Stakeholder Feedback and IESO Response

Capacity Auction Enhancements

Following the Capacity Auction Enhancements webinar on August 20th, 2026, the Independent Electricity System Operator (IESO) invited stakeholders to provide comments and feedback on the materials presented by September 3rd, 2026.

The presentation materials and stakeholder feedback submissions have been posted on the Capacity Auction Enhancements engagement webpage for this engagement. Please reference the material for specific feedback as the below information provides excerpts and/or a summary only.

Expanded One-Month Capacity Test Window

Stakeholder Feedback	IESO Response
Several stakeholders support a one-month testing window, citing additional flexibility to schedule tests around operational realities, outages, and maintenance activities. Stakeholders indicated this would reduce the risk that isolated events affect qualification outcomes. One stakeholder suggests a one-month testing window may also reduce costs associated with rescheduling and exception administration and supported the removal of the SEAL allowable exception as its application would be rare.	The IESO appreciates the feedback and support for the one-month testing window enhancement.
A stakeholder suggested that testing in shoulder-season conditions such as May and November creates the risk of understating an HDR resources baseline relative to the peak conditions in which it will be called upon. The recommended	Capacity procured through the Capacity Auction is a six-month seasonal product, and resources are expected to be capable of delivering their capacity obligation throughout the entire applicable period. While the dispatch of HDR resources often corresponds with peak system conditions, they may be activated

Stakeholder Feedback	IESO Response
approach was to set the test window to June and January, to better represent the peak conditions for which HDR resources are obligated to perform in.	during events where the grid is experiencing system stress or scarcity outside of system peak. Therefore, the obligation to perform spans the entire 6-month period and the IESO does not agree that the test should be restricted to the months of June and January.
A stakeholder requested clarification regarding whether a market activation within the first month would meet the testing requirement or if a separate scheduled test would be required. Additionally, the stakeholder requested more details on when to submit the testing template timeline, and if submission deadlines will depend on the testing date.	An HDR emergency activation that occurs during the proposed one-month testing window can be used to satisfy the testing requirement, as long as it meets all test criteria (e.g. 4-hours in length, scheduled to the cleared ICAP). The timing for data submission remains unchanged and will continue be based on the participant's resource type, as set out in the Data Submission Requirements section of Market Manual 12 (Section 5.3.5).
A stakeholder requested clarification on whether a self-scheduled capacity test would be excluded from the HDR resource's baseline calculation, as including it in the baseline calculation could negatively impact subsequent performance measures.	Please refer to MM5.5, s.3.4.3.1.1 for the baseline methodology which goes into details of how a suitable business-day is determined. If an HDR resource was activated to provide demand response capacity (this includes capacity testing dates), it is not included as a suitable business day in the baseline calculation.
A stakeholder asked if a bid price threshold waiver would still apply if a test is rescheduled within the testing window or for multiple testing attempts.	The bid price threshold exemption is proposed to only apply to the hours/intervals that are submitted for test evaluation. Any additional capacity test attempts conducted within the testing window will remain subject to the capacity auction bid price threshold. This detail is provided in the August 20th stakeholder engagement presentation.

Expand Participation

Stakeholder Feedback	IESO Response
Stakeholders support expanding eligibility to distribution-connected dispatchable generation and storage resources to increase competition and provide additional capacity resources. Participants indicated this aligns with broader policy objectives for distributed energy resources.	The IESO appreciates stakeholder support on this future enhancement and will bring forth proposed market rule amendments at a future engagement session to implement this enhancement for the 2027 Capacity Auction.

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A stakeholder raised concerns regarding the potential participation of emitting distribution-connected generators due to the potential negative impacts on air quality and carbon emissions. A recommendation was made to tailor the definitions of "embedded generator" to exclude emitting generation.	The Capacity Auction is designed to secure availability from existing resources and does not procure new generation. It is also technology-neutral, allowing participation from eligible existing resources across all fuel types. Capacity payments compensate resources for their availability during potential system scarcity or shortage conditions, rather than for energy production. With provincial electricity demand forecasted to steadily increase over the next two decades, the IESO is taking an "all of the above" approach to procuring the needed electricity supply to ensure the reliable operation of the system, now and into the future. The Capacity Auction is a competitive electricity marketplace where non-emitting supply from demand response, capacity imports and other sources can compete alongside a wide range of other sources of electricity supply.

