

## IESO SENIOR MANAGEMENT UPDATE

To: Stakeholder Advisory Committee  
From: Ted Leonard, VP Markets & CFO  
Date: October 16, 2014  
Subject: **Capacity Auction Update**

Information Item

The IESO has launched a stakeholder engagement to provide input into the design for a capacity auction in Ontario.

A draft stakeholder engagement plan was posted on September 11 which incorporated input from Stakeholder Advisory Committee (SAC) members at the August 20 meeting. The IESO sought written feedback on this draft plan, and accepted responses until October 10. Stakeholder feedback is being considered and a revised stakeholder engagement plan is expected to be posted by October 20.

Prior to the first meeting, the IESO published the [Ontario Capacity Auction: Design Element Discussion Paper](#). This document provides background information on the structural elements required for a capacity auction to be developed. A brief description of each element is given, along with some of the associated considerations and potential options in design. Design elements were grouped into three main categories; auction parameters, eligibility and performance and the demand curve (see Table 1 below).

Additionally, in response to stakeholder interest in more details on benefits analysis, the IESO published the *Ontario Capacity Auction: Assessment of Expected Benefits* document on September 18. This document outlines the methodology and input assumptions used in the benefits presented by the IESO at the August 22 SAC meeting and the August 13 information day.

The first stakeholder engagement meeting was held on October 1 and was well attended, with 70 participants joining in-person or via teleconference. At this meeting, the IESO outlined the engagement plan and a series of presentations that covered the design elements identified in the discussion paper.

The IESO is currently seeking comments on the auction design elements, with responses due by October 31. Participants have been asked to provide feedback on the organization and completeness of the list of elements, as well as factors that should be considered for each of the individual design elements.

The next stakeholder meeting is scheduled for December, where the IESO will present an initial high level design proposal. This high level design will build on the material presented at the October meeting and initial stakeholder feedback received, with greater definition where possible. The proposal would provide a structure and outline of the overall auction design, enabling more detailed design discussions with stakeholders in 2015. Stakeholders will be given an opportunity to comment on the proposed high level design before it is finalized.

**Table-1 – Summary of Capacity Auction Design Elements**

<b>Category</b>	<b>Design Elements</b>
<b>Auction Parameters</b>	Length of Forward Period
	Annual/Seasonal Commitment Period
	Locational-Based Auction (Zones)
	Rebalancing Auctions
	Market Power Mitigation
<b>Eligibility and Performance</b>	Resource Eligibility
	Registration Requirements
	Qualified Capacity
	Resource Obligations
	Non-Performance Penalties
	Measurement and Verification
	Compensation for New Resources
<b>Demand Curve</b>	Profile of Downward Sloping Demand Curve
	Net Cost of New Entry
	Target Capacity Requirement
	Maximum Auction Clearing Price
	Min/Max Cleared Capacity Limits