



Capacity Auction Enhancements

August 20, 2026

Capacity Auction Team



Welcome!

We will begin momentarily. Please ensure your microphones are muted. Thank you.

Territory Acknowledgement

The IESO acknowledges the land from where we are delivering today's webinar is the traditional territory of many nations including the Mississaugas of the Credit, the Anishinaabeg, the Chippewa, the Haudenosaunee and the Wendat peoples, and is now home to many diverse First Nations, Inuit and Métis peoples. We also acknowledge that Toronto is covered by Treaty 13 with the Mississaugas of the Credit First Nation.

As we have attendees from across Ontario, the IESO would also like to acknowledge all the traditional territories across the province, which include those of the Algonquin, Anishinaabeg, Ojibwe, Cree, Oji-Cree, Huron-Wendat, Haudenosaunee, Métis, and Inuit peoples.

Engagement Principles

This engagement is conducted in accordance with the IESO's [External Engagement Framework](#), which includes the following principles:

- **Purposeful** – Initiate meaningful conversations that move the sector forward
- **Inclusive** – Invite many voices and diverse perspectives to the table
- **Timely** – Seek input and insight when it can have the most impact
- **Accessible** – Ensure we meet people where they are on their energy journey
- **Traceable** – Allow everyone to follow the path that is being taken
- **Transparent** – Show how engagement helped shape the final outcome

Shared Commitment to Respectful Participation

To support a focused and constructive discussion:

- We will take questions one at a time; please use the raise-hand feature to enter the speaking queue
- We encourage concise and focused comments to allow time for multiple perspectives
- Participants are encouraged to raise relevant points during the discussion and provide more detailed feedback through the written submission process
- We ask that all participants maintain a respectful and professional tone throughout the session
- Facilitators will guide the discussion and manage participation to stay aligned with today's focus and agenda
- Where necessary, we may disable a participant's microphone to manage participation

Participation

- For questions and comments click on the “Raise hand” icon (hand symbol) at the top of the application window. This will indicate to the host you would like to speak
- To unmute audio, click on the microphone icon at the top of the application window
- Audio should be muted when not asking a question
- Connection issues contact engagement@ieso.ca or Microsoft Office Support

Today's Discussion

The IESO is continuing engagement activity on Capacity Auction (CA) enhancements. At today's session the IESO will:

- Present the proposed list of 2027 Capacity Auction enhancements
- Highlight upcoming milestones for the 2026 Capacity Auction
- Outline next steps for the 2027 Capacity Auction Enhancements



2027 Capacity Auction Enhancements

Recap: Planned Enhancements for 2027-2028 Auctions

- The [March 2026 engagement](#) included a high-level overview of the three areas of focus under consideration for the 2027-2028 enhancements.
 - Improve Performance
 - HDR Market Operations
 - Commitment Management Options
- Enhancements undertaken will have to take into consideration potential work undertaken by the Enabling Resources Program (ERP).
- In the next slides we will discuss the 2027 prioritized enhancements.

Prioritized 2027 Enhancements

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Enhancement	High-Level Description	Commentary
Expanded Capacity Test Window	Expand the capacity test period from one week to one month	Discussion on draft high-level design will begin today
Expand Participation	Enable distribution-connected dispatchable generator/storage resources to participate in the Capacity Auction	Discussion on draft high-level design will begin today
Improve Hourly Demand Response (HDR) Performance	Explore enhancements to market signals to improve activation readiness, promote more accurate HDR bid submissions, and strengthen compliance with dispatch and delivery to capacity obligations.	Design discussions on this item will begin in the next engagement session this fall

Prioritized 2027 Enhancements

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Enhancement	High-Level Description	Commentary
Review of UCAP Methodologies	Updates to resource-specific UCAP capacity qualification methodologies	Design discussions on this item will begin in the next engagement session this fall
Reference Price Review	Review the auction reference price considering the latest inflation data and results from the recent new-build capacity procurement results (LT2 RFP)	Design discussions on this item will begin later in 2027