Improving Hourly Demand Response (HDR) Performance

Challenges with Delivery to Capacity Obligation by HDR Resources

Stakeholder Feedback	IESO Response
Stakeholders indicated that baseline erosion caused by customer peak shaving activities, e.g. participation in ICI, can reduce the measured performance of an HDR resource in two ways: 1. If an HDR activation immediately follows curtailment for ICI, the in-day adjustment factor (IDAF) applies and erodes the baseline 2. Curtailment for ICI can often intersect with days used in the lookback period for the baseline calculation which leads to baseline erosion. Additionally, stakeholders pointed out that contributors can have stronger financial incentives to prioritize peak-shaving activities over responding to HDR emergency activations, further limiting the	The IESO's position is that baseline adjustments should reflect the actual consumption patterns of a contributor leading up to an IESO activation. If a contributor has been regularly curtailing consumption for ICI during the lookback period, reflecting this in the baseline calculation is appropriate because it indicates the load has not consistently been consuming in those hours and therefore was not available to curtail. The IESO completed a review of the baseline methodology in 2021, here and here, posted a final engagement report which concluded that the current baseline methodology was an effective, accurate measure relative to other options. That said, the IESO will consider concerns raised by stakeholders regarding the timing of the in-day adjustment relative to the bid adjustment as part of future auction enhancements.

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load reduction available to deliver relative to the resource's capacity obligation during an activation. A stakeholder suggested the IESO review the baseline methodology, especially to consider ICI participation.	The IESO would like to remind participants to update their bids in a timely manner to accurately reflect resource availability at all times, including during hours when the resource reduces consumption in response to ICI.
A stakeholder stated that industrial facilities called upon for curtailment often face significant operational constraints and costs that exceed the maximum bid price of $1999, and that this is a barrier from delivering to their capacity obligation. It was noted that no notification design would fully remove this challenge.	Any costs not expected to be recovered through emergency activation payments should be considered when submitting a capacity auction offer price.
A stakeholder expressed that activation notice is too short relative to the operational requirements of industrial facilities. They mention that for known test dates, facilities can plan days and weeks ahead, but for activations, facilities must curtail from the operating state they happen to be in, which does not leave enough time for facilities to perform optimally. In addition, a stakeholder expressed that for some industrial facilities, pre-emptively altering production is a cost that cannot be justified because standby notices do not always lead to activation, and have varied in frequency. Due to the uncertainty of an activation, some customers choose to wait for certainty of activation before altering production, which does not leave enough time to perform optimally.	The IESO appreciates this feedback and recognizes that it is closely related to feedback received on activation certainty. We will look to continue discussion on this topic in future engagements as we develop enhancements that will achieve more certain and reliable participation from demand response resources. In the meantime, the IESO provides access to extensive information on grid conditions via advisory notices, pre-dispatch schedules and adequacy reports. Participants are encouraged to continually monitor these reports to maintain awareness of potentially tight system conditions. In addition, participants must ensure they have sufficient visibility (i.e., data collection/monitoring systems) into the operational capability of their resource to continually update bids as the dispatch hour approaches.
A stakeholder suggested that the IESO should not measure performance in non-test activations against the obligation but rather against the bid. The availability	The IESO proposed a new non-performance charge in the October engagement that will introduce a performance-based financial consequence for non-delivery relative to the dispatched quantity in an emergency activation. The IESO continues to expect

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charge is in place to penalize when the bid falls below the obligation amount.	Capacity Market Participant's full capacity obligations to be available during the availability window. The IESO procures capacity and plans system reliability on the assumption that committed capacity will be available when called upon. Although capability may occasionally be reduced due to outages or other unforeseen circumstances, participants are expected to update their bids in a timely manner, so that dispatch instructions accurately reflect their actual capability. Under normal operating conditions, delivery of the full capacity obligation remains the IESO's expectation.

