Market Rule Amendment Proposal Form

Part 1 - Market Rule Information

Identification No.:	MR-00483-R00
Subject:	2025 Capacity Auction Enhancements
Title:	2025 Capacity Auction Enhancements
Nature of Proposal:	☒ Alteration ☒ Deletion ☒ Addition
Chapter(s):	0.7, 0.9 & 0.11
Appendix:	9.2
Sections:	Chapter 0.7, ss.18 & 19 Chapter 0.9, s.4 Appendix 9.2 – s.11
Sub-sections proposed for amending:	Chapter 0.7 ss.18.4.4, 18.9.1.3, 19.9.6, 19.9.8, 19.9.9, 19.9B.7 Chapter 0.9 Ss. 4.13.2.2, 4.13.5, & 4.13.9 Appendix 9.2 s.11.1.5
Current Market Rules Baseline:	Issue 1.0 - November 11, 2024 - Renewed Market Rules for the Ontario Electricity Market

Part 2 - Proposal History

Version	Reason for Issuing	Version Date
1.0	Issued for stakeholder review and comment	April 1, 2025
2.0	Recommended by the Technical Panel to the IESO Board	July 15, 2025

Approved Amendment Publication Date:

Approved Amendment Effective Date:

Part 3 - Explanation for Proposed Amendment

Provide a brief description that includes some or all of the following points:

- 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 2025 Capacity Auction, the *IESO* is proposing to amend the *market rules* to make a series of enhancements related to *Capacity Auction* commitment management, and aligning the system-backed generation resource capacity testing procedure with that of other resources

Background

Capacity auctions help meet Ontario's reliability needs in a cost effective manner while allowing the *IESO* to adjust to changing system needs. With planned enhancements over time, the *capacity auction* is expected to attract a broader mix of resources, enabling the *IESO* to further increase competition and improve resource *reliability* and market performance.

Additional information on the *capacity auction* can be found on the *IESO's* Capacity Auction webpage.

Discussion

Chapter 0.7

18.4.4 – The obligation forfeiture process is being replaced with the requirement that a *capacity auction participant* must buy-out of their *capacity obligation* should the applicable eligibility requirements not be met prior to the start of the *obligation period*. If the *capacity auction participant* fails to initiate the buy-out prior to the start of the *obligation period*, the buy-out will be automatically applied.

18.9.1.3 – Transfers will be enabled between both physical resource types (including generation, storage, import, dispatchable load and physical hourly demand response) and virtual resource types, while still respecting all limits (import, interface, zonal and virtual limits).

19.9.6 – In order to align with other *capacity auction resource* type testing requirements, *system-backed capacity import resources* will be required to conduct their *capacity auction capacity test* within a 5 day testing window.

19.9.8 – Section has been removed as *system-backed capacity import resources* will now self schedule their *capacity auction capacity tests*.

19.9.9 – In order to align with other *capacity auction resource* type testing requirements, *system-backed capacity import resources* will be required to submit their testing data to the *IESO* in accordance with the applicable *market manual*.

19.9B.7 – Added the word "once" that was missing from the statement. This aligns with testing requirements for other resources.

Chapter 0.9

4.13.2.2 – Corrected the missing italics on the defined term "*energy dispatch instruction.*"

4.13.5 – Corrected the defined term "*capacity auction capacity test.*"

4.13.9 – The way in which the buy-out charge is calculated will be amended to remove the "1 -" from the non-performance factor (1 - $CNPF_{tm}$) segment of the formula. The percentage value will also be modified from 50% to 33%. Lastly, the charge will apply (-1) to the equation to ensure the charge remains a negative value.

Appendix 9.2

11.1.5 – Update the variable $CBOC^{m}_{k}$ to account for when a *capacity auction* buy-out is applied by the *IESO* in the scenario when a *capacity auction participant* has failed to meet the eligibility criteria and failed to initiate the buy-out prior to the start of the *obligation period*.

Part 4 - Proposed Amendment

Chapter 0.7

18.4.4 In the event a *capacity auction participant* has not satisfied the applicable eligibility requirements specified in sections 19.2, 19.3, 19.6, 19.8, 19.9A, or 19.10 prior to the start of the applicable *obligation period* and has not elected to buy-out the *capacity obligation* in accordance with MR Ch.9 s.4.13.9, the *IESO* shall apply the buy-out for the entirety of the *capacity auction participant's capacity obligation* in accordance with MR Ch.9 s.4.13.9.~~revoke the *capacity obligation* and the *capacity auction participant* shall, at the *IESO's* sole discretion, forfeit its *capacity auction deposit.*~~

18.9 Capacity Obligation Transfers

18.9.1 A *capacity transferor* may, subject to *IESO* approval and in accordance with the applicable *market manual*, request a transfer of all or a portion of its *capacity obligation* to a *capacity transferee* provided that the following criteria are met:

18.9.1.1 the quantity to be transferred does not exceed the difference between the *capacity transferee's unforced capacity* of a *capacity auction resource* for the applicable *obligation period,* and its existing *capacity obligation* of such *capacity auction resource* for the applicable *obligation period*;