High-Level Timelines for 2027 Capacity Auction

- The Gantt chart below outlines high-level timelines for CA 2027

2027 Auction Timelines	2026-Q3			2026-Q4			2027-Q1			2027-Q2			2027-Q3			2027-Q4		
	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Stakeholder Engagement: August 2026 to April 2027																		
Market Rules and Manuals March to Nov. 2027																		
Pre-Auction Activities Sept. to Nov. 2027																		
2027 Capacity Auction November 25-26																		



Expanded Capacity Test Window Enhancement

Background: Expanded Capacity Test Window

- Stakeholders have expressed that the current one-week capacity test window provides limited flexibility when events such as maintenance activities, forced outages and other resource-specific circumstances occur that may prevent them from demonstrating delivery to their cleared ICAP.
- The IESO is also interested in exploring opportunities to reduce the need for rescheduling requests through the allowable exception process to reduce participant and IESO administrative burden.

Overview: Expanded Capacity Test Window

- **Current Design**

- All resources, except for generator-backed import (GBI) resources, self-schedule a capacity test during an IESO-prescribed one-week test window. GBIs can self-schedule a capacity test within the first two months of an obligation period.

- **Proposed Enhancement**

- All resource types (including GBIs) will complete a capacity test within a one-month testing window at the start of each obligation period.
 - May for the summer obligation period
 - November for the winter obligation period

Design Details: Allowable Exceptions

- With an expanded one-month test window, the IESO will more clearly define the limited circumstances that may qualify for rescheduling/exception requests.
- Consideration will continue to be given to the following circumstances:
 - Force majeure event
 - Outage caused by a third-party market participant
 - For imports, a bona fide and legitimate reason as outlined in MR Ch.7 s.7.5.8A
- The exception for SEAL events as outlined in MR Ch.7 s.7.5.3. will be removed.
- The application of the SEAL exception was unlikely with a one-week test window, and it will no longer be applicable for the one-month test window.

Design Details: Bid Price Threshold

- The demand response bid price threshold (BPT) of \$100/MWh applies to HDR and capacity dispatchable load resources.
- Under the one-month test window, the BPT will only be waived for the designated capacity test date and associated test hours and/or intervals submitted by the participant for evaluation by the IESO.
- Any additional capacity test attempts conducted within the capacity test window will remain subject to the demand response bid price threshold and any associated participant costs.

Benefits of Expanded Capacity Test Window

- The proposed change is expected to have the following benefits:
 - Increase flexibility for participants to self-schedule the capacity test
 - Reduce risk that isolated operational events adversely impact a resource's future auction participation
 - Streamline the IESO's administration of the capacity test process
- Stakeholder feedback is requested on the following:
 - Does this proposed enhancement offer greater flexibility to manage grid and resource unavailability (i.e., outages) and scheduling when attempting to complete the capacity test?
 - What other details do stakeholders require to support this proposal?



Expand Participation: Enable Distribution-Connected Dispatchable Generator/Storage Resources

Background: Expand Participation

- Stakeholders with distribution-connected dispatchable generation/storage resources have expressed an interest in participating in the Capacity Auction.
- Current market rule definitions exclude these resources from participating.
- Previous expansions to resource eligibility in the Capacity Auction have introduced greater competition and liquidity, allowing the auction to clear greater amounts of capacity at competitive prices for a diverse range of capacity resources.

Overview: Expand Participation

Current Design

- Currently, an ***embedded generator*** and an ***embedded electricity storage facility*** do not meet the ***connected facility*** definition even if they are ***dispatchable*** like other auction-eligible transmission-connected resources.

Proposed Enhancement

- Dispatchable embedded resources operate in the market in the same manner as transmission-connected resources and should similarly be eligible to participate in the auction.
- The IESO is looking to clarify the market rule definitions of an *embedded generator* and an *embedded electricity storage facility* that are *dispatchable*, in order to enable participation in the Capacity Auction.

