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Technical Panel Education 2025 Capacity Auction Enhancements

Laura Zubych
Supervisor, Capacity Auction

Today's Discussion

- This discussion is to update Technical Panel members on Market Rule (MR) amendments that will apply to the 2025 Capacity Auction.
- These amendments are necessary to implement the 2025 Capacity Auction (CA) enhancements that aim to increase auction efficiency and effectiveness by reducing unfulfilled commitments and increasing consistency of testing requirements.
- The 2025 Capacity Auction enhancements, and the benefits they offer to participants, are well supported by stakeholders.

Agenda

- Engagement process
- Proposed 2025 market rule amendments
- Update on 2025 market manual amendments
- Summary and next steps



Engagement Process

Engagement Process for Future Enhancements

- The IESO's approach to the [Capacity Auction Enhancements](#) engagement has aimed to provide a timely, transparent, and inclusive process for participants.
- In total, five engagement sessions were held on a regular cadence of every second month to discuss the 2025 enhancements.
- Initially, a broad set of enhancements were engaged on for 2025, however after careful consideration the IESO decided to proceed with a smaller subset. This was done to ensure successful implementation considering other organizational priorities this year.

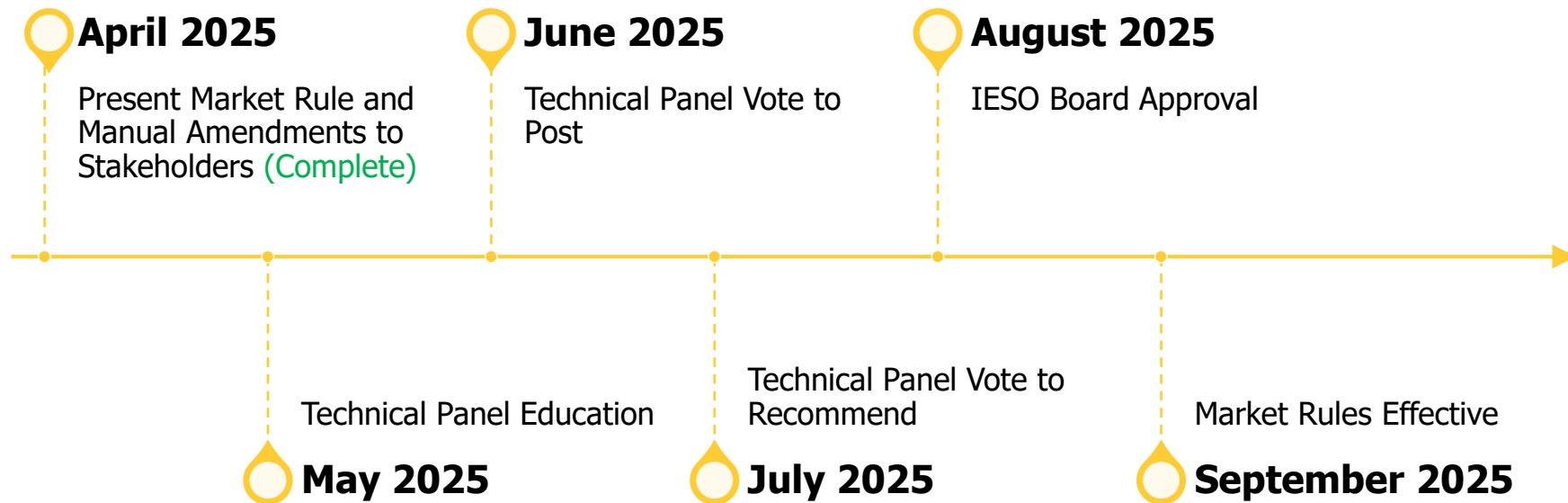
Engagement Timeline



Stakeholder Feedback on 2025 Enhancements

- The prioritized 2025 enhancements have been well supported by stakeholders.
- Feedback was requested following each engagement session and considered by the IESO. In the case of the buy-out charge amendment, the final design reflects a formula proposed in stakeholder feedback.
- Following the posting of draft amendments to market rules and manuals in April 2025 there was limited stakeholder feedback received, and no additional proposed revisions were identified by stakeholders.
- Hydro Quebec noted that it agrees with proposed changes related to the system-backed imports (SBI) testing procedures.

Timeline for 2025 Market Rule Amendments





Proposed 2025 Market Rule Amendments

Summary of 2025 Capacity Auction Enhancements

This year's enhancements aim to achieve two main objectives:

1. Reducing Instances of Unfulfilled Commitments

As the Capacity Auction continues to play an important role in the IESO's Resource Adequacy Framework, securing capacity that we can count on being available to support reliability will be increasingly important.

