

FEBRUARY 4, 2020

IESO Capacity Auction – June 2020

Technical Panel

Agenda

- Background and Recap
- June 2020 Action
 - Draft Market Rules
 - Draft Market Manuals
- Stakeholder Feedback
 - Stakeholder Sessions
 - Stakeholder feedback
- Next Steps for June 2020 Auction

Background and Recap

- TP recommended and IESO Board approved Transitional Capacity Auction market rule amendments (“TCA amendments”) to evolve the Demand Response Auction into a more competitive capacity acquisition

Background and Recap (Cont'd)

- AMPCO filed an application with the Ontario Energy Board (OEB) to:
 - Revoke the TCA amendments and refer them back to the IESO; and
 - Stay the operation of the TCA amendments pending completion of the OEB's review

Background and Recap (Cont'd)

- On November 25, 2019, the OEB issued an order to stay the operation of the TCA amendments. As a result, the IESO executed a DR Auction in December 2019 under the pre-existing market rules framework

Background and Recap (Cont'd)

- On January 23, 2020, the OEB issued its decision which stated that the TCA amendments:
 - (i) are not inconsistent with the purposes of the Act, and;
 - (ii) do not unjustly discriminate against or in favour of a market participant or class of market participants. Accordingly, the stay of the operation of the TCA amendments is lifted

Background and Recap (Cont'd)

- The design features in the TCA market rules are not applicable to December 2019 DR Auction commitments



June 2020 Auction **Market Rules & Market Manuals**

June 2020 Capacity Auction Market Rules

- June 2020 amendments have built upon the December 2019 Transitional Capacity Auction amendments
- See the next slide for a summary of Key Proposed Changes

June 2020 Capacity Auction Market Rules (Cont'd)

Feature	Market Rule	Market Manual Change
Vanishing – Facilitating the staged approach for capacity auctions	Chapter 7 s18.1A (new)	N/A
Fundamental: <ul style="list-style-type: none">• Resource level capacity obligations• Enrolled capacity	Chapter 11 Definitions various sections	MM 12.0
Enabling Resources: <ul style="list-style-type: none">• System-backed Imports• Storage	Chapter 7 s19.5 – 19.9	MM 4.2, MM 4.3. MM5.5 & MM 12.0
Efficiency & Reliability: <ul style="list-style-type: none">• Changes to obligation transfer• New import constraints• Removal of connection assessment for HDR	Various sections	MM 12.0 & MM 2.10

Versioning – Transitional Market Rules

Section 18.1A (new)

- Issue:
 - Continued overlap of ongoing commitment periods and amending rules to support future auctions

Versioning – Transitional Market Rules (Cont'd)

- Versioning:
 - Establishes a point-in-time for capacity obligations based on the auction those obligations were received
 - Rules and Manuals in effect during the offer window for the applicable auction remain applicable to obligations received until the end of commitment period

Versioning – Transitional Market Rules (Cont'd)

- Versioning Applicability:
 - Rules and Manuals applicable to participation in capacity auction and applicable to satisfying a capacity obligation
 - Urgent amendments are excluded
 - IESO to achieve applicable versions of rules and manuals for each auction

Versioning – Transitional Market Rules (Cont'd)

- Benefits:
 - Certainty: from the time of auction offers to the end of the commitment period
 - Clarity: avoids the rules and manuals attempting to incorporate multiple sets of obligations for each changing auction
 - Simplicity: one provision (section 18.1A) allows for the operation of multiple auction phases

Versioning – Transitional Market Rules (Cont'd)

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Fundamental Changes

New Defined Terms

- Capacity Auction Resources (CAR):
 - New defined term: Capacity obligations received through the auction are now set at the resource level
- Enrolled Capacity:
 - New defined term: Replaces **qualified capacity**. Enrollment is reflective of the process for June 2020

New Defined Terms

New Fundamental Terms

- Capacity auction resource (CAR)
- Enrolled capacity (formerly qualified capacity)

New Resources

- Capacity auction eligible import
- Capacity auction eligible storage resource
- Capacity disputable load resource (introduced to align DLs with CAR structure)
- Capacity import resource
- Capacity storage resource

New Defined Terms (Cont'd)

New Terms (TCA – CAN)

- Capacity auction clearing price (formerly TCA clearing price)
- Capacity auction reference price (formerly TCA reference price)

Revised Defined Terms

- A number of terms have been revised for clarity and alignment with new defined terms
 - For example, the following terms have been revised to reflect the introduction of CARs and enrolled capacity:
 - Availability Window
 - Enrolled Capacity
 - Capacity Auction Offer
 - Auction Capacity

Revised Defined Terms (Cont'd)

- Other defined terms have been revised for clarity (i.e. boundary entity)