Challenges with dispatch compliance and bid revision for HDR Resources

Stakeholder Feedback	IESO Response
A stakeholder stated that the time between receiving an activation and the start of the mandatory window, when a bid must be revised by, is shorter than the operational lead time needed to confirm what a resource can deliver. The stakeholder added that aggregated resources are further complicating, as capability must be confirmed across multiple sites through predictive analytics. This requires more than a 1-2 hour window.	The IESO appreciates this stakeholder feedback and acknowledges that it is closely related to feedback received on activation certainty. We will look to continue discussion on this topic in future engagements as we develop enhancements that will achieve more certain and reliable participation from demand response resources. In the meantime, the IESO provides access to extensive information on grid conditions via advisory notices, pre-dispatch schedules and adequacy reports. Participants are encouraged to continually monitor these reports to maintain awareness of potentially tight system conditions. In addition, participants must ensure they have sufficient visibility (i.e., data collection/monitoring systems) into the operational capability of their resource to continually update bids as the dispatch hour approaches.
A stakeholder indicated that they are unable to accurately update their bids ahead of the mandatory window because their baseline is being determined via the In-Day Adjustment Factor (IDAF) which is finalized 1-hour before the activation. This	The IESO completed a review of the baseline methodology in 2021, here and here, and posted a final engagement report. Included in this review was consideration of a shifted in-day adjustment window. It was concluded that the current baseline methodology,

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means the resource cannot determine their real-time capability until 1-hour ahead of the dispatch hour, by which time it is too late to adjust their bid.	was an effective, accurate measure relative to other options. That said, the IESO will consider stakeholder concerns regarding the timing of the in-day adjustment in relation to bid adjustments and the mandatory window as part of future enhancement discussions.
Stakeholders suggested that the current settlement structure applied to HDR activations do not appropriately incent accurate bid changes, due to the availability charge and the dispatch charge being equal in magnitude but penalizing different behaviours. Adjusting a bid down to accurately reflect availability will expose participants to the availability charge, but leaving a bid at the obligation and under-delivering relative to your dispatch schedule will expose participants to the very similar dispatch charge. This creates little financial incentive to update the bid to reflect true availability, as the financial outcome will be relatively the same. The stakeholders suggest that the performance penalty (dispatch charge) should be higher than the availability charge in order to incentivize better availability management and dispatch compliance. A stakeholder also suggested that dispatchable load resources that revise their real-time bids downward reduce their own future qualified capacity due to the availability de-rating factor applied, thereby acting as a disincentive to adjust bids more accurately.	The Market Rules require all market participants to submit bids into the market that reflect their capability, to the best of their knowledge at the time. Financial incentives should not influence a market participant's responsibility to reflect true capability in bid submissions. The IESO agrees that the current incentive structure for dispatch performance for HDRs can be improved. The IESO presented a proposal to amend the penalty for non-compliance with dispatch at the October stakeholder engagement.

Activation Certainty for HDRs

Existing market signal and notification modifications to better prepare HDRs to respond

