

Market Rule Amendment Proposal Form

Part 1 - Market Rule Information

Identification No.:	MR-00466-R0
Subject:	Modifications to the December 2021 Capacity Auction
Title:	December 2021 Capacity Auction
Nature of Proposal:	<input checked="" type="checkbox"/> Alteration <input type="checkbox"/> Deletion <input type="checkbox"/> Addition
Chapter:	2, 7, 9 & 11
Appendix:	N/A
Sections:	Ch. 2 section 1 & 5B Ch. 7 section 18 & 19 Ch. 9 section 4 Ch. 11 Definition
Sub-sections proposed for amending:	Ch. 2 sub-section 1.2.2 & 5B.1.2 Ch. 7 sub-section 18.4.4, 19.2.1, 19.2.5 & 19.3.1 Ch. 9 sub-section 4.7J.2.1 & 4.7J.2.5
Current Market Rules Baseline:	Issue 78.0, Baseline 45.0, February 26, 2021

Part 2 - Proposal History

Version	Reason for Issuing	Version Date
1.0	Issued for stakeholder comment	April 8, 2021
2.0	Issued for Technical Panel review	June 22, 2021
3.0	Issued for stakeholder review and comment	June 29, 2021
4.0	Issued for Technical Panel vote to recommend	July 20, 2021
5.0	Recommended by Technical Panel	July 27, 2021
6.0	Approved by IESO Board of Directors	August 18, 2021

Approved Amendment Publication Date: August 19, 2021

Approved Amendment Effective Date: September 15, 2021

Part 3 - Explanation for Proposed Amendment

Provide a brief description of the following:

- The reason for the proposed amendment and the impact on the *IESO-administered markets* if the amendment is not made.
- Alternative solutions considered.
- The proposed amendment, how the amendment addresses the above reason and impact of the proposed amendment on the *IESO-administered markets*.

Summary

In preparation for the December 2021 Capacity Auction, the IESO is proposing to amend the market rules to add additional clarity and make minor clerical corrections to the sections of the market rules related to the Capacity Auction.

Background

The IESO's Capacity Auction has replaced the former Demand Response Auction to enable competition between additional resource types. Capacity auctions help meet Ontario's reliability needs in a cost effective manner while allowing the IESO to adjust to changing system needs.

Additional information on the Capacity Auction can be found on the IESO's Capacity Auction [webpage](#).

Discussion

Chapter 2

Capacity auction participant will be added to the list of market participant classes exempt from HST in section 1.2.2.6 of chapter 2. *Capacity auction participants* were previously correctly added to the related HST exemption clause in section 3.1.2.2 of the market rules but erroneously omitted from section 1.2.2.6.

In sub-section 5B.1.2 the term *demand response prudential support* will be updated with the defined term *capacity prudential support*.

Chapter 7

Clarification will be added to sub-section 18.4.4 to state that the eligibility requirements must be met by the start of the applicable *obligation period* and that if the eligibility requirements are not met the *capacity obligation* shall be forfeited.

Italicization of defined terms will be added throughout section 19.

Chapter 9

Italicization of defined terms will be added throughout sub-section 4.7J.

Chapter 11

Clarity will be added to the defined term *capacity auction eligible import resource* to ensure that the associated capacity is not otherwise already committed.

Part 4 - Proposed Amendment

Chapter 2

1.2.2 No person shall be authorized by the *IESO* to participate in the *IESO-administered markets* or to cause or permit electricity to be conveyed into, through or out of the *IESO-controlled grid* unless the *IESO* is satisfied:

1.2.2.6 on the basis of the documentation referred to in section 3.1.2.2, that the person, if it applies for authorization as a *market participant* other than solely as a *financial market participant* or a *capacity auction participant*:

a. is registered for the federal harmonized value-added tax system under Part IX of the *Excise Tax Act* (Canada); or

b. is resident in Canada and is, by virtue of *applicable law*, not liable to pay the federal harmonized value-added tax imposed under Part IX of the *Excise Tax Act* (Canada).

5B.1.2 The *IESO* shall review the *capacity demand response prudential support* requirements set out in this chapter at least once every three years, as part of the review of the *prudential support* requirements pursuant to section 5.1.2.

Chapter 7

18.4.4 In the event a *capacity auction participant* has not satisfied the applicable eligibility requirements specified in sections 19.2, 19.3 or 19.6 of Chapter 7 prior to the start of the applicable obligation period and has not elected to buy-out the *capacity obligation* in accordance with section 4.7J.3 of Chapter 9, the *IESO* shall revoke the *capacity obligation* and the *capacity auction participant* shall, at the *IESO's* sole discretion, forfeit its *capacity auction deposit*.

19.2.1 A *capacity market participant* is eligible to satisfy its *capacity obligation* with an *hourly demand response resource* provided that the *capacity market participant*:

19.2.5 A *wholesale consumer* that is a *non-dispatchable load* may participate as a *demand response contributor* to an *hourly demand response resource* to satisfy a *capacity obligation*, provided that the *non-dispatchable load* meets all the applicable eligibility requirements of this section 19.2, and the requirements in the *market rules* that are applicable to a *wholesale consumer* that is a *non-dispatchable load*.

.....
19.3.1 A capacity market participant is eligible to satisfy its capacity obligation with a capacity dispatchable load resource, provided that the capacity market participant:

Chapter 9

4.7J.2.1 A capacity market participant participating with an hourly demand response resource or a capacity dispatchable load resource shall be subject to an availability charge for every hour of the availability window it fails to submit demand response energy bids in the amount of their capacity obligation in either the day-ahead commitment process or in the real-time energy market.

4.7J.2.5 Subject to section 7.5.3 of Chapter 7, a capacity market participant participating with either a capacity dispatchable load resource, a capacity generation resource or a capacity storage resource that fails to satisfy its capacity obligation in response to an activation test shall be subject to a capacity charge.

Chapter 11 - Definition

capacity auction eligible import resource means a capacity auction resource associated with a boundary entity that is available to enroll capacity that a neighbouring control area operator is willing to allocate to Ontario, if a capacity obligation is secured, for the duration of the applicable obligation commitment period and availability window, which capacity would be deemed to be supplied from the entire system of the neighbouring control area. The allocated capacity must not otherwise be - in whole or in part - contracted to or otherwise obligated to be provided to the IESO, the OEFC, or another control area operator during the entire duration of a given obligation period;