

Capacity Auction Design Memo 3.1

Engagement Topic: Performance Assessment – Charges, True-Up Payments

Engagement Status: Complete

Date: August 2022

The purpose of this memo is to summarize enhancements/ introduction of new charges and true-ups in the capacity auction performance assessment framework. For details on the capacity auction test itself, please refer to [Capacity Auction Design Memo 2.1 – Testing Framework](#).

1. Augmented Availability Charges

Existing Design

This charge does not exist under the current framework.

2023 Enhancements

The IESO will not be implementing the Augmented Availability Charge for the 2023 Capacity Auction(s), as proposed during the 2022 Capacity Auction Enhancements engagement (which took place under the broader Resource Adequacy engagement).

2. Capacity Test Capacity Charge

Existing Design

The Capacity Charge is applied on failure of an activation test, and is equivalent to availability payment for the month.

2023 Enhancements

The Capacity Charge will apply for failure of the new self-scheduled Capacity Test, and will be equivalent to the availability payment for the month.

3. Dispatch Charge

Existing Design

The Dispatch Charge applies to HDR resources only, when it fails to follow the IESO's dispatch instructions. If the resource follows IESO's dispatch instruction within a 15% threshold, the charge will not apply.

2023 Enhancements

The Dispatch Charge will continue to apply to HDR resources when it fails to follow the IESO's dispatch instructions, including in the proposed Dispatch Test. There will be no changes to the performance threshold or magnitude of the charge.

4. Availability Charges True-Up Payment

Existing Design

This payment type does not exist under the current framework.

2023 Enhancements

The transition from ICAP to UCAP requires the introduction of an availability assessment "true-up". The true-up will compensate resources for some of the availability charges incurred if, on average, the resource was available equal to or greater than their obligation amount over the obligation period. The true-up payment is based on the quantity of auction capacity provided in excess of the capacity obligation, made available during each hour of the availability window.

The true-up payment is calculated for each hour and is capped at the minimum of 115% of a resource's UCAP obligation, the resource's cleared ICAP, or the resource's registered capability (applicable only to virtual HDR resources). The true-up payment for the obligation period will be capped to the sum of the availability charges incurred by the resource during the applicable obligation period (i.e., no extra payment for being available above a capacity obligation on average).

The true-up ensures fairness by aligning the average assessment in UCAP qualification with an average assessment for availability, and incents resources to continue to offer their capability (i.e., their ICAP) to the market.

5. Capacity Auction Charges True-Up Payment

Existing Design

This payment type does not exist under the current framework.

2023 Enhancements

Where applicable, capacity auction participants will receive a true-up payment at the end of each obligation period. This true-up ensures that total charges incurred in an obligation period do not exceed availability payments in an obligation period.

6. In-period UCAP Adjustment Charge

Existing Design

This payment type does not exist under the current framework.

2023 Enhancements

If an HDR resource's average hourly capacity delivered over the 4-hour testing period is determined to be less than 90% of its cleared UCAP, the obligation of that resource will be adjusted to the amount of capacity that was determined by the IESO to have been provided during the capacity auction capacity test and an in-period UCAP adjustment charge will be applied equal to the availability payments received for the undelivered portion of the capacity obligation, less any availability charges previously incurred for that same capacity.

If such reduction in the capacity obligation for an HDR resource results in a revised capacity obligation being less than 1 MW, the remainder of the HDR resource's capacity obligation will be forfeited effective as of one business day following the date of the notice of the test result.