



Market Rule Amendment Proposal

PART 1 – MARKET RULE INFORMATION

Identification No.:	MR-00439-R00		
Subject:	Transitional Capacity Auction		
Title:	Changes to Market Rule Definitions		
Nature of Proposal:	<input checked="" type="checkbox"/> Alteration	<input checked="" type="checkbox"/> Deletion	<input checked="" type="checkbox"/> Addition
Chapter:	11	Appendix:	
Sections:	NA		
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	Draft for Technical Panel Review	June 18, 2019
3.0	Posted for Stakeholder Review and Comment	June 27, 2019
4.0	Submitted for Technical Panel Vote	August 6, 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 changes to Chapter 11 – Definitions outlined below are being made to clearly define key aspects of the Transitional Capacity Auction, differentiate from previous demand response programs, and to retire definitions that will no longer be in use.

Discussion

Most of the proposed changes to the market rules to enable the TCA are to add, change or delete defined terms. This approach was taken to minimize process changes for existing market participants. The proposed market rules for the TCA are based on newly defined terms with the 'capacity auction' prefix which encompasses both the existing DRA commitment period which ends on April 30, 2020 and the TCA, expected to commence in December, 2019. Because of the overlap of the two auction constructs, the new capacity auction definitions will cover both auctions.

Some 'demand response' definitions remain in the proposed ruleset because they are required to facilitate the existing DRA. It is anticipated that most of the remaining demand response definitions will be removed from the market rules after the DRA commitment period has concluded. This will be a further discussion in phase 2. In the same manner, some 'transitional capacity auction' definitions were added only to help facilitate the first TCA and may change in future phases. Managing any overlapping auction rules within the TCA will be a key consideration for the upcoming phases of change.

This market rule amendment proposal was first circulated to stakeholders and market participants who are participating in the Transitional Capacity Auction stakeholder engagement. In response to feedback received, changes were made to the Capacity Auction Zonal Constraints, Capacity Auction Eligible

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Generation Resource and Qualified Capacity definitions. Additionally, the definition for Demand Response Direct Participant has been removed as that definition was used exclusively for the Capacity Based Demand Response Program.

All new defined terms are listed below, and fully defined in the next section.

Chapter 11

- New definitions
 - *auction capacity*
 - *auction period*
 - *availability window*
 - *capacity auction*
 - *capacity auction deposit*
 - *capacity auction eligible generation resource*
 - *capacity auction offer*
 - *capacity auction participant*
 - *capacity auction zonal constraints*
 - *capacity generation resource*
 - *capacity market participant*
 - *capacity obligation*
 - *capacity prudential support*
 - *capacity prudential support obligation*
 - *capacity transferee*
 - *capacity transferor*
 - *capacity zonal constraints*
 - *demand response resource*
 - *forward period*
 - *non-committed resource*
 - *obligation period*
 - *qualified capacity*
 - *target capacity*
 - *transitional capacity auction*
 - *transitional capacity auction clearing price*

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- *transitional capacity auction reference price*
- Updated definitions
 - *capacity auction deposit*
 - *commitment period*
 - *demand response auction*
 - *demand response capacity*
 - *demand response contributor*
 - *demand response energy bid*
 - *demand response market participant*
 - *demand response prudential support*
 - *demand response prudential support obligation*
 - *demand response transferor*
 - *demand response transferee*
 - *hourly demand response*
- Deleted definitions
 - *capacity based demand response program*
 - *demand response aggregator*
 - *demand response auction clearing price*
 - *demand response auction offer*
 - *demand response capacity obligation*
 - *demand response direct participant*
 - *demand response pilot program*
 - *demand response security*
 - *demand response target capacity*
 - *demand response zonal constraints*

