



NOVEMBER 22, 2022

2023 Capacity Auction Enhancements

Overview

- Response to stakeholder feedback from the September engagement meeting
- Update on the following topics:
 - HDR qualification discussion
 - HDR contributor outage proposal
 - Demand curve review
- Market Manuals and Market Rules Update
- Next Steps

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.



Stakeholder Feedback

Overview

- Stakeholder feedback and IESO responses in this presentation pertain only to the topics being discussed today including HDR qualification, HDR contributor outages, HDR performance thresholds and the demand curve review
- IESO appreciates the feedback received on the other engagement topics and is in the process of reviewing and formulating a plan for addressing that feedback
- Response to September feedback has been posted on the IESO website and response to October feedback will be posted ahead of the December engagement meeting

HDR Standby Trigger Review

Stakeholder Feedback

Stakeholders suggested the methodology used to update the HDR standby price trigger be documented for repeatability and consistency and recommended that the IESO provide insight into the forecast of prices and system needs so that there is a better understanding of what the standby trigger should be to ensure HDR resources are available when required.

IESO Response

IESO intends to review the HDR price trigger annually going forward and will take stakeholder feedback into consideration when conducting future annual reviews.

IESO does not forecast prices. The Annual Planning Outlook (APO) and Annual Acquisition Report (AAR) provide insight into system needs. Standby notices are designed to ensure HDR resources are available to assist the IESO during times of peak system needs alongside other peak-demand resources. IESO has documented the methodology used to determine the revised price trigger in [Design Memo 4.0 - HDR Standby Trigger Review](#).

IESO would be willing to explore alternative approaches to triggering an HDR standby notice in coordination with plans to engage on other demand response-related topics that have been identified through discussions with the DR community

Qualification: HDR Resources (Standby Charge)

Stakeholder Feedback

Stakeholders continue to indicate that the Standby Availability Charge (SAC) proposals incent the wrong behaviour by HDR participants.

IESO Response

IESO notes stakeholders' point that the SAC may incent undesirable behaviour by participants not updating bids to reflect true capability of their resource. IESO also reviewed the two alternative proposals put forward by the stakeholders. In-light of the feedback provided by the stakeholders, and considering the alternative proposals, IESO has put forward an alternative preferred proposal to the SAC that would de-rate HDR resources using performance from the self-scheduled capacity test. See Design Memo 5.0: Capacity Qualification (HDR Resources) posted to the webpage for further details on the revised preferred proposal.

Qualification: Performance Adjustment Factor (PAF)

Stakeholder Feedback

Stakeholders suggested that the application of a performance adjustment factor (PAF) as part of future capacity qualification is unnecessary if the IESO implements an in-period de-rate for HDR resources.

IESO Response

The purpose of the PAF is to ensure historic performance of a resource is carried forward and captured in its qualified capacity. Removal of the PAF would amount to elimination of a capacity qualification methodology for HDRs which would represent unfairness in treatment of other capacity auction resource types.

HDR Performance Thresholds

Stakeholder Feedback

Stakeholders indicated general support for the proposed solution to address forced contributor outages. However, Stakeholders recommended the solution extend to forced outages up to 15 days in length to account for the impact of longer outages on assessed performance.

IESO Response

IESO has taken this feedback into account, per the Design Memo discussed later in this presentation. In that Memo, IESO has further defined the definition of a forced contributor outage, as well as outlined other administrative aspects of the contributor outage proposal, including timing and content of communicating a forced contributor outage to the IESO.

Audits

Stakeholder Feedback

Stakeholders had requested the IESO prioritize the review of Measurement Data Audit Process topics with particular emphasis on applying proportionality to appropriately penalize the customers that did not satisfy the Audit.

