

Stakeholder Feedback and IESO Response

Capacity Auction Enhancements

Following the Capacity Auction Enhancements webinar on March 31, 2026, the Independent Electricity System Operator (IESO) invited stakeholders to provide comments and feedback on the materials presented by April 15, 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.

Activation Payment Certainty

Stakeholder Feedback	IESO Response
Stakeholders expressed appreciation and support for clarifications made by the IESO regarding eligibility for HDR activation payments.	The IESO appreciates the stakeholder feedback and acknowledgement of the IESO's efforts to provide clarifications regarding HDR activation payments.
<p>One stakeholder noted that activations occurring without an accompanying Conservative Operating State or EEA-1 declaration continue to create uncertainty for contributors who look to these signals as indicators of genuine system stress.</p> <p>The stakeholder recommended that the IESO issue timely advisory communications whenever an activation is triggered by economic conditions, clearly stating the basis for the activation and confirming payment eligibility. This would reduce operational ambiguity without requiring changes to market rules.</p>	<p>The IESO acknowledges stakeholder concerns regarding uncertainty associated with HDR activations that are driven by economic conditions.</p> <p>As stated during the March engagement, the IESO issues EEA-1 and Conservative Operating State notices to provide early awareness of tight or potentially stressed system conditions. These notices are informational in nature and are not intended to serve as definitive indicators of when HDR activations will occur.</p> <p>In parallel, pre-dispatch schedules are developed using the most up-to-date information available at the time of calculation and reflect prevailing system conditions.</p>

	<p>Advisory notices and pre-dispatch schedules are both useful and reliable sources of information; however, as forecasts are updated and system conditions continue to evolve, actual outcomes may differ from earlier advisories or schedules. As a result, an activation may occur even in the absence of an active Conservative Operating State or EEA-1.</p> <p>The IESO recommends that stakeholders closely monitor advisory notices and pre-dispatch schedules on an ongoing hourly basis as indicators of emerging system stress, while recognizing that conditions may continue to change as additional information becomes available. At this time, the IESO does not plan to introduce additional real-time communications specific to HDR economic activations. Given the complexity and dynamic nature of the electricity system, it is not feasible to provide fulsome, activation specific explanations in real-time.</p> <p>As indicated during the March 2026 engagement, the IESO intends to provide compensation for activation of HDRs when either (1) the Control Room manually activates the resource, or (2) the PD-3 scheduling run price associated with the activation is at or above \$1,999 and the resource responds to the activation as required. As long as HDRs bid at or above \$1,999, their activations will meet this threshold and be compensated for energy delivered as per the Market Rules.</p>
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Partial Activations

Stakeholder Feedback	IESO Response
<p>Stakeholders said that partial activations create a disproportionate operational burden on participants.</p> <p>One stakeholder noted that many of their contributors have all-or-nothing curtailment abilities. Another stakeholder reiterated its concerns about cascading MW values within a single activation event (i.e., varying MW</p>	<p>The IESO acknowledges stakeholder concerns regarding partial activations, including varying MW quantities across consecutive hours.</p> <p>As discussed during the March engagement, the IESO believes that bid differentiation at or above \$1,999 (even by pennies) would materially decrease the frequency of partial activations and ensure eligibility for Emergency Payments. We will continue</p>

<p>quantities dispatched across consecutive hours).</p> <p>Stakeholders acknowledged that bid price differentiation may reduce tiebreak-driven partial activations in the near-term. However, this places the burden of managing a market design issue on participants.</p> <p>To mitigate these concerns, stakeholders recommended the following:</p> <ul style="list-style-type: none"> • Prioritize a long-term solution that includes minimum dispatch quantity requirements and reflect the all-or-nothing curtailment capabilities of many industrial contributors. • Adopt a guiding principle that HDR resources are activated for a constant MW value across all event hours. <p>A stakeholder asked the IESO to review the issue after the summer 2026 obligation period to determine if bid-price differentiation reduced the frequency of tiebreak-driven partial activations.</p>	<p>to monitor the bidding behaviours and partial activations and will explore long-term solutions as part of the three-year enhancement plan.</p>
<p>Stakeholders said that the IESO’s current practise of measuring partial activation performance against a baseline that includes all contributors in the virtual HDR aggregation negatively impacts performance and results in decreased payments and/or potential penalties.</p> <p>Stakeholders recommended a revised performance measurement approach that aligns resource baselines with the subset of contributors that respond to the partial activation.</p>	<p>The IESO will continue to monitor the impacts of partial activations and will consider this feedback as we explore long-term solutions as part of our three-year enhancement plan.</p>
<p>A stakeholder asked if the IESO’s clarifications at the March engagement implied that an HDR resource should bid at a price below \$1999 if they would like to avoid partial activations. The stakeholder noted that doing so would forfeit activation payments for energy delivered.</p>	<p>As indicated during the March 2026 engagement, the IESO intends to provide compensation for activation of HDRs when either (1) the Control Room manually activates the resource, or (2) the PD-3 scheduling run price associated with the activation is at or above \$1,999 and the resource responds to the activation as required. As long as HDRs bid at or above \$1,999, their activations will meet this</p>