Deleted Defined Terms

- Terms that were specific to the demand response auction and transitional capacity auction have been deleted:
 - DR auction deposit
 - DR auction participant
 - DR auction reference price
 - DR market participant
 - DR prudential support
 - DR prudential support obligation
- DR schedule
- DR Transferor
- Traditional capacity auction

Enabled Resources

- The 2020 auction introduces system-backed imports and storage:
 - Capacity Import Resources
 - Capacity Storage Resources
- MR-00442-R02 establishes eligibility criteria and energy market perception requirements
- MR-00442-R03 adds the above listed resources to the applicable non-performance changes

Enabling Resources: Capacity Import Resources

Chapter 7, Section 19.8 – MM 12.0

Eligibility Requirements for Capacity Import Resources:

- Established eligibility requirements to satisfy a capacity obligation
- Includes demonstrating ability to provide the capacity, having proper authorization with the IESO, registering facility as a boundary entity and providing required prudential support

Enabling Resources: Capacity Import Resources (Cont'd)

Chapter 7, Section 19.9 – MM 12.0, MM 4.2 & MM 4.3

Energy Market Participation for Capacity Import Resources:

- Capacity import resources receive an availability payment, that may be offset by non-performance charges
- Dispatch is aligned with all other imports within Chapter 7 and offers shall reflect maximum capacity
- Tests may occur up to twice per activation period and the IESO will provide two hours notice for a test activation

Enabling Resources: Capacity Import Resources (Cont'd)

Chapter 7, Section 4.7 – MM 5.5

Capacity Obligations Settlement:

- Capacity import resources have been added to the applicable non-performance charges:
 - Availability charge
 - Capacity charge

Enabling Resources: Capacity Storage Resources

Chapter 7, Section 19.10 – MM 12.0

Eligibility Requirement for Capacity Storage Resources:

- Established eligibility requirements to satisfy a capacity obligation
- Includes demonstrating ability to provide the capacity with an injection of energy, having proper authorization with the IESO, registering as a generation facility, satisfies connection assessment requirements and providing required prudential support

Enabling Resources: Capacity Storage Resources (Cont'd)

Chapter 7, Section 19.11 – MM 12.0

Energy Market Participation for Capacity Storage Resources:

- Capacity storage resources receive an availability payment, that may be offset by non-performance charges
- Dispatch is aligned with that of a generator, outages notification is consistent with other generators and offers shall reflect maximum capacity

Enabling Resources: Capacity Storage Resources (Cont'd)

- Tests may occur up to twice per activation period and the IESO will provide one hour notice for an activation test

Enabling Resources: Capacity Storage Resources (Cont'd)

Chapter 7, Section 4.7 – MM 5.5

Capacity Obligation Settlement:

- Capacity storage resources have been added to the applicable non-performance:
 - Availability charge
 - Capacity Charge

Efficiency & Reliability: Amendments

Chapter 7, Section 18.5.5 & 18.5.6 – MM 12.0

Auction Parameters - Capacity Import Resources Limit:

- Allows for the IESO to establish a limit for the total amount of capacity imports that can clear the auction
- Allows the IESO to establish a limit for the total amount that can clear the auction specific to each intertie

Efficiency & Reliability: Amendments

Chapter 7, Section 18.9 – MM 12.0

Capacity Obligation Transfers:

- Relaxed the restrictions for capacity obligation transfers. Only requirements for transfers across zones is that the transfer has to occur between physical to physical or virtual to virtual resources
- Established that capacity obligations are always settled at the price in which they cleared the auction, even after a transfer

Efficiency & Reliability: Amendments

Chapter 7, Section 19.2.3 – MM 2.10

Removal of Connection Assessment Requirements for Hourly Demand Response:

- Removed the obligation for a Connection Assessment as the obligation already exists within the energy market

Other Market Rule Amendments

- Numerous other amendments that fall into the capacity of:
 - Additional clarity
 - Removal of duplicative requirements
 - Alignment of defined terms
- * Minor changes that have occurred since the last stakeholder review as a result of internal IESO review fall into the above categories

Other Market Rule Amendments (Cont'd)

- All of these changes are included within the amendments proposal documents (R00-R03)



Market Manual Changes

Impacted Market Manuals

- Market Manual 2.10: Connection Assessment and Approval
- Market Manual 4.2: Submission of Dispatch Data in the Real-Time Energy and Operating Reserve Markets
- Market Manual 4.3: Real-Time Scheduling and Physical Markets
- Market Manual 5.4: Prudential Support

Impacted Market Manuals (Cont'd)

- Market Manual 5.5: Physical Markets Settlement Statement
- Market Manual 7.3: Outage Management
- Market Manual 12: Capacity Auction

