

Market Renewal Program Alignment with Capacity Auction



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Purpose

The Market Renewal Program (MRP) is modernizing Ontario's electricity markets to address inefficiencies and will be a building block to embrace the continued transition to new and diverse resources. It will also deliver a more efficient, stable marketplace with competitive and transparent mechanisms that meet system and participant needs at the lowest cost.

The purpose of this document is to highlight changes to the market rules and manuals that have been made through MRP, and of which may have a direct impact on capacity auction/market participants.

The approved market rules with the attendant market manuals are now available, and can be accessed using the following link: [Renewed Market Rules & Manuals Library](#).

The market rules and manuals that are considered within this document are:

Market Rules Chapter 0.7, Market Rules Chapter 0.9, IESO Charge Types and Equations, Market Manual 0.4.2, Market Manual 0.5.5, Market Manual 0.12

Note: This document is not a comprehensive list of all changes to the Market Rules and Manuals that pertain to the Capacity Auction, but simply aims to highlight some of the key changes resulting from MRP. Participants are strongly encouraged to review the documents posted to the Renewed Market Rules and Manuals Library page of the IESO website for further details. This document may be subject to updates on an ongoing basis and as required. Should revisions be made to the original document, these changes will be highlighted in the document's subsequent version.

Identified Changes to Market Rules and Manuals

Market Rules Chapter 0.7

S18 – Capacity Auctions

N/A

S19.2 – Eligibility Requirements for Hourly Demand Response Resources (Page 127)

19.2.4 – The provisions within this section will now also apply to “price responsive loads” that are associated with an hourly demand response resource.

19.2.6 – Addition to include that load equipment that is associated with a dispatchable load or price responsive load shall not be registered as a demand response contributor. The following related references provide additional supporting information pertaining to this rule:

- Chapter 0.11 Definitions: “load equipment” and “demand response contributor”
- Market Manual 0.12: s5.2.3 Contributor Management. Contributor management is the key phrase that links this rule to Market Manual 0.12, which clarifies that dispatchable load resources and price responsive loads cannot be included within a virtual portfolio.

S19.4 – Energy Market Participation for Hourly Demand Response Resources (Pages 128-129)

19.4.2 – Replacement of reference to pre-dispatch shadow price with pre-dispatch locational marginal price.

19.4.4 – Addition that IESO shall issue an activation notice to a capacity market participant no later than two hours before the activation period. Also includes clarification of the rules to indicate that the activation notice sent no later than two hours before the activation period will be based on the pre-dispatch run conducted three hours prior.

19.4.4A – Addition that IESO shall use reasonable efforts to ensure that the activation notice is consistent with the pre-dispatch schedule for the pre-dispatch calculation engine run three hours before the activation period for that resource.

19.4.4B – Addition that IESO shall not be required to issue an activation notice or shall not be required to satisfy the requirements of 19.4.4A for specific reasons identified in 19.4.4B.1-19.4.4B.4.

Market Rules Chapter 0.9

B.1 Exceptions (Page 2)

B.1.2 – Amendment to s6.3.14 that states that after the preliminary settlement statement is issued, participants shall have six business days to notify the IESO of errors or omissions in the preliminary settlement statement; to say that upon commencement of the market transition, this timeline shall be ten business days. Eight months after the market transition completion date occurs, and for a period of six months, participants shall have eight business days to notify the IESO. After both time periods have passed, the relevant timelines will return to as originally stated in s6.3.14.

IESO Charge Types and Equations

1315 Capacity Obligation Availability Charge – MRP updates include but are not limited to: administrative clean-up, text and defined term clarifications, etc., effective on the commencement of market transition.

1320 Capacity Obligation Dispatch Test Payment and Emergency Activation Payment – MRP updates include but are not limited to: administrative clean-up, defined term clarifications, etc., effective on the commencement of market transition. Changes of note include:

- Under capacity obligation emergency operating state activations - charge/formula split into two parts: (1) for HDR not associated with load equipment registered as a price responsive load, and (2) for HDR that is associated with load equipment registered as price responsive load.
- Hourly Ontario Energy Price (HOEP) replaced with Locational Marginal Price (LMP).
- Under part (1), load forecast deviation adjustment (LFDA) added.