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Stakeholders identified advance notice and activation certainty as critical factors affecting HDR performance. Additional and consistent preparation time was viewed as the most effective way to improve delivery performance. Specific to storage-backed resources, a stakeholder affirms that earlier and firmer notification would improve compliance because the binding constraint for a battery is the state of charge, which is decided hours ahead. The highest-value change for storage-back resources is therefore a firm standby decision communication day-ahead by early morning, as a mid-afternoon signal may become more difficult to honor.	The IESO acknowledges stakeholder feedback and will consider it as part of future Capacity Auction enhancements. The IESO plans to engage stakeholders through focused discussions to better understand concerns and assess potential enhancements that could improve certainty, market efficiency, participation and reliability. In the meantime, the IESO provides access to extensive information on grid conditions via advisory notices, pre-dispatch schedules and adequacy reports. Participants are encouraged to continually monitor these reports to maintain awareness of potentially tight system conditions. In addition, participants must ensure they have sufficient visibility (i.e., data collection/monitoring systems) into the operational capability of their resource to continually update bids as the dispatch hour approaches.
A stakeholder expresses appreciation for the efforts the IESO has made to improve market signals for DR activations in respect to pre-dispatch scheduling and updating the standby price trigger. They mention that the updated and existing market signals provide clear market signals for HDR activations.	The IESO appreciates this feedback and is pleased to hear that the Capacity Auction Enhancements are having the intended positive impact.

Activation caps

Stakeholder Feedback	IESO Response
Stakeholders supported the idea that caps on activations could improve participation and performance by creating a more predictable operating commitment and better risk management. A stakeholder explained that a seasonal cap with an emergency carve-out would grow the fleet,	The IESO acknowledges stakeholder feedback and will consider it as part of future Capacity Auction enhancements. The IESO plans to engage stakeholders through focused discussions to better understand concerns and assess potential enhancements that could

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as uncapped activation exposure is a primary objection industrial hosts raise when weighing demand response against production risk. Therefore, implementing a cap would bound that exposure and allows for better price risk analysis. One stakeholder suggested that the activation caps should be defined per season with clear treatment of consecutive-hour and same-day activations, and for the IESO to establish the conditions and treatment of activations beyond the cap, including compensation.	improve certainty, market efficiency, participation and reliability.

Other activation certainty suggestions

Stakeholder Feedback	IESO Response
IDAF caps and floors applied at individual contributor level: A stakeholder suggested that applying in-day adjustment factor (IDAF) caps and floors at the individual contributor level would provide a more accurate assessment of HDR performance than the current zonal aggregation approach. The stakeholder argued that a contributor whose load increases during an activation is not responding to the dispatch signal, but rather prioritizing its own operational needs. As such, the contributor's response should effectively be treated as a non-response, and it should not negatively affect the IDAF calculation or measured performance of other contributors within the same aggregated portfolio. The stakeholder further noted that aggregators should be able to reflect a non-responding contributor's unavailability in updated bids to the IESO, while	The IESO understands the stakeholder's interest in applying IDAF caps and floors at the contributor level. However, HDR performance is measured and settled at the aggregated resource level, which is also the level at which dispatch instructions are issued. Applying the IDAF at the resource level is therefore consistent with how HDR participates in the market. The purpose of the IDAF is to adjust the baseline for changes in operating conditions immediately before an activation, not to assess individual contributor performance. Applying caps and floors at the contributor level would introduce contributor-level performance considerations into an aggregation-based framework. As part of the IESO's 2021 HDR Baseline Methodology Review, the current resource-level IDAF approach was evaluated against several alternatives, including contributor-level application. The review concluded that the current resource-level approach is an effective and accurate method for assessing C&I HDR performance