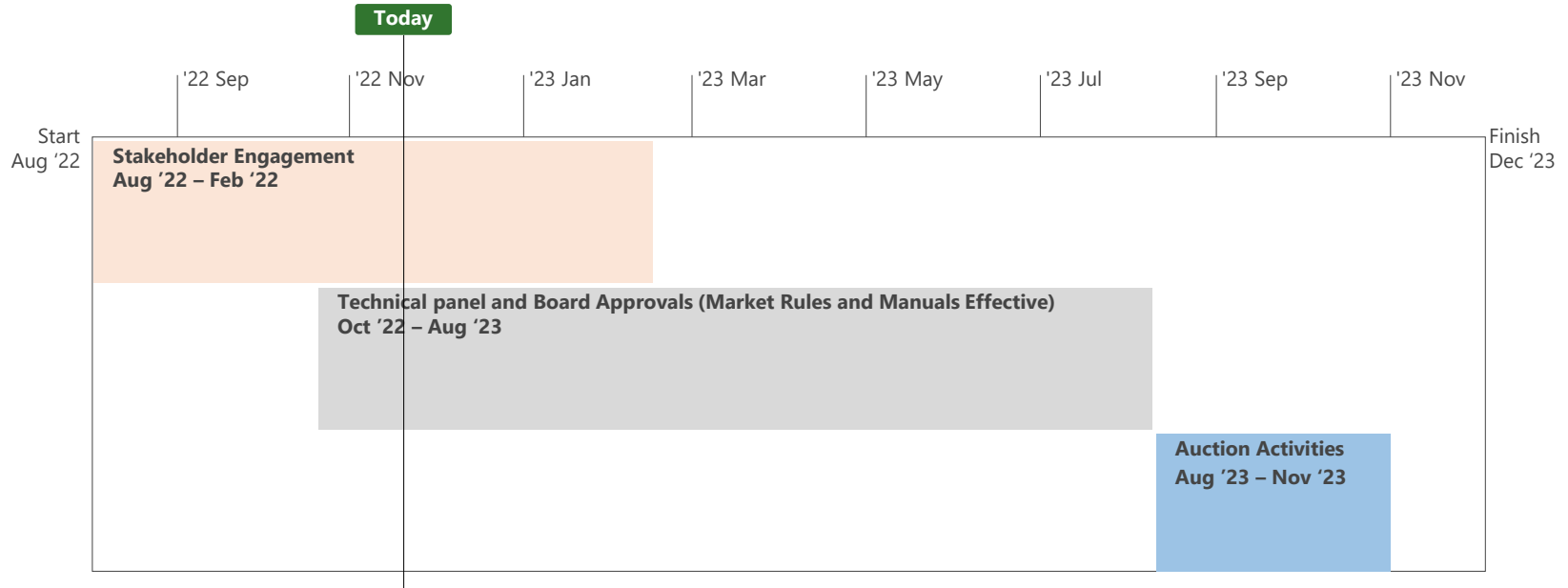
IESO Response

The IESO proposes to include discussions on these measurement data audit-related topics in future auction enhancements discussions expected to begin in 2023. The IESO will consider including further discussion on this topic through an engagement to address HDR-related topics that have been identified as outside the scope of the Capacity Auction Enhancement engagements. We expect to propose engagement plans in early 2023.



Engagement Timelines

Implementation Timelines – High-Level



Implementation Timelines - Details

	Activity	Tentative Dates
Engagements	General Session - 4	November 2022
	General Session – 5	January 2023
	General Session - 6	February 2023
Technical Panel & Board Approvals	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 (if applicable)
1	Non-HDR Qualification	Complete	October 24-26 Engagement Session
2	Testing Framework	Complete	October 24-26 Engagement Session
3	Charges & True-Ups	Complete	October 24-26 Engagement Session
4	Standby Price Trigger Review	Complete	Late November effective
5	HDR Qualification	In Progress – update at the November 22 General Session	January 2023 Engagement Session
6	HDR Performance Thresholds & Contributor Outages	In Progress – update at the November 22 General Session	January 2023 Engagement Session

Engagement Topics Status

Topic #	Topic	Status	Draft Market Rule/Manual Review (if applicable)
7	Demand Curve Review	In Progress – update at the November 22 General Session	January 2023 Engagement Session
8	Forward Capacity Auction	In Progress – Update at the November 22 General Session	January 2023 Engagement Session
9	Audit	IESO to engage on this in 2023 as part of the future enhancements	



Engagement Topics

5.0 – Qualification: HDR Resources

Recap of Engagement on the Availability De-rate Proposals

At the August 26, 2022, Technical Session, IESO presented a recap of the general methodology for capacity qualification and the proposal for the Standby Availability Charge (SAC). Participants raised concerns related to this proposal, which were captured in the Discussion Brief [1.0: HDR Qualification and SAC](#) posted on the Capacity Auction Enhancements engagement webpage.