Market Manual 0.4.2

N/A

Market Manual 0.5.5

N/A

Market Manual 0.12

S5.2 – Registration Requirements (Page 27)

Addition to registration requirements that load equipment that is associated with a dispatchable load or price responsive load shall not be registered as a demand response contributor (per MR Ch0.7 s19.2.6).

S5.3.4.3 – VEE Process for Virtual C&I Hourly Demand Response (Page 39)

Addition of “declared contributor outages” as part of the IESO audit for virtual C&I demand response contributors.

Table 5-1 Testing procedure per resource type (Pages 41-42)

Capacity generation resources: (1) Elaborated that offers shall be submitted in both day-ahead and real-time markets to ensure that both day-ahead and real-time schedules are received by the resource, (2) Replaced the word “supply” with “deliver”, (3) Included that the IESO should be notified of specific day, hours and dispatch intervals for which the capacity test performance should be assessed.

Capacity dispatchable loads: (1)(a) Elaborated that bids shall be submitted in both day-ahead and real-time markets to ensure that both day-ahead and real-time schedules are received by the resource, (1)(b) Included that the day-ahead and real-time schedules are for the subsequent hour to consume an amount that is lower than its day-ahead and real-time schedule, (2) Included the word “deliver” and defined as “reduce withdrawal of energy and hold”, (3) Included that the IESO should be notified of specific day, hours and dispatch intervals for which the capacity test performance should be assessed.

Hourly demand response resources: (1) Elaborated that bids shall be submitted in both day-ahead and real-time markets to ensure that an activation notice is received by the resource, (2) Replaced “reduce withdrawal of energy” with “deliver”, (3) Included that the IESO should be notified of specific day, hours and dispatch intervals for which the capacity test performance should be assessed.

Capacity Auction Capacity Test Performance Assessment (Page 43 for generation and storage resources. Pages 43-44 for dispatchable load resources. Page 44 for hourly demand response resources. Page 46 for system-backed import resources. Page 48 for generator-backed import resources)

Addition that failure of the capacity auction capacity test may result in the application of a performance adjustment factor in a future capacity auction.

Price Responsive Loads (PRL) and the Capacity Auction (Additional Information)

A PRL is a new resource participation type available to load resources, providing market participants with another option for managing price risk. A PRL can be considered as occupying the middle ground between dispatchable and non-dispatchable load resource types. For detailed information about PRLs with regards to registration, market operations and settlements, refer to the Price Responsive Load training guide found [here](#). Some key points for PRLs as they relate to the Capacity Auction are listed below:

- Registration as a PRL resource is available to new load resource applicants and existing registered non-dispatchable loads and dispatchable loads.
- Any dispatchable loads that secured a capacity obligation for the summer 2025 obligation period in the 2024 Capacity Auction cannot fulfill such obligation as a PRL.
- Any dispatchable loads looking to transition to a PRL should set an effective date that is after the end of any obligation period for which they have secured a position.
- No changes are required for non-dispatchable load resources that have elected to become a PRL and are registered as a physical hourly demand response resource.
- Physical hourly demand response resources can fulfill their obligations using a resource registered as a PRL. The physical hourly demand response resource and the PRL must have the same Registered Market Participant (RMP) and Metered Market Participant (MMP). A physical hourly demand response resource and its associated PRL shall be registered as two separate resources with separate delivery points at the same connection point to the IESO-controlled grid. As such, a separate bid shall be entered for the physical hourly demand response resource and for the PRL for any obligation hours.
- Note: PRL to non-dispatchable load/dispatchable load transition is not considered since PRL did not exist before MRP go-live.
- Any demand response provider registered as a PRL is not eligible to contribute to a virtual hourly demand response resource. A PRL cannot be a virtual demand response contributor as PRLs will be settled using its locational marginal pricing, which is incompatible with virtual settlement.
- A non-dispatchable load resource that intends to become a PRL and is a contributor to a virtual hourly demand response resource must work with their demand response resource owner (aggregator) to de-register from the portfolio by the PRL effective date.

- The load (or withdrawal) portion of a self-scheduling storage resource, whether existing or new, must register as a PRL to align the settlement of the injection/withdrawal resources. Self-scheduling injection resources will be settled at their locational marginal prices as will PRLs.
- Additional registration and metering requirements may apply for PRLs as well as differing market operations and settlements.