Benefits: Expand Participation

- The proposed change is expected to have the following benefits:
 - Allow distribution-connected generation/storage resources to provide system value and grid reliability
 - Offer annual revenue opportunities for existing resources coming off IESO contracts
 - Expanding eligibility to a wider pool of eligible resources will support more robust competition, ratepayer value, and allow the Capacity Auction to better meet growing resource adequacy needs



Improve HDR Performance

Recap: HDR Market Operations

- Earlier this year, the IESO engaged with HDR stakeholders on their experiences from a recent period involving a higher frequency of market activations.
- Stakeholders raised a variety of issues that fall into these broad categories:
 - Activation certainty – a need for greater confidence in the standby trigger, activation signals and the intended use of HDR resources
 - Operational constraints – request to reflect operational constraints in dispatch scheduling, in response to the occurrence of partial activations
 - Payment certainty – a need for greater clarity regarding eligibility for payment when resources are activated

Recap: HDR Initiatives Completed in 2026

In response to this stakeholder feedback, the IESO took action to address these concerns, including the following:

1. Updated the HDR standby trigger price as outlined in the [June 2026 engagement](#) and revised MM 4.3, s.5.2 effective July 14, 2026.
2. Identified primary root cause for partial activations and provided clarity that bid differentiation at or above \$1,999 could materially decrease the frequency of partial activations in the [March 2026 engagement](#).
3. Provided clarity on Emergency Activation Payment eligibility in the [March 2026 engagement](#) and revised MM 5.5 s.3.4.2.1 (effective November 2026).

Monitoring of Market Operations Activity

- The IESO will continue to evaluate market operations activity for HDRs and all resource types to identify areas of improvement related to delivery of capacity obligations.
- Since HDR market operations and performance issues are interrelated, solutions are best designed and considered together under a common category.
- The IESO believes that continued review of HDR market operations enhancement opportunities will in turn help to improve HDR performance.

Background: Improve HDR Performance

- HDR resources have historically underperformed relative to both their obligation and dispatch instructions when activated in the energy market.
- The IESO must have an accurate picture of available capacity from auction resources and must be able to rely on the capacity it procures to be delivered in real-time when managing the system.
- As Ontario demand increases and supply conditions tighten, continued underperformance may undermine reliability during periods of critical system need and decrease overall confidence in HDR resources as a reliable source of capacity.

Overview: Improve HDR Performance

- The goal of the Improve HDR Performance enhancement is twofold:
 - Improve HDR activation performance relative to capacity obligations
 - Encourage more accurate energy market bid submissions and compliance with dispatch instructions
- Through engagement on this enhancement, IESO is interested in exploring how IESO market signals can be modified to allow HDRs to better prepare and respond to an activation.
- In today's session, the IESO is seeking stakeholder feedback to inform the development of a draft high-level design proposal that will be presented at a subsequent engagement session.

HDR Performance Observations – Delivery to Obligation

- Recent capacity tests have shown that HDRs are capable of meeting performance expectations, when given ample time to prepare.
- Since 2023, when HDRs were activated to address real system events (i.e., emergency conditions or otherwise), historical performance has remained relatively static with HDRs delivering on average only 60-70% of obligated capacity when called upon.
- The IESO is seeking feedback on the barriers to accurate delivery to obligation.
 - What are the main issues that prevent an HDR resource from delivering to their obligation during non-test activations?

HDR Performance Observations – Accurate Participation

- Historically, HDR resource bids have not been a reliable indicator of availability.
- From an operational perspective, uncertainty about how much the HDR fleet is available to deliver makes managing system conditions more complex.
- In summer 2025, a majority of real-time HDR bids remained unchanged at the obligation value despite HDRs only delivering ~64% of capacity obligations.
 - Only 122 hours (9%) of 1,315 total activation hours in summer 2025 showed bid changes from day-ahead to real-time dispatch hours.
- The IESO is seeking feedback on the barriers to accurate bid submission and compliance
 - What are the main issues that prevent an HDR resource from submitting and updating accurate bids and delivering to dispatch schedules?
 - If IESO and stakeholders were to reconsider the notification timelines, would this improve compliance?

