2023 Capacity Auction Enhancements

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Overview

- Response to stakeholder feedback from the September engagement meeting

- Update on the following topics:

  - Standby Trigger Price Review

  - HDR qualification discussion

  - HDR contributor outage proposal

  - Demand Curve Review

- Market Manuals and Market Rules Revision

- Next steps for 2023 Capacity Auction enhancements

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Recap: Enhancement Objectives

- The capacity qualification enhancement introduces a transparent process to derive an Unforced Capacity (UCAP) value for all resources while accounting for unique resource participation frameworks and provides both the IESO and auction participants with the confidence that the capacity contribution from each resource is being accounted for using fair and transparent methodologies.

- Modifications to the performance assessment framework will incent improved performance and reliability from cleared resources during hours of system need, while ensuring alignment and fairness from qualification through to assessment.

- Both enhancements contribute to ratepayer value by strengthening the IESO's ability to secure reliable capacity at the lowest cost.

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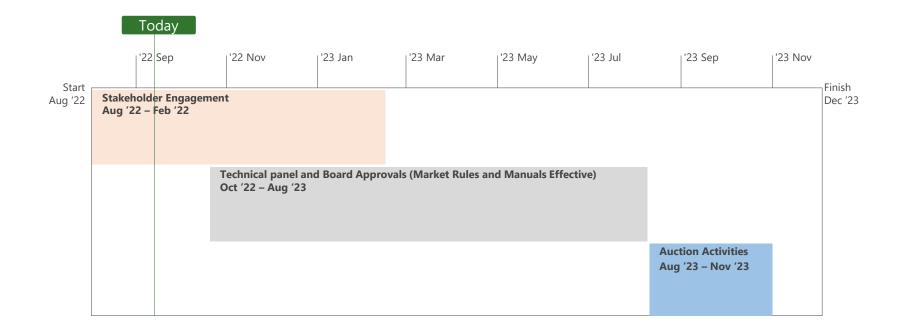
Stakeholder Feedback

Overview

IESO is currently reviewing the feedback received from the stakeholders and will post a response document on the IESO Capacity Auction Enhancements webpage shortly

Engagement Timelines

Implementation Timelines – High-Level

Today

| | '22 Sep | '22 Nov | '23 Jan | '23 Mar | '23 May | '23 Jul | '23 Sep | '23 Nov |

Start
Aug '22

Finish
Dec '23

Stakeholder Engagement
Aug '22 – Feb '22

Technical panel and Board Approvals (Market Rules and Manuals Effective)
Oct '22 – Aug '23

Auction Activities
Aug '23 – Nov '23

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Implementation Timelines - Details

	Activity	Tentative Dates
Engagements	General Session - 3	October 25, 2022
	Technical Session - 3	October 25, 2022
	General Session - 4	November 2022
	Technical Session - 4	November 2022
	General Session - 5	December 2022
	Technical Session – 5	December 2022
	General Session – 6	January 2023
	General Session - 7	February 2023
Technical Panel & Board Approvals	TP - Status Update	October 11, 2022
	TP - Education	January 2023
	TP - Vote to Post	March 2023
	TP Vote to Recommend	May 2023
	Board Approval (MR)	June 2023
	OEB Review Period	June 2023
	Market Rule Effective	July 2023
	Market Manual Effective	August 2023

Engagement Topics Status

Topic #	Topic	Status	Draft Market Rule/Manual Review
1	Non-HDR Qualification	Complete	October 24-26 Engagement Session
2	Testing Framework	Complete	October 24-26 Engagement Session
3	Charges & True-Ups	Complete	January 2023 Engagement Session
4	Standby Price Trigger Review	Complete	Late October posting on Pending Changes website
5	HDR Qualification (Standby Charge)	In Progress – update at October 25 Technical Session	January 2023 Engagement Session