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

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Chapter 11

auction capacity means an amount in megawatts of electricity available to be provided to the IESO-controlled grid, by capacity market participants pursuant to obligations related to a capacity auction;

auction period means, with respect to a capacity auction, the length of time commencing with the opening of the window during which the IESO receives capacity auction offers, and finishing at the time at which the IESO publishes auction results;

availability window means the hours in an obligation period during which resources associated with capacity obligations are required to be available to provide auction capacity;

capacity auction means a transitional capacity auction or a demand response auction;

capacity auction deposit means the deposit required to be made by a capacity auction participant in accordance with section 18 of Chapter 7, as a condition of participating in a capacity auction;

~~capacity based demand response program means the temporary program used by the IESO to transition the former OPA's contract based DR3 program into the IESO-administered market;~~

capacity auction eligible generation resource means a non-committed resource that is a generation facility, which is also a connected facility at the commencement of the capacity qualification process for a given capacity auction, and which is registered as dispatchable with the IESO from at least the time a capacity obligation is allocated to it;

capacity auction offer means an offer(s) from a capacity auction participant, in the form of a price-quantity pair(s), to provide auction capacity for an applicable obligation period, reflecting the amount of auction capacity that the capacity auction participant can reliably and responsibly provide if received as a capacity obligation, and which offer amount is no greater than the capacity auction participant's qualified capacity;

capacity auction participant means a person that is authorized to participate in a capacity auction;

capacity auction zonal constraints means the minimum or maximum amount of auction capacity that a capacity auction seeks to secure for a specific electrical zone as detailed by the IESO in each pre-auction report;

capacity generation resource means a capacity auction eligible generation resource with

respect to which a capacity market participant has allocated a percentage of a capacity obligation received in the given capacity auction in accordance with the applicable market manual;

capacity market participant means a capacity auction participant that has registered with the IESO as a capacity market participant, and who satisfies requirements contemplated in Chapter 7, section 18;

capacity obligation means the amount of auction capacity that a capacity market participant is required to provide during the availability windows of an obligation period;

capacity prudential support means the collateral provided by a market participant with a capacity obligation in accordance with the requirements contemplated in Chapter 2, section 5B;

capacity prudential support obligation means the dollar amount of collateral required as specified by the IESO as a condition of delivering on a capacity obligation;

capacity transferee means a capacity auction participant who is willing to accept all or a portion of a capacity obligation from a capacity transferor;

capacity transferor means a capacity auction participant who intends to transfer all or a portion of its capacity obligation received through a capacity auction to a capacity transferee;

commitment period means the length period of time for which a demand response market participant is required to fulfill its demand response each capacity auction over which it secures capacity. It consists of two obligation by making its demand response capacity available for dispatch through the day-ahead commitment process and energy market; periods;

demand response aggregator means a person that is not a demand response direct participant and aggregates at least one demand response contributor to provide a portion of the aggregator's monthly contracted MW for the contracted dispatch period as outlined in the aggregator's demand response schedule;

demand response auction means the auction operated by the IESO prior to December 31, 2018, to procure acquire demand response capacity, in accordance with section 18 of Chapter 7;

demand response auction clearing price means the price at which the demand response auction clears for a commitment period and will be quoted in \$/MW-day;

demand response auction offer means an offer(s), submitted by a demand response auction participant, in the form of a price-quantity pair(s) to provide demand response capacity in a demand response auction;

demand response capacity means the expected ~~quantity of~~ auction capacity a dispatchable load reduction or an hourly demand response resource can provide during a specified availability window and commitment obligation period ~~for following a demand response capacity auction~~, and excludes energy transacted through the energy market;

~~demand response capacity obligation means the amount of demand response capacity that a demand response market participant is obligated to provide during the applicable availability window and commitment period, following a demand response auction;~~

demand response contributor means an interruptible load or behind the meter generator that is owned by a *demand response direct participant*, or with whom a *demand response aggregator* has enforceable rights, and in either case, who will provide a portion of the monthly contracted MW for the contracted *dispatch* period as outlined in the *demand response schedule*. A *demand response contributor* also means the delivery of a ~~demand response capacity obligation~~ with an *hourly demand response resource*, in which case a monthly contracted MW is replaced by a ~~demand response capacity obligation~~;