At the September 22, 2022, Technical Session, IESO provided commentary on two stakeholder proposals, and presented a revised proposal that built upon previous feedback and discussion with stakeholders. The concerns raised during this engagement were captured in the [Discussion Brief 1.1: HDR Qualification and SAC](#) posted on the Capacity Auction Enhancements engagement webpage

5.0 – Qualification: HDR Resources cont'd

Current Status: At the October 25 technical session, IESO put forward an alternate recommendation for HDR qualification. This was done after careful review of the proposals presented by stakeholders, and consideration of comments received on the SAC proposal. Stakeholders were asked to provide feedback on this alternate proposal.

November 22 General Session: IESO to provide additional details on the alternative proposal of in-period adjustment to capacity payments and obligation

Proposal Details: [Design Memo 5.0 – Capacity Qualification \(HDR Resources\)](#)

5.0 – Qualification: HDR Resources cont'd

Key Points of the Proposal:

IESO will use delivered performance during the self-scheduled capacity test to perform an in-period UCAP adjustment. This will adjust the resource's obligation and capacity payments for the obligation period during which the capacity test is conducted.

If an HDR resource does not deliver to at least capacity obligation (cleared UCAP):

- The resource's capacity obligation will be adjusted to reflect the MWs delivered in the capacity test, retroactively effective to the first day of the obligation period.
- A charge will apply which will be equal to the availability payments already received for the undelivered portion of the capacity obligation, less any availability charges incurred for that same capacity.

5.0 – Qualification: HDR Resources cont'd

For clarity, delivered performance during the self-scheduled capacity test will be used in two assessments:

1. In-period adjustment – Will be applied if an HDR resource does not deliver to at least capacity obligation (cleared UCAP). Refer to Design Memo 5.0 - HDR Qualification for further details
2. Performance Adjustment Factor (PAF) - Will be applied in future capacity qualification if an HDR resource fails to deliver to its capability (cleared ICAP). Refer to [Design Memo 2.0 - Testing Framework](#) for further details

6.0 –Contributor Outage Management

Overview: A detailed proposal to address issues with impact of large contributor forced outages on HDR performance was presented at the September 22 Technical Session. In their feedback to that session, stakeholders expressed general support for the proposal to address impact of contributor outages. However, stakeholders requested that the IESO also account for contributor outages prior to an activation day and the impact on assessed performance.

November 22 General Session: IESO to present detailed design of the proposed solution as outlined in [September 22 Discussion Brief 2.1: HDR Performance Thresholds](#)

Proposal Details: [Design Memo 6.0 - Contributor Outage Management](#)

6.0 –Contributor Outage Management (cont'd)

Key Points of the Proposal:

- The proposal is largely the same as what was presented at the September 22 engagement session, with the following administrative additions:
 - Definition of a forced contributor outage to focus on the case where the load returns between one hour before an activation to the end of the activation event, where the length of such outage cannot exceed 15 calendar days;
 - Proposal for communicating forced contributor outages to the IESO, including method, content, and timing of communications – proposed as within 5 business days following the activation; and
 - Proposal for how to approach contributor outages in HDR data measurement audits

6.1 – Performance Assessment Thresholds

Engagement Status: Complete

Overview: Under the existing performance assessment framework, HDR resources must demonstrate delivery of 80% of their capacity obligation in order to avoid a capacity charge. Other capacity auction resources are not currently subject to capacity test performance thresholds.

Under the enhanced framework, IESO will adjust the performance threshold for HDR resources from 80% to 90% of the cleared ICAP, while other capacity auction resources will now be allowed a 5% threshold to demonstrate their ability to deliver capacity.

Design details: [Design Memo 6.1 – Performance Assessment Thresholds](#)

7.0 – Demand Curve Review

Overview: During the October 25 technical engagement session, IESO's consultant, Brattle, provided an overview of the demand curve parameters and reviewed the analysis that Brattle had conducted in 2019 regarding updates to the Reference Price and Maximum Auction Clearing Price (MACP).

November 22 Engagement Session: IESO to provide recommendations on the updates to the Reference Price and MACP considering the Brattle analysis, feedback received from stakeholders, and internal discussion.

