

# Memorandum

**To:** Technical Panel

**From:** Adam Cumming

**Date:** September 2, 2025

**Re:** MR-00488-R00 – Capacity Auction Tie-break Methodology

In the IESO's Resource Adequacy Framework (the "Framework"), the Capacity Auction serves as the short-term balancing mechanism, helping to secure capacity needed to meet Ontario's resource adequacy needs. The Capacity Auction enables participation from a diverse range of resources that compete annually to be available for two six-month obligation periods (summer and winter).

Under the Capacity Auction, a tie-break is required when two or more offer laminations are submitted at the same price for the last available quantity of capacity. This is increasingly prevalent in virtually constrained zones. In these instances, a set of criteria must be used to determine how the capacity is awarded to tied offers. Currently, capacity is awarded to the tied offer with the earliest time stamp. If capacity remains, the offer with the next earliest time stamp is awarded the remaining capacity. This continues until all capacity is awarded.

The IESO is proposing a revised tie-break methodology to address fairness concerns with the current approach, which prioritizes offers based solely on submission time stamps. The new methodology introduces a multi-step process to more equitably allocate capacity among tied offers:

## Step 1 – Equal Share Allocation

- Divide the remaining available (tied) auction capacity by the number of capacity auction offer laminations involved in the tie.
- Round down to one decimal place and allot this equal share of auction capacity to resources (where possible).

- Offers can be flagged as “full” or “partial” by participants. Offers flagged “full” must be fully satisfied in step 1.

#### Step 2 – Proportional Allocation

- For auction capacity remaining after Step 1, allot a proportional share to each partial capacity auction offer lamination that was not fully satisfied in Step 1.

#### Step 3 – Time Stamp Ranking

- For auction capacity remaining after Step 2, allot by time stamp rank.

#### Minimum Capacity Threshold

- If one or more resources are allotted less than 1 MW:
  - Eliminate the offer with the lowest awarded amount.
  - If tied, eliminate the one with the latest time stamp.
  - Repeat allocation steps.

#### Constraint Management

- If constraints are violated:
  - Allocate based on the constraint with the least remaining capacity.
  - Restart allocation for remaining capacity.

### **Stakeholder Feedback**

A high-level design was presented at the September 2024 Stakeholder Engagement based on the tie-break design in the Transmission Rights Auction. This was followed by a design memo presented to stakeholders in November 2024. In April 2025, the IESO informed Stakeholders of a postponement to the enhancement of the tiebreak methodology, to ensure its successful implementation considering other competing organizational priorities. Following this decision, Stakeholders urged the IESO to find a solution to implement this enhancement in 2025. Stakeholders cited the current tie-break methodology as being inadequate and a threat to market confidence and competition in the auction.

All stakeholder engagement materials can be found on the [Capacity Auction Enhancements webpage](#).

### **Panel Action and Next Steps**

The IESO recommends that the Technical Panel vote to post the proposed market rule amendment MR-00488-R00 for stakeholder review and comment for a period of two weeks, ending on September 23, 2025.

**Accompanying Materials**

- Market Rules Amendment Proposal Form - MR-00488-R00