



Market Rule Amendment Proposal

PART 1 – MARKET RULE INFORMATION

Identification No.:	MR-00439-R04		
Subject:	Transitional Capacity Auction		
Title:	Non-Performance Charges and Settlements		
Nature of Proposal:	<input checked="" type="checkbox"/> Alteration	<input checked="" type="checkbox"/> Deletion	<input type="checkbox"/> Addition
Chapter:	Ch. 9	Appendix:	
Sections:	4.7J, 4.8		
Sub-sections proposed for amending:			

PART 2 – PROPOSAL HISTORY

Version	Reason for Issuing	Version Date
1.0	Draft for Stakeholder Review and Comment	May 15, 2019
2.0	Submitted for Technical Panel Review	June 12, 2019
Approved Amendment Publication Date:		
Approved Amendment Effective Date:		

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

The IESO proposes to amend the market rules to evolve the Demand Response Auction (DRA) into the Transitional Capacity Auction (TCA) to address capacity needs in Ontario until the Incremental Capacity Auction (ICA) has commenced in late 2022.

Over its four auctions, the DRA has proven successful in driving down capacity costs and increasing competition. Enhancing the IESO's approach to capacity auctions this year by opening participation to other resources is another step toward a more competitive electricity marketplace; it moves Ontario's electricity marketplace down the path of efficiency, competition, and transparency – the key principles of the market renewal efforts.

This proposal will be discussed as part of the Transitional Capacity Auction stakeholder engagement initiative before consideration by the Technical Panel.

Further information on the Transitional Capacity Auction stakeholder engagement is found [here](#).

Background

The following proposed rule changes evolve the settlement processes of the DRA into the TCA.

Discussion

Minor changes have been proposed to reflect changes to defined terms and to show the shift from demand response programs to the Transitional Capacity Auction.

A new sub-section was added (4.7J.2.1) to make a capacity market participant with a capacity generation resource subject to availability payments.

Lastly, sub-sections were removed from 4.8.3 and 4.8.4 to remove references to the CBDR and the former DR Pilots program which no longer exist.

This market rule amendment proposal was first circulated to stakeholders and market participants who are participating in the Transitional Capacity Auction stakeholder engagement. No responses to feedback were received pertaining to this proposal.

Specific changes to the market rules are listed below. There are five additional rule amendment packages that form the entirety of the proposed rule changes for the TCA.

PART 4 – PROPOSED AMENDMENT

Chapter 9

4.7J ~~Demand Response~~ Capacity Obligations

4.7J.1 The *IESO* shall remit an availability payment associated with a ~~*demand response capacity obligation*~~, if any, to the applicable ~~*demand response capacity*~~ market participant, in the manner specified in the applicable *market manual*.

4.7J.2 A ~~*demand response capacity*~~ market participant with a ~~*demand response*~~ capacity obligation shall, in accordance with the applicable *market manual*, be subject to the following non-performance charges if the ~~*demand response capacity*~~ market participant does not satisfy the requirements of its ~~*demand response*~~ capacity obligation:

~~Demand Response Capacity~~ Obligation- Availability Charges

4.7J.2.1 A ~~*demand response capacity*~~ market participant 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 ~~*demand response capacity*~~ obligation in either the day-ahead commitment process or in the *real-time energy market*.

4.7J.2.1B ~~A capacity market participant participating with a capacity generation resource shall be subject to an availability charge for every hour of the availability window in which it fails to submit energy offers in the amount of their capacity obligation in the day-ahead commitment process or in the pre-dispatch hour specified in Market Manual 5.5~~

~~Demand Response Capacity~~ Obligation Dispatch Charges

4.7J.2.2 A ~~*demand response capacity*~~ market participant participating with an *hourly demand response* resource shall be subject to a dispatch charge for failure to comply with an activation notice received under section 19.4.5 of Chapter 7.

~~Demand Response Capacity~~ Obligation Administration Charges

4.7J.2.3 A ~~*demand response capacity*~~ market participant participating with an *hourly demand response* resource shall be subject to a *demand response* administration charge for failure to provide *demand response* measurement data to the *IESO*.

~~Demand Response Capacity~~ Obligation-Capacity Charges

- 4.7J.2.4 Subject to ~~sections~~section 19.4.5 ~~and 19.4.12~~ of Chapter 7, a *demand response capacity* market participant participating with an hourly demand response resource that fails to ~~provide~~satisfy its capacity ~~through obligation in response to~~ an activation ~~notice or activation~~ test, shall be subject to a *demand response capacity* charge.
- 4.7J.2.5 Subject to section ~~19.7.5.83~~ of Chapter 7, a *demand response capacity* market participant participating with a either a dispatchable load or a capacity generation resource that fails to ~~provide~~satisfy its capacity ~~through obligation in response to~~ an activation test shall be subject to a *demand response capacity* charge.
- 4.7J.3 A *demand response capacity* market participant or a *demand response capacity* auction participant may elect to be subject to a buy-out charge for all, or a portion of, their ~~demand response~~ capacity obligation in accordance with the applicable market manual, if they are unable to fulfill a *demand response capacity* obligation for the remaining portion of ~~a commitment~~an obligation period.
- 4.7J.4 At any time, the IESO may audit any submitted ~~demand response~~ measurement data and supporting information and a *demand response capacity* market participant shall provide such information in the time and manner specified by the IESO. If, as a result of such an audit, the IESO determines that actual measurement data and supporting information differed from the submitted measurement data and supporting information, the IESO shall recover from or distribute to a *demand response capacity* market participant any resulting over or under payment, as applicable. Any amounts recovered or distributed to a *demand response capacity* market participant shall be distributed to or recovered from market participants in accordance with sections 4.8.3 and 4.8.4.

4.8 Additional Non-Hourly Settlement Amounts

- 4.8.3 The IESO shall, at the end of each energy market billing period, recover from market participants, in the manner specified in the applicable market manual, the following amounts:
- 4.8.3.1 ~~[Intentionally left blank – section deleted]any compensation for demand response market participants paid in that energy market billing period by the IESO pursuant to section 4.7H;~~
- 4.8.3.2 ~~[Intentionally left blank – section deleted]any compensation for demand response market participants paid in that energy market billing period by the IESO pursuant to section 4.7I; and~~
- 4.8.3.3 any compensation for *demand response capacity* market participants paid in that energy market billing period by the IESO pursuant to section 4.7J.

4.8.4 The *IESO* shall distribute to *market participants*, in the manner specified in the applicable *market manual*, the following amounts:

4.8.4.1 ~~[Intentionally left blank – section deleted]any adjustments to demand response market participant payments pursuant to section 4.7H;~~

4.8.4.2 ~~[Intentionally left blank – section deleted]any adjustments to demand response market participant payments pursuant to section 4.7I; and~~

4.8.4.3 any adjustments to ~~demand~~capacity ~~response~~-market participant payments pursuant to section 4.7J.

PART 5 – IESO BOARD DECISION RATIONALE

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