2. Consistent Capacity Test Requirements

Incorporate system-backed imports (Quebec) into the capacity testing framework implemented in 2023, establishing greater alignment in capacity testing procedures across the majority of eligible resource types.

Objective #1: Reducing Unfulfilled Commitments

- Three enhancements are being proposed to meet this objective: allow more flexible transfer options, increase the buy-out charge and eliminate the forfeiture rules.
- Each year, approximately 100 MWs secured through the auction cannot be fulfilled and are subject to the obligation buy-out process.
- This reduces the capacity available to the IESO and distorts auction clearing price signals (i.e., if this capacity was not offered into the auction, other auction offers may have been selected).
- These enhancements will maximize bilateral transfer opportunities as well as increase the buy-out charge to send a strong signal to deter participants from taking on commitments they cannot meet.
- In general, these enhancements aim to improve participant management of capacity obligations and reduce instances of unfulfilled commitments.

Enhancement Details

1/2

More Flexible Transfers

- Update transfer rules to allow obligation transfers to occur between all resource types (remove limitation of only like-for-like resource transfers).
- This increases the pool of Capacity Auction resources for which transfers can be completed, offering more options for participants to transfer their obligation.

Increase Buy-Out Charge

- Increase the buy-out charge from ~30% to ~50% of the total obligation value.
- The increased buy-out charge is expected to provide a greater incentive for participants to fulfill their commitments.

Enhancement Details (continued)

2/2

Eliminate Forfeiture Rules

- Remove the option for a participant to only forfeit their deposit if mandatory registration requirements are not met prior to the start of the obligation period.
- Instead, this change requires that a participant must buy-out of the obligation.
- This change will ensure that all instances of unfulfilled commitments are subject to the buy-out charge process.
- In combination with the increased buy-out charge, this change will provide a greater incentive for participants to fulfill their commitments.

Objective #2: Consistent Capacity Test Requirements

- As part of the 2023 CA enhancements, the IESO introduced a new self-schedule capacity test framework.
- System-backed imports (currently only Quebec) were not included in the testing framework as the IESO felt a mandatory testing requirement was not required for a reliable capacity import resource backed by an entire system.
- To align the test requirements across all resource types and reduce administrative burden on the IESO, under this enhancement system-backed imports (SBI) are being moved to the self-schedule test framework.
- Both Hydro Quebec and general stakeholders support this change.

Summary of 2025 Market Rule Amendments

Enhancement	Summary of MR Amendments	Market Rule & Related Manual Changes
More Flexible Transfers	Removed criteria that limits transfers to the same resource type (i.e., physical or virtual)	Ch. 0.7 s.18.9.1.3
Increase Buy-out Charge	Revised buy-out charge formula to increase the buy-out charge.	Ch. 0.9 s.4.13.9, and Charge Types & Equations
Eliminate Forfeiture Rules	Removed forfeiture of obligation and capacity auction deposit criteria found in Ch. 0.7 and replaced it with a buy-out will be automatically applied	Ch. 0.7 s.18.4.4 and MM 0.12 s.3.4.2, and s.7
Capacity Test Requirements	Removed section about IESO providing test notification as SBIs will now self-schedule their capacity tests	Ch. 0.7 s.19.9.6, s.19.9.8 and MM 0.12 s.5.3.5



2025 Market Manual Updates

Summary of 2025 Market Manual Updates

Enhancement	Summary	Market Manual
New Dispatchable Load Registration	Formalizes an existing process that can be used to avoid an obligation buy-out. No market rule changes are required.	MM 0.12 s.3.3.1, s.3.3.2, s.3.4, s.4.1, s.5.2
Enable Beauharnois Intertie	Enable this intertie for use in the Capacity Auction. No market rule changes are required.	MM 0.4.1



Summary and Next Steps

Summary

- Market rule amendments discussed today enable the 2025 Capacity Auction enhancements that are well supported by stakeholders.
- 2025 enhancements focus on increasing auction efficiency and effectiveness by reducing unfulfilled commitments and increasing consistency of testing requirements.
- The IESO continues to engage with stakeholders to prioritize future Capacity Auction Enhancements.

Next Steps

- Pending stakeholder feedback, the Technical Panel process is anticipated to proceed as follows:
 - June 10: Vote to post
 - July 15: Vote to recommend
- The IESO plans to seek IESO Board approval in August 2025.

Thank You

ieso.ca

1.888.448.7777

customer.relations@ieso.ca

engagement@ieso.ca



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