Feedback Request: Greater HDR Activation Certainty

- The IESO is interested in understanding how greater certainty and predictability in the frequency and timing of potential activations could drive more accurate energy market participation (bid submissions and compliance with dispatch) and delivery to obligations in real-time. Stakeholder feedback is requested on the following:
 - How existing market signals (pre-dispatch prices, adequacy reports, etc.) and notifications (standby and activation notices) could be modified to better prepare HDRs to respond to dispatch instructions
 - Whether a cap on the number of activations over a specific timeframe (monthly, seasonal, etc.) would drive better performance and encourage more DR participation
 - Other suggestions that could give HDR resources a greater ability to prepare and respond to an activation



Review of Capacity Qualification Methodologies

Background: Review of UCAP Methodologies

- The IESO regularly reviews resource-specific capacity qualification methodologies to ensure they accurately reflect a resource's expected contributions to system needs.
- Since introducing the capacity qualification process in 2023, the IESO has been monitoring capacity qualification results and has identified some potential improvements to methodologies for certain resources.
- Improvements to UCAP methodologies for dispatchable load (DL) and generation-backed import (GBI) resources have been identified as a priority.

Overview: Dispatchable Load UCAP Methodology

Current Design

- An availability de-rating factor (ADF), using the median of a DL's hourly bid quantities submitted during the top 200 hours of Ontario Demand from the most recent completed obligation period, is used to determine the qualified UCAP.

Observations and Next Steps

- Since implementing the current methodology in 2023, the IESO has contemplated alternative methodologies that could better reflect a DL's expected availability based on historical bid data and their expected contributions to resource adequacy.
- IESO will present further details and potential methodologies at a future engagement session.

Overview: GBI UCAP Methodology

Current Design

- The current GBI UCAP methodology for a generation facility uses the accredited unforced capacity rating as provided by the external jurisdiction.

Observations and Next Steps

- Recent changes to NYISO's accredited unforced capacity does not fully align with the availability de-rating factor methodology for internal Ontario generation resources.
- Enhancements are being contemplated to align the qualification methodology of GBI external generation facilities with IESO's internal generation qualification methodology.
- The IESO will present further details and potential methodologies at a future engagement



Reference Price Review

Overview: Reference Price Review

- Reminder - The IESO sets the reference price based on the indicative estimate of the Net Cost of New Entry (CONE) of the lowest cost marginal resource that would be developed if new generation was needed (i.e., the reference technology).
- The reference price was last updated in 2024 to reflect the cost of a new-build storage resource procured through the LT1 Capacity RFP.
- The Long-Term 2 Capacity RFP is now completed and provides more recent costs for a new-build capacity resource.
- The IESO will review the reference price for the 2027 Capacity Auction based on these updated costs and inflation adjustments, as appropriate.
- IESO will present further details at a future engagement.

