectric generation reported separately.

ORA Recommendation 12: That the IESO publish every claim of force majeure based on drought or low water flow under its contracts.

ORA Recommendation 13: That the IESO post its response to feedback before the next engagement session on the same topic.

ORA Recommendation 14: That the IESO post engagement presentations at least one week before each session.

The IESO has shown that it can measure what a resource delivers, publish the result and attach a consequence. It has done all three for demand response. ORA asks that it do the same for hydroelectric generation, which ratepayers will fund for 40 years. A rule that is right for demand response is right for every resource ratepayers pay to deliver. Traceable and transparent are the IESO's own standards, and ORA asks the IESO to meet them.

Respectfully submitted,

Linda Heron
Chair, Ontario Rivers Alliance
[redacted]

Endnotes:

1. *Independent Electricity System Operator, Capacity Auction Enhancements, engagement presentation, 16 October 2026, slides 4, 9, 12, 13, 34, 40, 41, 48, 50 and 51. https://www.ieso.ca/-/media/Files/IESO/Document-Library/engage/cae/cae-20261016-presentation.pdf*
2. *Independent Electricity System Operator, Capacity Auction Enhancements, engagement presentation, 20 August 2026, slides 22, 29, 30 and 44. https://www.ieso.ca/-/media/Files/IESO/Document-Library/engage/cae/cae-20260820-Presentation.pdf*
3. *Independent Electricity System Operator, Capacity Auction Enhancements, engagement web page, including the recording of the 16 October 2026 webinar and the stakeholder feedback received following the 20 August 2026 webinar, as viewed 16 October 2026. https://www.ieso.ca/Sector-Participants/Engagement-Initiatives/Engagements/Capacity-Auction-Enhancements*
4. *Independent Electricity System Operator, Long Lead-Time Energy Supply (LLT(e)) Contract, consolidated with Addendum 1, 12 August 2026, recitals, Section 1.1 definition of Mutually Confidential Information, Sections 3.1, 9.1(b), 10.1(j), 11.1(b), 11.1(c) and 11.3(a), Article 16, and Exhibits F and J. https://www.ieso.ca/Sector-Participants/Resource-Acquisition-and-Contracts/Long-Lead-Time-RFP*
5. *Independent Electricity System Operator, Long Lead-Time Energy Supply (LLT(e)) Request for Proposals, consolidated with Addendum 1, 12 August 2026, section 2.2(c)(i), page 14. https://www.ieso.ca/-/media/Files/IESO/Document-Library/long-lead-time/LLTe-RFP-Consolidated-with-Addendum-1-20260812.pdf*
6. *Independent Electricity System Operator, Long-Term 2 Energy Supply (Window 2) (LT2(e-2)) Contract, draft for discussion, 9 October 2026, Section 11.3(a), Exhibit B and Exhibit F, section 2. https://www.ieso.ca/en/Sector-Participants/Engagement-Initiatives/Engagements/Long-Term-RFP*
7. *Independent Electricity System Operator, Response to Feedback for Long-Term 2 RFP, Window 2, 14 August 2026, page 9. https://www.ieso.ca/-/media/Files/IESO/Document-Library/long-term-rfp/lt2-rfp-20260814-Response-to-Feedback.pdf*
8. *Independent Electricity System Operator, 2026 Annual Planning Outlook: Ontario's electricity system needs: 2027-2050, March 2026, section 7.2.1.4 at page 71. https://www.ieso.ca/-/media/Files/IESO/Document-Library/planning-forecasts/apo/2026/2026-Annual-Planning-Outlook.pdf*
9. *Ontario Ministry of the Environment, Conservation and Parks (Climate Risk Institute), Ontario Provincial Climate Change Impact Assessment: Technical Report, November 2023, pages 162, 163, 165 and 402. https://www.ontario.ca/files/2023-11/mecp-ontario-provincial-climate-change-impact-assessment-en-2023-11-21.pdf*