Market Manual 2.10

Connection Assessment Approval

- There is no longer a requirement for participants wishing to participate in the capacity auction to have a separate connection assessment done
- Connection assessment and subsequent approval continues to be a requirement to participate in the IESO's energy market

Market Manual 4.2

Submission of Dispatch Data in the Real-Time Energy & Operating Reserve Markets

- Capacity Import Resource must fulfill their obligation by submitting offers on its designated boundary entity to be used only by Capacity Import Resources
- Capacity Import Resource's tagging requirements are such that "SCAP" must be included in the tag

Market Manual 4.3

Real-Time Scheduling and Physical Markets

- Table 6.1: Application of Interchange Schedule Codes now include when the Capacity Charge will apply
- Table 6.1 can be found on page 28 of [Market Operations Manual 4.3: Real-Time Scheduling and Physical Markets](#)

Market Manual 5.4

Prudential Support

- Nomenclature changes to capacity auction prudential calculation
- No longer the sum of the organization's obligations, but rather the sum of each organizations resource obligations

Market Manual 5.5

Physical Markets Settlement Statement

- Clarity on applicability of payments and charges
- Assessment methodology for Capacity Import Resources and Capacity Storage Resources has been added

Market Manual 7.3

Outage Management

- All testing procedures have been removed from MM 7.3: Outage Management and moved to MM 12: Capacity Auction

Market Manual 12

Capacity Auction

- Clarifications
 - Enrollment vs. Qualification
 - Remove Transitional

Market Manual 12 (Cont'd)

- Capacity Import Constraints
 - Description of global and interface limits that will apply to Capacity Import Resources

Market Manual 12 (Cont'd)

- Resource level obligation
 - Description as to how individual resources will now enroll their capacity offer into and clear the auction

Market Manual 12 (Cont'd)

- Testing procedures for each Capacity Auction Resource Type are outlined
- Capacity Obligation Transfer criteria expanded
- Buy Out effective date changes



Stakeholder Engagements To-Date

Stakeholder Sessions

- August 22: Introductory discussion and presentation of the design approach
- September 20: Meeting to discuss June 2020 Auction design proposals
- October 20: Meeting to review feedback on design proposals and present draft design document

Stakeholder Sessions (Cont'd)

- December 6: Provided the final design document. Introduced draft market rules and market manuals
- January 23: Provided feedback to stakeholder comments on the draft market rules and market manuals

Stakeholder Feedback

1. Northland Power – OEB Review of TCA Market Rules
 - Seeking clarity on the impact that the OEB decision could have on the timing of the June 2020 auction
2. Advanced Energy Management Alliance (AEMA) – Versioning
 - Request the the IESO's approach to versioning accommodate changes that are currently being considered by the DRWG but will occur after the completion of the auction

* Stakeholder feedback dated December 20, 2019 can be found on the [Capacity Auction Engagement page](#) can be found

Summary of IESO Stakeholder Feedback Form

- Feedback received from Northland Power and OPG (via IESO feedback form) confirmed that the market rule amendment is:
 - Clear with respect to its intent and purpose
 - In the interest of consumers with respect to price
 - In the interest of consumers with respect to reliability and quality of electricity service

Summary of IESO Stakeholder Feedback Form (Cont'd)

- Feedback on the effect of rules implementation
 - AEMA – The market may not receive the most efficient resources due to the timing of implementations of market rules
 - Northland – No advance effects



Next Steps

What's next for the June 2020 Auction?

- February 4: Request that the Technical Panel vote to post the amendments for stakeholder comment
- March 3: Pending stakeholder feedback – Request that the Technical Panel vote to recommend the amendment to the IESO Board for approval
- Market Trials begin in March

What's next for the June 2020 Auction? (Cont'd)

- Late March: IESO Market Committee and IESO Board Meeting
- Targeted effective date for May 2020

* See the [Capacity Auction Engagement page](#) for more details.

June 2020 Auction Timeline

Capacity Auction Stakeholder Engagement Schedule

- August 22, 2019: SE #1 Intro to June Auction (Kickoff)
- September 20, 2019:
 - SE #2 June 2020 Auction Design Proposals
 - SE #3 Auction Mechanics
- October 25, 2019: SE #4 Response to Design Proposals, Draft Design Document

June 2020 Auction Timeline (Cont'd)

- December 6, 2019: SE #5 Final Design Document, Draft Market Rules & Manuals, and Design Proposal for QC/POA
- January: SE #6 Final Market Rules & Manuals
- February:
 - TP - vote to post
 - Market Trials

June 2020 Auction Timeline (Cont'd)

- March:
 - TP – Vote to Recommend
 - IESO Board
- April: MRs effective
- June Auction

Thank You

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