	<p>threshold and be compensated for energy delivered per the Market Rules.</p> <p>The IESO also indicated that the primary driver for partial activations is the tie-break process. The IESO believes that bid differentiation at or above \$1,999 (even by pennies) would materially decrease the frequency of partial activations and ensure eligibility for Emergency Payments.</p>
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Frequent Activations

Stakeholder Feedback	IESO Response
<p>A stakeholder acknowledged the IESO’s explanation that HDR activations over the past year coincided with periods of genuine system stress, including sustained heat waves and early-onset cold weather, and that resulting schedules were aligned with underlying supply and demand conditions.</p>	<p>The IESO appreciates the stakeholder feedback and acknowledgement of the IESO’s explanation on system conditions that warranted HDR activations over the past year.</p>
<p>One stakeholder emphasized the need for predictability and said that if the drivers of activations are unpredictable, then HDRs cannot appropriately plan for activations, including preparing customers to respond, leading to unpredictable performance.</p> <p>Several stakeholders reiterated that HDR resources were designed to function as emergency reliability backstop resources and expressed concern that the observed frequency of activations in the renewed market is inconsistent with this intent.</p>	<p>The IESO acknowledges the importance of predictability for HDRs in planning for capacity obligation activations and engaging their contributors. As set out in the Capacity Auction design and market rules, the IESO provides standby trigger notifications by 7 a.m. on the activation day, followed by activation notices no less than three hours prior to the activation period. These notifications are intended to provide HDRs with sufficient lead time to prepare their portfolios to be ready for potential activation.</p> <p>In response to stakeholder concerns, the IESO is currently conducting a review of the standby price trigger to ensure it is providing the appropriate operational signal. Please see the response below regarding the status of the standby trigger review.</p> <p>In addition to standby and activation notices, HDRs have access to other sources of system information, including advisory notices and pre-dispatch information, which are regularly published and provide insight into prevailing and anticipated system</p>

	<p>conditions. Together, these mechanisms are designed to support HDR operational planning and contributor readiness, while balancing the need for system flexibility to respond to evolving reliability requirements.</p> <p>All HDR activations in 2025 occurred when the system was under significant stress and scarcity, i.e. when LMPs in the pre-dispatch (PD-3) scheduling run exceeded \$1,999/MWh, or when the Control Room had to manually activate HDRs for reliability reasons.</p>
<p>Stakeholders requested the following related to frequent activations:</p> <ul style="list-style-type: none"> • Prioritize the PD-3 commitment timing review and treat it as a near-term priority in design discussions. Additionally, consider interim operational adjustments to reduce unnecessary activations while the longer-term review is completed. • Confirm if the IESO is performing analysis on the commitment of HDR before non-DAM imports in pre-dispatch. • Provide historical data behind the triggers for all HDR activations that occurred in 2025 (i.e., Control room activation, LMP, EEA-1, etc.). • Provide the planning assumptions in the Annual Planning Outlook (APO) or Reliability Outlook (RO) that the IESO uses for the HDR resources and clarify if the way that HDR resources are being activated is consistent with these planning assumptions. 	<p>The IESO will undertake a review of HDR activations to determine if the timing of HDR scheduling in pre-dispatch is having an impact on the frequency of activation, with consideration of non-DAM import commitments.</p> <p>This work will be discussed at the Renewed Market Advisory Forum (RMAF), in consideration of changes regarding HDR frequent activations or the impact of activation timing, relative to other potential market design changes.</p> <p>The APO outlines the requirements and plans to establish resource adequacy at a system level over time. Planning assumptions in the APO do not include prescriptive guidance with respect to the usage of HDRs.</p>