Design Details: [Design Memo 7.0 – Demand Curve Price Parameters](#)

7.0 – Demand Curve Review (cont'd)

Key Points of the Proposal:

- Reference Price update to \$644/MW-day UCAP
 - Updated based on 2019 Brattle recommendation of \$542/MW-day ICAP and after accounting for inflation and the transition to UCAP
- MACP update to 1.5x the Reference Price, for an MACP of \$966/MW-day UCAP
 - Changes to the MACP will influence other demand curve parameters, namely, the maximum auction capacity at the MACP, and the maximum auction capacity limit
- These recommended updates contribute to achievement of the Capacity Auction objectives, ensure the demand curve reflects current economic conditions and supports an auction design that continues to clear reliable, low-cost incremental capacity



Draft Market Rules/Market Manuals

Market Rules/Market Manuals Update

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 was released in advance of the October engagement.

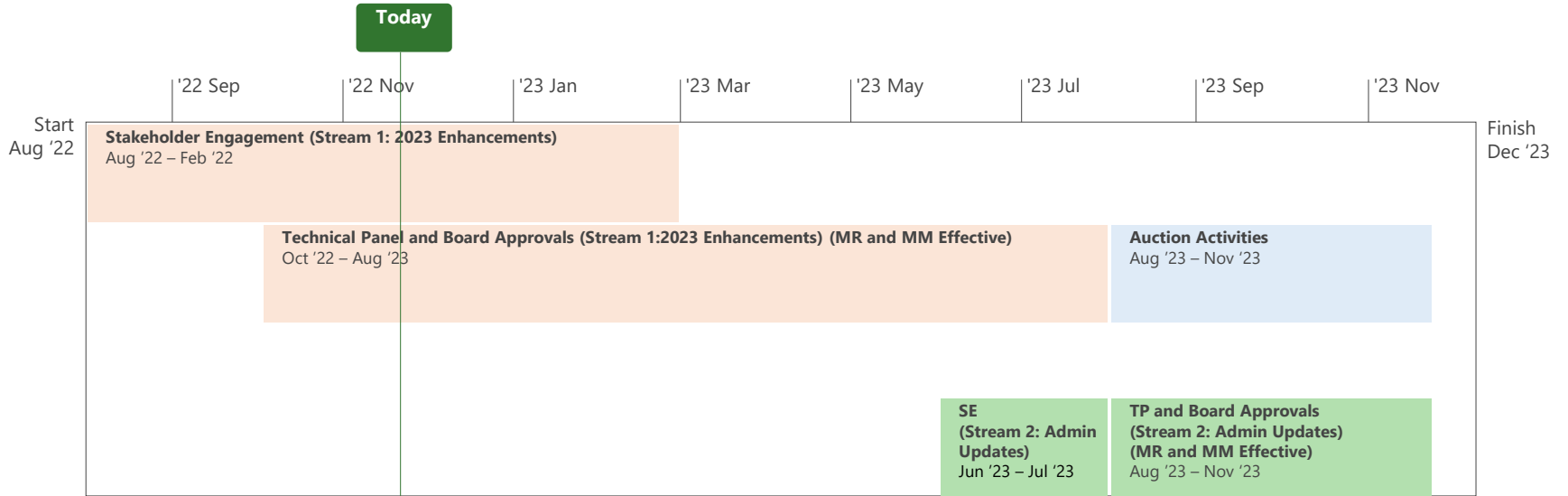
- Batch 2 will be released in advance of the January 2023 engagement
- Feedback on Batch 1 can still be submitted as part of the November engagement feedback

All drafts will be posted to the [Capacity Auction Enhancements](#) web page.

Market Rule/Manual Batch Release Schedule

Batch #	Design Enhancement	Draft Document Review	Status
1	<ul style="list-style-type: none">Capacity Qualification (non-HDR) (design memo 1.0)Testing Framework (design memo 2.0)	October 25, 2022	Posted
2	<ul style="list-style-type: none">Charges and True-Ups (design memo 3.0)Capacity Qualification (HDR)Performance ThresholdsHDR Contributor OutagesDemand Curve Elements	January 2023	In Progress
3	<ul style="list-style-type: none">Administrative Updates	Q2 2023	In Progress

High Level Timeline





Next Steps

Next Steps

January 2023 Engagement Session:

- Discuss any feedback received following the November engagement
- Conclude discussion on outstanding engagement topics
- Begin future auction enhancements discussions based on stakeholder and IESO enhancement goals

Request for Stakeholder Feedback

- Please submit feedback on today's engagement topics by **December 12** to engagement@ieso.ca using the feedback form on the engagement webpage.