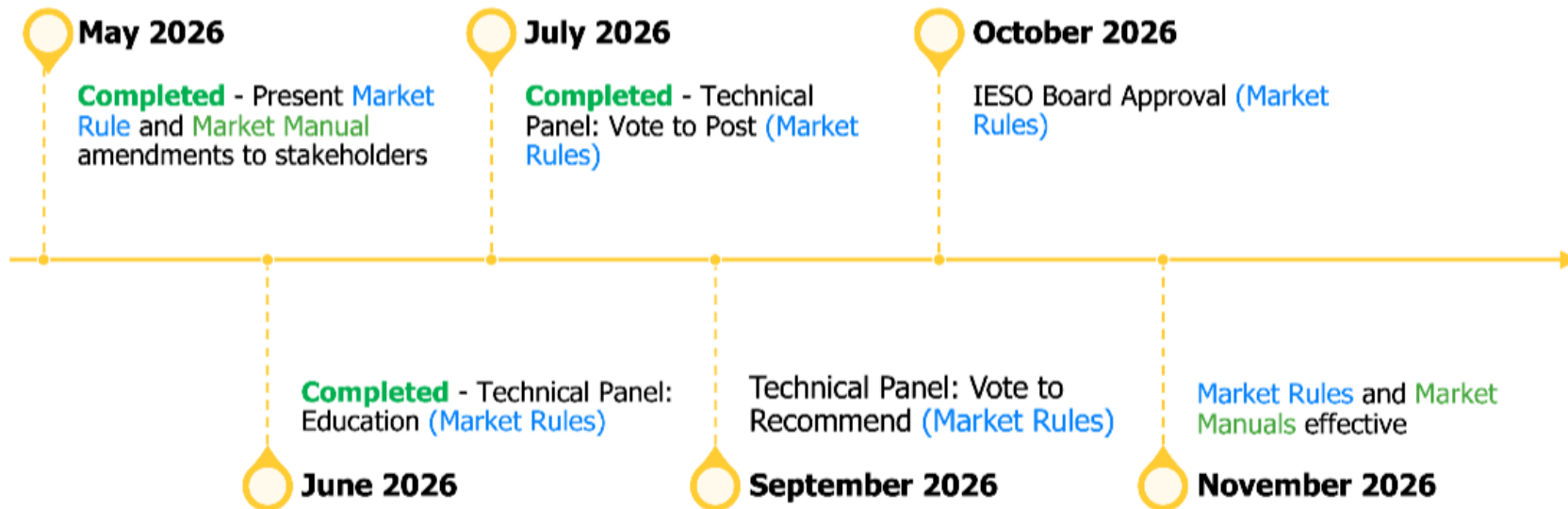


2026 Capacity Auction Milestones:

2026 Capacity Auction Milestones

- Last day to complete Capacity Auction Participant (CAP) authorization is Sept. 18 by 4:00 p.m. EST
- Capacity Qualification
 - Request submission window is open Sept. 10 – Sept. 25
 - Assessment window is open Sept. 28 - Oct. 19
 - Assessment results will be released on Oct. 20
 - Deposit submission window is open Oct. 20 – Nov. 18
- 2026 Capacity Auction offer submission window is Nov. 25 – Nov. 26
- Refer to the [2026 Capacity Auction Timelines](#) for additional dates.

Timing of MR/MM Amendments for 2026 Auction





Next Steps:

Next Steps for 2027 Capacity Auction Enhancements

- The IESO is requesting stakeholder feedback on the proposed 2027 enhancements discussed today:
 - Expanding capacity test window from one week to one month
 - Enabling distribution-connected dispatchable generator/storage resources to participate in the Capacity Auction
 - Improving HDR resource performance (i.e., delivery to capacity obligation and improving dispatch compliance)
 - Reviewing resource-specific UCAP capacity qualification methodologies

Next Steps

- The IESO will continue developing high-level designs for the proposed 2027 enhancements after reviewing stakeholder feedback.
- The IESO anticipates holding an additional engagement(s) during the remainder of 2026 and throughout Q1-Q2 of 2027 to continue design discussions on enhancements for the 2027 Capacity Auction.

Request for Feedback

- A feedback form is posted on the [Capacity Auction Enhancements](#) engagement webpage.
- Feedback is requested by September 3, 2026.
- Please contact engagement@ieso.ca if you have questions following this session.

Share Your Feedback Today!

2026 Stakeholder and Community Engagement Survey

- Findings will help us identify where trust is strong, where it can be strengthened, and how we can ensure your perspectives inform our priorities and actions.
- Administered by Ipsos - a leading market research company. All responses are confidential. Only aggregated results will be shared with the IESO team.
- Responses accepted until September 4.



Disclaimer

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