18.9.1.2 the *capacity transferor* provides written confirmation to the *IESO* from the *capacity transferee* of its willingness to accept the transfer of a *capacity obligation* from the *capacity transferor*;

18.9.1.3 [Intentionally left blank – section deleted]

~~the *capacity obligation* transfer shall consist of the same attributes (e.g. physical or virtual), as detailed in the applicable *market manual,* as the *capacity transferor's capacity obligation*;~~

18.9.1.4 the quantity to be transferred is in increments of 0.1MW, and the resulting *capacity obligations* for both the *capacity transferor* and *capacity transferee* following the transfer shall be 0 MW, or greater than or equal to one MW; and

18.9.1.5 [Intentionally left blank – section deleted]

18.9.1.6 [Intentionally left blank – section deleted]

18.9.1.7 [Intentionally left blank – section deleted]

18.9.1.8 *capacity obligation* transfers must not result in the violation of any constraint as defined in the pre-auction report

18.9.1A Where the *capacity obligation* is transferred between electrical zones, the *capacity transferee* shall be settled based upon the *capacity auction clearing price* received by the *capacity transferor* when the *capacity obligation* first cleared the *capacity auction* in accordance with the applicable *market manual*.

18.9.2 For each transfer request that satisfies the criteria in section 18.9.1, the *IESO* shall determine the *capacity transferee's* revised *capacity auction deposit* and/or *capacity prudential support obligation*, as applicable, in accordance with section 18.3.2 and MR Ch.2 s.5B.3.3.

18.9.3 The *capacity transferee* shall provide the *IESO*, within five *business days* of receiving notification from the *IESO* or within such a longer period of time as may be agreed between the *IESO* and the *capacity transferee*, any additional *capacity auction deposit* and/or *capacity prudential support obligation* that may be required as a result of a transfer request.

18.9.4 After the revised *capacity auction deposits* and/or *capacity prudential support obligations* have been satisfied by the *capacity transferee*, the *IESO* shall notify the *capacity transferor* and *capacity transferee* of its approval or rejection, and the *IESO* shall *publish* updated post-auction reports pursuant to section 18.8. If the *IESO* approves the transfer, the *capacity transferor* may request a reassessment of its *capacity auction deposits* and/or *capacity prudential support obligation* to reflect its revised *capacity obligation* and the *IESO* shall remit any excess *capacity auction deposits* and/or *capacity prudential support obligation*.

Capacity Auction Testing for System-Backed Capacity Import Resources

19.9.6 ~~The *IESO* may, in accordance with the applicable *market manual,* direct a *capacity market participant* to perform a *capacity auction capacity test* for each *system-backed capacity import resource* up to a maximum of two *capacity auction capacity*~~

~~*tests* per *obligation period* to verify that the *cleared ICAP* can be satisfied for a duration specified in the applicable *market manual* by the *system-backed capacity import resource*.~~

The *capacity market participant* shall perform a *capacity auction capacity test* once per *obligation period* for each *system-backed capacity import resource*, in accordance with the applicable *market manual*. The *capacity auction capacity test* shall occur within a five *business day* testing window determined by the *IESO*. The *IESO* shall provide notification to a *capacity market participant* of the *capacity auction capacity test* no less than ten *business days* prior to the first day of the testing window.

19.9.7 If a *capacity market participant* fails a *capacity auction capacity test* performed pursuant to section 19.9.6, the *capacity market participant* shall be subject to non-performance charges in accordance with MR Ch.9 s.4.13*.* Failure during a *capacity auction capacity test* shall be considered a breach of the *market rules* and may result in sanctions in accordance with MR Ch.3 s.6.2.

19.9.8 [Intentionally left blank – section deleted] ~~The *IESO* shall provide a *system-backed capacity import resource* notification at least two hours in advance of the *dispatch hour* of the *capacity auction capacity test* and the *capacity auction capacity test* shall occur within the *availability window* of an *obligation period*.~~

19.9.9 ~~The *capacity auction capacity test* shall occur in accordance with the *dispatch instructions* specified in this section 19.9.~~The *capacity market participant* shall submit to the *IESO* all of the testing data and other information in accordance with the requirements and deadlines set out in the applicable *market manual*. If the *capacity market participant* fails to submit the entirety of such testing data and other information within such deadlines the *capacity market participant* is deemed to have delivered zero MWh during the *capacity auction capacity test*.

