
Guidance Document – Log of Key Updates to the Draft 2022 Capacity Auction Design Document

The table below has been provided to assist readers in understanding the updates made between the draft Capacity Auction Design Document and the final. The table identifies the topic of the design change, summarizes the change, and provides a rationale for the change.

Section – Item	Change	Reason for Update
Enhancement #1: Capacity Qualification - Application of the Performance Adjustment Factor	Performance Adjustment Factors (PAF) will not be applied in the capacity qualification process of the December 2022 Capacity Auction. PAFs for all resources in the December 2024 Auction will be based on their assessed performance from the Summer 2023 and Winter 2023/24 obligation periods.	Based on feedback the IESO received, the proposal was revised to ensure that the PAFs are applied on a 'go-forward' basis and based on the new performance obligation and assessment framework of the 2022 Auction (i.e., based on assessed performance from the Summer 2023 and Winter 2023/24 obligation periods).
Enhancement #1: Capacity Qualification – Calculating Cleared ICAP	The calculation of Cleared ICAP now accounts for the Availability De-Rating Factor.	The calculation presented in the previous version of the design document did not account for the Availability De-Rating Factor which was an editing oversight. The update will ensure that if the difference between ICAP and UCAP is 5%, for example, then the difference between Cleared ICAP and Cleared UCAP will also be 5%.

Section – Item	Change	Reason for Update
<p>Enhancement #1: Capacity Qualification - Qualification formula for Dispatchable Hydro</p>	<p>In the calculation of the Availability De-Rating Factor, a median rather than an average will be used.</p> <p>In the calculation of the Availability De-Rating Factor, the Maximum Active Power Capability (MAPC) will be used in the denominator rather than the ICAP.</p>	<p>Existing IESO planning methodologies use median to calculate the capacity contribution of a resource. To ensure better consistency and alignment, IESO will use a median rather than an average in the calculation of the Availability De-Rating Factor.</p> <p>The availability de-rating factor should be assessed independently of a resource’s submitted ICAP. The factor will be based on past performance and normalized against the registered MAPC.</p>
<p>Enhancement #1: Capacity Qualification - Qualification formula for Dispatchable Load</p>	<p>In the calculation of the Availability De-Rating Factor, a median rather than an average will be used.</p> <p>In the calculation of the Availability De-Rating Factor, the maximum seasonal energy bid quantity will be used in the denominator rather than the ICAP.</p>	<p>Existing IESO planning methodologies use median to calculate the capacity contribution of a resource. To ensure better consistency and alignment, IESO will use a median rather than an average will be used in the calculation of the Availability De-Rating Factor.</p> <p>The availability de-rating factor should be assessed independently of a resource’s submitted ICAP. The factor will be based on past performance (through hourly energy bids) and normalized against the maximum seasonal energy bid quantity.</p>

Section – Item	Change	Reason for Update
<p>Enhancement #1: Capacity Qualification - UCAP methodology for generator-backed capacity imports</p>	<p>The IESO will require generator-backed capacity import resources to provide an accredited UCAP value from an external system/balancing authority as part of capacity qualification (with the exception of energy storage where the internal qualification methodology can be utilized).</p>	<p>After further discussion with neighbouring system operators, stakeholders, and accounting for internal resource constraints, the IESO made the decision to require an external resource to provide an accredited UCAP value from another system balancing authority. This design proposal was made based on the following considerations:</p> <ul style="list-style-type: none"> • Using external accreditations helps ensure alignment between resource adequacy calculations (additions/reductions) between jurisdictions. • Qualifying an external resource without the equivalent, requisite and formatted data would be an administratively complex and time-consuming process for both the IESO and the external supplier. • Ultimately these resources will fulfill their capacity obligation in the market as imports which is a different participation framework than that of internal generation and load.

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<p>Enhancement #2: Performance Assessment Modifications - Capacity Testing</p>	<p>The initial design proposed giving all resources a day ahead notification for a capacity test. Under the new testing framework, resources will now be required to get scheduled to their cleared ICAP within a 5-day testing window. Hourly Demand Response (HDR) and Dispatchable Load Resources will be exempted from the Demand Response Bid Threshold for the testing window to allow them to submit bids to help ensure receipt of an activation. As this will be an 'in-market' activation, resources will not be eligible for any out-of-market payments.</p>	<p>The intent of the capacity test is to assess a resource's capability to provide its cleared ICAP. The new testing framework provides participants with a greater degree of flexibility in demonstrating this capability. The IESO will continue to have the authority to test a resource's ability to comply with dispatch.</p>

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<p>Enhancement #2: Performance Assessment Modifications - Higher Charges at Times of Need</p>	<p>The initial design proposed a Capacity Charge equal to two months’ availability payment for failure to deliver to the resource’s cleared ICAP during Emergency Operating State Control Action activations. In place of this proposal, resources will be subject to an augmented (10x) availability charge assessment in the following conditions:</p> <ol style="list-style-type: none"> 1) When an advisory notice has been issued for the declaration or potential declaration of an emergency operating state 2) When an Energy Emergency Alert (Level 1, 2, or 3) has been issued 3) When an HDR resource has been placed on standby <p>Note that the settlement of the 10x augmented availability charge will include the current availability charge assessment, if applicable (for more details refer to M.M 5.5). The combined charges will amount to a total non-performance factor of 10.</p>	<p>This design better aligns with the Capacity Auction product (availability at times of need) by applying performance charges that highlight the critical importance of capacity resources being available at times of acute system need.</p> <p>The condition in the augmented availability performance assessment for HDR resources on standby is meant to account for HDR resources not being assessed for an availability de-rate during capacity qualification. This helps to restore a level of fairness between resources when considered holistically.</p>
<p>Enhancement #3: Expand Participation to Generator-Backed Capacity Imports - Capacity call failure charge</p>	<p>The previous description of the capacity call failure charge indicated it would be equal to two months’ availability payments. The capacity call failure charge will now be equal to one month’s availability payment. In addition, the capacity call failure charge was added to the Summary of Changes to Charges, found in Appendix C.</p>	<p>This update was required to maintain consistency with how the capacity charge is applied to other capacity resources.</p>