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ensuring that the contributor's non-participation does not distort the performance evaluation of the remaining participating contributors.	relative to other options. Details of the review are available here. Moving to a contributor-level baseline methodology represents a fundamental re-design of the existing baseline methodology that would require careful evaluation of the expected benefits and scope of work. For these reasons, the IESO believes that applying IDAF caps and floors at the resource level remains the most appropriate approach at this time.
Any new performance measures should be based on cumulative performance of a resource: A stakeholder suggested that any new HDR performance measure that is introduced should assess performance across multiple activations at the same facility, which could create incentives for contributors to over-perform in future performance following weaker historical results.	Market participant compliance with IESO dispatch instructions is necessary to maintain the reliable operation of the IESO-controlled grid and the effective and efficient operation of the IESO-administered markets. Non-compliance with dispatch instructions may result in increased market costs and may jeopardize reliable operation of the IESO-controlled grid. The IESO aims to introduce new performance measures to incentivize HDR resources accurate response to dispatch/activation instructions in each HDR activation event, instead of over-performance or under-performance.
Equal contributor outage mechanism for physical HDRs: A stakeholder requests that the contributor outage mechanism in Ch.7, s.19.4.10A/B, scoped by MM 12 s.5.3.2 to virtual C&I resources, should have an equivalent mechanism applied to physical single-site HDR resources. The stakeholder states that this mechanism should either be extended to physical HDRs with a verifiable device outage, or allow virtual HDR (C&I) resources to register with a single contributor, because this imparity pushes single sites towards third-party aggregations.	To facilitate contributor management for virtual HDR resources, Market Manual 12, section 5.3.2, permits Capacity Market Participants to temporarily exclude one or more virtual contributors from the baseline calculation where those contributors are on outage at a specified point during the in-day adjustment period, in accordance with the requirements set out in Market Rules Chapter 7, sections 19.4.10A and 19.4.10B. It is not a broad contributor outage mechanism. In addition, virtual HDR resources are currently permitted to register with only one contributor.

Review of Resource-Specific UCAP Methodologies

Stakeholder Feedback	IESO Response
A stakeholder supports aligning external accreditation methodologies with IESO's internal qualification methodologies to reduce potential inconsistencies, and recommends providing adequate transition periods for any methodology changes.	The IESO appreciates stakeholder support and will ensure appropriate transition periods for any potential future changes.

2027 Prioritized Enhancements

Stakeholder Feedback	IESO Response
A stakeholder expressed that the enhancement of greatest consequence to HDR aggregators is improving HDR performance, because it interacts tightly with notification timelines, partial activations, performance measurement, and contributor retention. Therefore, they request that any design decisions related to HDR performance should have adequate time allocated to it and not be compressed late in the timelines.	All engagement, design and market rule amendment timelines have been designed to provide sufficient time for participants to understand and adapt to any new changes. Improving HDR performance has been prioritized for the 2027 auction enhancements. More details will be provided in the upcoming engagement sessions.
A stakeholder requests clarification of how capacity obligations interact with Global Adjustment peak-reduction activities (ICI program) when both occur in the same hour, and if that hour is exposed to availability charges.	The Capacity Auction rules do not prohibit Capacity Auction participants from simultaneously participating in the Industrial Conservation Initiative. However, participants who hold a capacity obligation must comply with all requirements that come with that obligation, as outlined in the Market Rules. This includes adjusting bids, and incurring the appropriate penalties, to reflect any planned curtailments that aren't in response to IESO dispatch instructions. Failure to be available during the applicable availability window and obligation period will result in availability charges, regardless of whether the unavailability was due to ICI reductions.

General Comments/Feedback

Stakeholder Feedback	IESO Response
A stakeholder advocated for a fundamental redesign of how behind-the-meter storage resources are measured and assessed in the Capacity Auction. The stakeholder proposed using separate device-level metering and telemetry, rather than combined host-load metering, for baseline calculations, performance assessment, qualification, availability evaluation, UCAP determination, and capacity testing. The stakeholder suggested that separately metered storage resources could provide the IESO with improved operational visibility and real-time telemetry, enabling more accurate measurement of storage performance and better integration of distributed storage resources into reliability programs. The stakeholder expressed willingness to participate in a pilot, working group, or first-cohort implementation process to test participation models and metering approaches for behind-the-meter storage resources before broader implementation.	The IESO believes that this suggestion goes against the fundamental design of a demand response resource in the Capacity Auction. The purpose of a demand response product is to measure the reduction in consumption at the load site relative to a baseline, not credit injections from a behind-the-meter resource. To demonstrate demand response, the measurement must include the load behaviour and verify that demand was reduced relative to what it otherwise would have been. The Enabling Resources Program (ERP) is considering future participation models for both front-of-meter and behind-the-meter distributed energy resources and aggregations (collectively, DER/As). It is recommended to follow this engagement to understand future participation opportunities for these resource types.