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Engagement Topics Status

Topic #	Topic	Status	Draft Market Rule/Manual Review
6	HDR Performance Thresholds (Contributor Outages)	In Progress – update at October 25 General Session; Detailed design presented at November engagement session	January 2023 Engagement Session
7	Demand Curve Review	In Progress – update at October 25 Technical Session	January 2023 Engagement Session
8	Forward Capacity Auction	In Progress – update forthcoming	January 2023 Engagement Session
9	Audit	Stakeholder feedback requested by Oct. 7 on potential enhancements	TBD*

*Depending on progress of engagement discussions

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Engagement Topics

4.0 – HDR Standby Trigger Review

Overview: During the September 22 Technical Session, IESO provided an overview of the standby trigger price for HDR resources, explained the analysis approach utilized to revise the standby trigger price threshold and presented the proposal to increase the standby trigger price from $100 to $200

Next Steps: IESO will implement the revised $200 price trigger for the 2022 Capacity Auction. For the change to be in effect prior to 2022 Capacity Auction, MM 4.3 and MM 9.3 will be updated. Updated Manuals will be posted to the Pending Changes website in late October.

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5.0 – Qualification: HDR Resources (Standby Charge)

Overview: A capacity qualification process is required for all resources participating in the capacity auction, including an availability de-rate. During the September 22nd stakeholder session, IESO provided commentary on the two stakeholder proposals and presented a revised proposal for HDR qualification and Standby Availability Charge (SAC) that built upon previous feedback and discussion with stakeholders

October 25 Technical Session: Discuss updated IESO and stakeholder proposals that meets the objectives outlined in October 25 Discussion Brief 1.2

Further Details: [Discussion Brief 1.2 – HDR Qualification and Standby Availability Charge](#)

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6.0 – Performance Assessment: HDR Thresholds

Overview: A detailed proposal to address issues with impact of large contributor outages on HDR performance was presented at the September 22 Technical Session.

Stakeholders raised concerns on the impact of outages prior to an activation day on assessed performance and provided specific examples in their feedback.

Next Steps: IESO to respond to stakeholder feedback and present an updated detailed design of the proposed solution at the November engagement session

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7.0 – Demand Curve Review

Overview: During the August 25 stakeholder engagement session, IESO introduced the drivers and objectives for the capacity auction Demand Curve Review and outlined the scope of the review, which would focus on updates to the Reference Price and Maximum Auction Clearing Price.

IESO requested feedback on whether stakeholders supported the scope of review and what other aspects should be addressed during the review.

October 25 Technical Session: Brattle to present updated analysis to the price parameters recommendations made as part of the 2019 Demand Curve Review

Further Details: Discussion Brief 3.0 – Demand Curve Review

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9.0 – Audit

IESO appreciates the feedback submitted by the stakeholders on the September 21 engagement session. IESO is currently reviewing the feedback and will provide response to the feedback in a document following the October engagement session

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Draft Market Rules/Market Manuals

Draft Market Rules/Market Manuals

Draft revisions to the market rules and market manuals to reflect the 2023 enhancements will be completed and released to stakeholders in batches over the next several months. The first batch has been released in advance of this engagement, posted on the Capacity Auction Enhancements web page.

Each batch will build upon the previous, with the newest batch revisions visibly differentiated from the earlier. All drafts will be posted to the Capacity Auction Enhancements web page.

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Market Rule/Manual Batch Release Schedule

Batch #	Design Enhancement	Draft Document Review	Status
1	• Capacity Qualification (non-HDR) (design memo 1.0) • Testing Framework (design memo 2.0)	October 25, 2022	Posted for stakeholder feedback
2	• Charges and True-Ups (design memo 3.0) • Capacity Qualification (HDR) (standby charge) • HDR Performance Thresholds (contributor outages) • Demand Curve Elements	January 2023	In Progress
3	• Administrative Updates	Q2 2023	In Progress

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Batch 1

Enhancement	Design Reference	Market Rule Chapter	Market Manual Reference
Capacity Qualification (non-HDR)	Design Memo 1.0: Capacity Qualification (non-HDR)	Ch. 7, s. 18	MM 12: Capacity Auctions, s. 3.3
Testing Framework	Design Memo 2.0: Testing Framework	Ch. 7, s. 19	MM 12: Capacity Auctions, s. 5.3.3 MM 5.5: Physical Markets Settlement Statements, s. 1.6.26.3.5 MM 4.3: Real-time Scheduling of the Physical Markets, s. 6.6.1