HDR Standby Notice Price Trigger

Stakeholder Feedback	IESO Response
<p>Stakeholders reiterated their earlier concerns about the current HDR standby notice price trigger that were included in their January 2026 feedback submissions. In addition, a stakeholder noted that the price trigger threshold had not been updated since 2022.</p> <p>Stakeholders asked the IESO to review the standby trigger, and to have any change come into effect for the 2026/27 obligation periods.</p>	<p>A review of the trigger price has been completed using the same methodology as was used in 2022. The result of this analysis showed no change to the current standby threshold of \$200/MWh. However, the IESO understands the concerns raised by stakeholders regarding the increased frequency of standby notices and recognizes that maintaining the trigger price at \$200/MWh may continue this trend, potentially reducing the effectiveness of the standby notice. As such, we are exploring alternative methodologies and will return to a future engagement with more information.</p>

2026–2028 Enhancements Roadmap

Stakeholder Feedback	IESO Response
<p>Stakeholders expressed appreciation for the IESO’s responsiveness to stakeholder feedback and ongoing commitment to engagement efforts to enhance the Capacity Auction. Stakeholders acknowledged that the first year of the renewed market has been challenging and expressed a commitment to constructive dialogue as the capacity market continues to evolve.</p> <p>Stakeholders expressed general support for the IESO’s structured three-year engagement approach, including a regular cadence of engagement sessions, published timelines, and the use of design memos to document final changes prior to market rule and manual updates.</p>	<p>The IESO appreciates the positive feedback regarding the IESO’s engagement efforts. The IESO also thanks stakeholders for supporting the three-year engagement approach, and for an ongoing commitment to constructive dialogue.</p>
<p>One stakeholder noted that HDR operational issues are inherently interrelated and should be addressed as a cohesive program of structural changes within the 2027-2028 enhancements to support a resilient and expanding HDR participant base in Ontario. Addressing these</p>	<p>The IESO appreciates the insights and suggestions that stakeholders provided. As detailed scoping activities are completed, and plans evolve, the IESO will consider these insights to help inform next steps for enhancements to the auction.</p>

<p>issues effectively will require adequate engagement time for detailed design, consultation, and market rule development.</p> <p>In addition, to support ongoing engagement initiatives stakeholders requested the following:</p> <ul style="list-style-type: none"> • Greater clarity on engagement timelines for 2027 and 2028 enhancements. • Parallel workstreams for near-term and longer-term enhancements to ensure that quick wins and foundational design issues are both addressed in a timely manner. • A consolidated list of all previously identified, unimplemented enhancement priorities from prior stakeholder engagements. • Effective coordination of Capacity Auction enhancements with other IESO engagements such as the Enabling Resources Program (ERP). 	<p>As indicated in the March engagement, the high-level planned enhancements for 2027-2028 include the HDR Market Operations enhancement that focuses on several interrelated HDR market issues.</p> <p>In subsequent engagements, the IESO will provide greater clarity on timelines and workstreams for near-term and longer-term enhancements.</p> <p>Previously prioritized enhancements are detailed in the May 2024 engagement presentation. The November 2023 Discussion Brief includes additional details about potential enhancements that were previously discussed with stakeholders.</p> <p>The IESO appreciates the need to coordinate Capacity Auction enhancements alongside other IESO initiatives and engagements.</p>
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2026 Prioritized Enhancements

Stakeholder Feedback	IESO Response
<p>Stakeholders generally supported the proposed 2026 administrative enhancements as outlined in the March engagement presentation. One stakeholder noted that focusing on administrative enhancements should not delay progress on other key HDR market operations issues.</p>	<p>The IESO appreciates stakeholder support for the proposed 2026 administrative enhancements presented during the March 2026 engagement. These enhancements are intended to improve clarity and efficiency within the capacity auction and are designed to be implemented without delaying progress on other HDR market operations initiatives, which will continue to advance in parallel.</p>
<p>To support the implementation of the administrative enhancements, stakeholders requested the following:</p> <ul style="list-style-type: none"> • Clear guidance in the applicable Market Manual about how the proposed revision to the In-Period UCAP Adjustment Charge (CT-1323) will be calculated. • Documentation to support capacity test data submissions via Online IESO ahead of the summer obligation period. 	<p>In response to the specific implementation-related feedback received, the IESO will take the following actions:</p> <ul style="list-style-type: none"> • CT-1323 calculation guidance: The IESO will include clear guidance in the applicable Market Rules, Chapter 9 clarifying the treatment of the in-period UCAP adjustment charge for instances where delivery in the capacity test is less than 1MW. • Capacity test data submission documentation: As part of automating the