~~demand response direct participant means a person who is not a demand response aggregator and whose demand response contributors are owned by the demand response market participant and the facilities in which the demand response contributors reside are controlled by the demand response market participant;~~

demand response energy bid means a *bid* in the day-ahead commitment process and the *real-time energy market*, greater than the *demand response bid price threshold* and less than the *MMCP*, by a *demand response market participant* entered for either a *dispatchable load* or an *hourly demand response resource* to fulfill a ~~demand response capacity obligation~~ availability requirement;

demand response market participant means a ~~person who is a capacity market participant that participates only in the capacity based with a dispatchable load or an hourly demand response program, the demand response pilot program, or is a person with a demand response capacity obligation; resource;~~

~~demand response pilot program means a demonstration project, or projects for a demand response service referred to in section 16 of Chapter 7;~~

demand response prudential support means ~~the collateral~~ capacity prudential support provided by a capacity market participant in connection with a *demand response capacity obligation auction*;

demand response prudential support obligation means the dollar amount of collateral required as specified by the *IESO* as a condition of delivering on a ~~demand response capacity obligation~~ received through a demand response auction;

demand response resource means, in a *capacity auction*, either an *hourly demand response resource* or a *dispatchable load* and with respect to which a *capacity market participant* has allocated a percentage of a capacity obligation received in the given capacity auction in accordance with the applicable market manual;

~~*demand response security* means the obligations owed to the IESO by a third party and other forms of security for the financial obligations of a *demand response market participant*, in the form set forth in section 5A of Chapter 2;~~

~~*demand response target capacity* means the amount of *demand response capacity* which the IESO seeks to clear through the *demand response auction*;~~

demand response transferor means a *demand response capacity* auction participant who intends to transfer all or a portion of its ~~*demand response capacity obligation*~~ received through a *demand response auction* to a *demand response transferee*;

demand response transferee means a ~~*demand response capacity*~~ auction participant who is willing to accept all or a portion of a ~~*demand response capacity obligation*~~ from a *demand response transferor*;

~~*demand response zonal constraints* means the minimum or maximum amount of *demand response capacity* that the *demand response auction* seeks to clear for a specific electrical zone as detailed by the IESO in each pre-auction report;~~

forward period means the period of time immediately following a *capacity auction*, to the commencement of an *obligation period*;

hourly demand response means the resource type described in section 19 of Chapter 7, that is a registered facility and used by the IESO as a delivery type, on an hourly basis, for a ~~*demand response capacity obligation*~~;

non-committed resource means a *registered facility* that is, that is neither - in whole or in part - rate-regulated, contracted to the IESO, contracted to the OEFC, or obligated as a resource backed capacity export to another jurisdiction during the entire duration of a given *obligation period*;

obligation period means the period of time for which a *capacity market participant* is required to fulfill its *capacity obligation* through the day-ahead commitment process and energy market;

qualified capacity means a quantity in megawatts representing the maximum *capacity auction offer* that a *capacity auction participant* may provide for an applicable *obligation period*, and which corresponds to an amount submitted to the IESO by the *capacity auction participant* for qualification during the pre-qualification period of a relevant *capacity auction*;

target capacity means the amount of *auction capacity* which the IESO seeks to acquire through a *capacity auction*;

transitional capacity auction means an auction operated by the IESO after January 1, 2019 to acquire *capacity*, in accordance with section 18 of Chapter 7;

transitional capacity auction clearing price means the price at which a capacity auction clears for an obligation period and will be quoted in \$/MW-day;

transitional capacity auction reference price represents the price at which resources would be incentivized to enter the market and recover the necessary costs to make their capacity available, recognizing their revenue opportunities and avoided costs in the energy market. The reference price is directly associated with the target capacity as another key reference point in the demand curve;

PART 5 – IESO BOARD DECISION RATIONALE

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