The purpose of this table is to provide a broad overview of the proposed design enhancements as they relate to the market rules and market manuals. Please note that not all relevant design enhancements and corresponding references to the market rules and the market manuals may be captured

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Batch 2

Release: January 2023

Topics: Charges and true-ups, capacity qualification (HDR) (standby availability charge), HDR performance thresholds (contributor outages), demand curve elements

Notes: As part of incorporating charges and true-ups into batch 2, drafting will mirror the prevailing style reflected in other sections of these documents, which is different than the current style used in capacity auction sections. Specifically:

- Equations, including their variables and definitions, will be populated in Ch. 9 (currently only in charge types and equations)

- Market Manual 5.5 will contain any additional details necessary to support Ch. 9 amendments
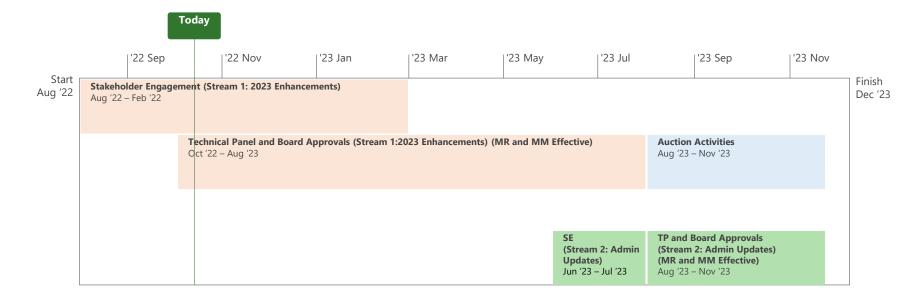
Batch 3

Release: Late-Q2, 2023

Topics: Administrative updates

Notes: Batch 3 will reflect drafting style updates to the balance of the capacity auction sections of Ch. 9 of the market rules and Market Manual 5.5. This is to update to the prevailing style used in the other sections of these documents, to ensure all sections are written in a uniform way.

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High Level Timeline

Today

Start Aug '22

'22 Sep | '22 Nov | '23 Jan | '23 Mar | '23 May | '23 Jul | '23 Sep | '23 Nov

Finish Dec '23

Stakeholder Engagement (Stream 1: 2023 Enhancements)
Aug '22 – Feb '22

Technical Panel and Board Approvals (Stream 1:2023 Enhancements) (MR and MM Effective)
Oct '22 – Aug '23

Auction Activities
Aug '23 – Nov '23

SE (Stream 2: Admin Updates)
Jun '23 – Jul '23

TP and Board Approvals (Stream 2: Admin Updates) (MR and MM Effective)
Aug '23 – Nov '23

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Next Steps

Next Steps

October 25 Technical Session will focus on:

1. Brattle to present updated analysis to the price parameters recommendations made as part of the 2019 Demand Curve Review

2. Review of IESO and stakeholder proposals for an alternative to an HDR availability de-rate in capacity qualification

Please review the Discussion Briefs posted on the engagement webpage prior to the Technical Session.

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Next Steps

November 22-24, 2022

- HDR Performance Thresholds (Contributor Outages) Design Memo posted for stakeholder review

- Alternative to HDR availability de-rate final design discussion

- Recommended demand curve updates for 2023 Capacity Auction

December 14-16, 2022

- HDR qualification design memo and demand curve design memo posted for review

- Transition from design to market rule and manual drafting and review

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Next Steps

January 2023

- Batch 2 market rules and manuals presented for review and stakeholder comment

- Future auction enhancements discussion

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Request for Stakeholder Feedback

- Please submit feedback on today's engagement topics and batch 1 of the draft market rules and market manuals by **November 4** to engagement@ieso.ca using the feedback form on the engagement webpage.