<ul style="list-style-type: none"> • An opportunity to flag any contributor management validation rules that are producing unintended rejections. • Update the Activation Payment (CT-1320) formula that referenced HOEP_h as an input, with the correct variable. 	<p>submission of capacity test data through Online IESO, the IESO will develop and publish training materials to assist participants ahead of the summer 2027 obligation period.</p> <ul style="list-style-type: none"> • Contributor management validation rules: Changes to the validation rules associated with contributor management are based on known issues experienced recently in the process. An outline of the specific changes and a feasibility assessment is currently being developed, and once complete will be shared at a future engagement session (note: these changes do not impact Market Rules or Market Manuals). • Activation payment formula (CT-1320): The outdated formula referencing HOEP was inadvertently presented in the March 2026 engagement. The correct formula is reflected in the version of IESO Charge Types and Equations posted to the Renewed Market Rules & Manuals Library webpage, and in the copy posted to the Capacity Auction Enhancements webpage for stakeholder feedback.
<p>Stakeholders indicated that enhancements to capacity testing should be prioritized. Some emphasized that operational issues such as equipment failures, and tariff related impacts are reasons why a resource might not be able to complete the test during the designated one-week test window and that this needs to be considered in the testing framework.</p> <p>The following enhancements to the testing framework were suggested:</p> <ul style="list-style-type: none"> • Use of in-market activations in place of formal capacity tests • Exempt resources from the capacity test that respond to dispatch instructions in the market on a regular basis, or test for a short, nominal test period • Increase the length of the testing window and provide more notice (suggestion of one month notice) • Dispatchable loads and price responsive loads are not permitted to participate in 	<p>The IESO acknowledges stakeholder feedback emphasizing the importance of enhancements to capacity testing, including requests for a longer and more flexible capacity test window and earlier issuance of testing notifications.</p> <p>Changes to the capacity test framework involve complex implementation, with impacts on the Market Rules, Market Manuals, and IT systems. For this reason, it will not be possible to make changes for the 2026 Capacity Auction. However, the IESO is actively considering broader enhancements to the capacity test framework as part of the planned enhancements for the 2027 and 2028 capacity auctions, specifically within the Improve Performance enhancement category. The feedback provided will be considered, and more information will be provided at a future engagement session.</p> <p>In terms of allowing dispatchable loads and PRLs to participate as contributors in virtual HDR aggregations, this is not currently enabled as a resource type in the IESO administered market due</p>

<p>aggregated portfolios. Enabling this would give the ability to share the testing requirement with other loads.</p>	<p>to significant differences in how these resources are modelled. Reconciling this modelling is not within the scope of the Capacity Auction.</p>
<p>A stakeholder requested that the IESO remove the requirement to secure a commitment in the day-ahead market as part of the capacity test.</p>	<p>There is no obligation or requirement to secure a day-ahead commitment in the existing testing process. The IESO will consider providing additional clarity to Market Manual 12 as appropriate.</p>

General Comments / Feedback

Stakeholder Feedback	IESO Response
<p>One stakeholder reiterated that the combined effect of the HDR operational issues raised, including increased activation frequency, cascading MW obligations, partial activation measurement challenges, standby notice fatigue, and PD-3 commitment timing, points to a misalignment between HDR’s original role as an emergency reliability backstop and its current function in the renewed market.</p> <p>Another stakeholder highlighted a broader participation risk that has not yet been explicitly addressed. The stakeholder said that the cumulative operational burden being placed on industrial demand response customers is eroding confidence in the HDR program at a time when demand-side resources are increasingly important to system reliability.</p>	<p>All HDR activations in 2025 occurred when the system was under significant stress and scarcity, i.e. when LMPs in the pre-dispatch (PD-3) scheduling run exceeded \$1,999/MWh, or when the Control Room manually activated HDRs for reliability reasons. Ontario experienced a number of challenging conditions in the last year, and the market produced schedules that supported the reliable operation of the grid.</p> <p>That said, and as noted above, the IESO will undertake a review of HDR activations to determine if the timing of the scheduling of HDR in pre-dispatch is having an impact on the frequency of activation, including the timing of HDR activation and non-DAM import commitments. This work will be discussed at the Renewed Market Advisory Forum (RMAF), in consideration of changes regarding HDR frequent activations or the impact of activation timing, relative to other potential market design changes.</p> <p>The IESO also understands there were operational challenges with partial activations, cascading MW dispatch, and frequency of standby notices. These concerns are being reviewed, and solutions are being considered. In the meantime, we will continue to monitor HDR activations in the market and engage with stakeholders as things evolve.</p>