19.9.10 The *IESO* shall assess, in accordance with the applicable *market manual,* the relevant testing and shall provide notice to the *capacity market participant* of the results of the *capacity auction capacity test.*

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19.9B.7 A *capacity market participant* satisfying its *capacity obligation* with a *generator-backed capacity import resource* must perform a *capacity auction capacity test*, once per *obligation period*, in accordance with the applicable *market manual*, by scheduling an *energy* import into the *IESO-administered market* for at least one hour that coincides with the timing of its scheduled four hour activation in the neighbouring *control area*, on a date that falls within the first two months of the applicable *obligation period* and by submitting data to the *IESO* to confirm the capability of the *generator-backed capacity import resource* to inject at least its *cleared ICAP* into the *control area* in which it is located for four consecutive hours within the *availability window.*

Chapter 0.9

Capacity Obligation Buy-Out Charge

4.13.2.2 For a *capacity market participant* participating with a *capacity generation resource*, *system-backed capacity import resource*, *generator-backed capacity import resource*, or *capacity storage resource*, the *capacity obligation* availability charge *settlement amount* shall be calculated for each *trading day* it fails for any *settlement hour* of an *availability window* during such *trading day* to submit *energy offer* in an amount that is greater than or equal to its *capacity obligation* in the *day-ahead market* and maintain such *energy offer* as follows: (a) for *system-backed capacity import resources* or *generator-backed capacity import resources*, through to pre-dispatch; (b) for *capacity storage resources*, through the *real-time market*; and (c) for *capacity generation resources*, in accordance with the applicable *market manual*. The *capacity obligation* availability charge *settlement amount* is calculated as follows:

$$CAAC^{m}_{k} = \Sigma^{H} (-1) \times Max(0, CCO^{m}_{k,h} - CAEO^{m}_{k,h}) \times CACP^{z}_{h} \times CNPF_{tm}$$

Where:

a. 'H' is the set of all *settlement hours* 'h' within the *availability window* during the relevant *trading day*;

b. If the *capacity market participant* did not submit an *energy offer* in the *day-ahead market* or failed to maintain such *energy offer* through to pre-dispatch or the *real-time market*, as the case may be, for *settlement hour* 'h', $CAEO^{m}_{k,h} = 0$;

c. If the *energy offer* submitted in the *day-ahead market* for *settlement hour* 'h' is not equal to the *energy offer* submitted in the *pre-dispatch process* for the same *settlement hour*, $CAEO^{m}_{k,h}$ shall be equal to the lesser of the two *energy offers*; and

d. If a *capacity storage resource* receives a non-zero *energy dispatch instruction* within the relevant *availability window,* the $CAEO^{m}_{k,h}$ for the remaining *settlement hours* of the *availability window* after receiving such non-zero *energy dispatch instruction* shall be equal to the *energy offer* applicable to the *settlement hour* in which they receive such non-zero ~~energy dispatch instruction~~ *energy dispatch instruction*.

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Capacity Obligation Capacity Charge

4.13.5 The *capacity obligation* capacity charge *settlement amount* for *capacity market participant* 'k' at *delivery point* or *intertie metering point* 'm' in the relevant *energy market billing period* ("$CACC^{m}_{k}$") shall be calculated and collected from each *capacity market participant* for each *energy market billing period* in which such *capacity market participant* fails to deliver its *cleared ICAP* within the applicable threshold, as set out in the applicable *market manual,* in response to a *capacity* ~~*obligation*~~ *auction capacity test*, and which shall be calculated as follows:

$$CACC^{m}_{k} = (-1) \times CAAP^{m}_{k}$$

Where:

a. 'CAAP$^{m}_{k}$' is the *capacity obligation* availability payment *settlement amount*, calculated in accordance with section 4.13.1, for *capacity market participant* 'k' at *delivery point* or *intertie metering point* 'm' for the relevant *energy market billing period*.

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4.13.9 A *capacity market participant* or a *capacity auction participant* may elect to be, or be deemed in accordance with MR Ch.7 s.18.4.4, to be subject to a *capacity obligation* buy-out charge *settlement amount* for all, or a portion of, their *capacity obligation* in accordance with the applicable *market manual*. Upon the *IESO's* acceptance of a buy-out request or where the *IESO* has applied a buy-out pursuant to MR Ch.7 s.18.4.4, the *capacity market participant's capacity obligation* shall be reduced to reflect the approved buy-out and the *IESO* shall calculate the *capacity obligation* buy-out charge *settlement amount* for such *capacity market participant* 'k' at *delivery point* or *intertie metering point* 'm' ("CABOC$^{m}_{k}$") which shall be calculated as follows:

~~CABOC$^{m}_{k}$ = 50% x Σ^{H} CBOC$^{m}_{k}$ x CACP$^{z}_{h}$ x (1 – CNPF$_{tm}$)~~ CABOC$^{m}_{k}$ = (-1) x 33% x Σ^{H} CBOC$^{m}_{k}$ x CACP$^{z}_{h}$ x CNPF$_{tm}$

Where:

a. 'H' is the set of all *settlement hours* 'h' within the *availability window* of all *trading days* from the buy-out effective date to the end of the *capacity auction commitment period*.

Appendix 9.2 – Data Inputs and Variables

11.1.5 CBOC$^{m}_{k}$ = the buy-out capacity is an amount (in MW) by which the *capacity obligation* for the *obligation period* for a *capacity auction resource* for *capacity market participant* 'k' at *delivery point* or *intertie metering point* 'm' is being reduced as per the *capacity market participant's* election pursuant to MR Ch.9 s.4.13.9 or for the full *capacity obligation* amount where the *IESO* has applied a buy-out pursuant to MR Ch.7 s.18.4.4.