
**Reasons of the *IESO Board* in respect of
an *amendment to the market rules***

Terms and acronyms used herein that are italicized have the meanings ascribed thereto in Chapter 11 of the *market rules*.

The following sets out the *IESO Board's* reasons for its decision on the proposed *amendment* to the *market rules* identified in Part 1 below (the “**Amendment**”).

PART 1 – MARKET RULE INFORMATION

Identification No.:	MR- 00441-R00-R03
Title:	Capacity Auction – June 2020

The *IESO Board* convened to consider the Amendment on the date and location set out in Part 2 below.

PART 2 – BOARD MEETING INFORMATION

Date:	March 23, 2020
Location:	120 Adelaide Street, West, Toronto

Prior to considering the Amendment, the Chair of the *IESO Board* enquired whether any director of the *IESO Board* had a conflict of interest to declare, the result of which is set out in Part 3 below.

PART 3 – CONFLICTS OF INTEREST

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| <p><input checked="" type="checkbox"/> No conflict was declared.</p> <p><input type="checkbox"/> Any director declaring a conflict of interest abstained from voting on the adoption of the Amendment.</p> |
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The *IESO Board* was presented with the materials in respect of the Amendment identified in Part 4 below (the “**Materials**”), all of which is *published* on the *IESO*’s [website](#) subject to such redactions as *IESO* staff determined reasonably necessary.

PART 4 – MATERIALS

- Memorandum from the Technical Panel Chair
- Market Rule Amendment Proposals as recommended by Technical Panel:
 - MR-00441-R00
 - MR-00441-R01
 - MR-00441-R02
 - MR-00441-R03
- IESO Staff memo to Technical Panel, dated February 25, 2020
- Technical Panel member vote and rationale, dated March 9, 2020
- Technical Panel and Stakeholder Comments (this assessment is required to support the Ontario Energy Board market rule amendment review process)
- Consumer Impact Assessment (this assessment is required to support the Ontario Energy Board market rule amendment review process)
- Draft Board Resolution

Having considered the Amendment and the Materials, the *IESO Board* decided as identified in Part 5 for the reasons set out in Part 6.

PART 5 – DECISION

- The *IESO Board* decided in favour of the adoption of the Amendment.
- The *IESO Board* referred the Amendment back to the *technical panel* for further consideration and vote.
- The *IESO Board* decided against the adoption of the Amendment.

PART 6 – REASONS

The *IESO Board* reviewed the Materials including the unanimous *technical panel* vote to recommend MR-00441-R00-R03 for approval by the *IESO Board*. The Markets Committee of the *IESO Board* discussed the Amendment and recommended it for adoption at the March 23, 2020 *IESO Board* meeting.

The *IESO Board* decided to adopt the Amendment recommended by the *technical panel* with an effective date of May 4, 2020.

The *IESO Board* adopted the Amendment for the following reasons:

1. The Amendment is part of the phased approach to evolving the Demand Response Auction into a more competitive capacity acquisition mechanism that includes new resource types. This allows for increased competition in the acquisition of capacity for the benefit of Ontario customers.
2. The Amendment enables the *IESO* to build upon the enhancements of the Transitional Capacity Auction as the next phase in the development of an enduring Capacity Auction. The phased implementation of the Capacity Auction enables important experience and learnings with respect to integrating and administering new resource types in Ontario in advance of more significant capacity needs emerging in the future. A phased approach will reduce risk, while ensuring continued evolution of the market through the phased inclusion of new resources. This is a more prudent approach than attempting to implement a new capacity auction mechanism just prior to the time when there is a more significant capacity need.
3. The Amendment enables system backed imports and the generation component of storage resources to participate in the Capacity Auction alongside demand response and non-committed generators. The Amendment provides an important opportunity for all new resource types to compete to provide reliability services, in this case capacity. Expanding the resource types eligible to participate in the Capacity Auction is providing an alternative opportunity for non-committed generators and storage coming off contract to participate in the *IESO-administered market*. Providing these opportunities and attracting capacity from system-backed imports from neighbouring jurisdictions is to the benefit of Ontario's reliability and allows for increased competition which is in the interest of Ontario customers.