Market Rule Amendment Proposal Form

Part 1 - Market Rule Information

Identification No.:	MR-00493-R00
Subject:	2026 Capacity Auction Enhancements
Title:	2026 Capacity Auction Enhancements
Nature of Proposal:	☒ Alteration ☐ Deletion ☐ Addition
Chapter:	9
Appendix:	9.2
Sections:	Ch.9 s.4.13 App.9.2 s.11.1
Sub-sections proposed for amending:	Ch.9 s.4.13.8 App.9.2 s.11.1.12
Current Market Rules Baseline:	Issue 5.0 – April 1, 2026

Part 2 - Proposal History

Version	Reason for Issuing	Version Date
1.0	Issued for stakeholder review	May 25, 2026

Approved Amendment Publication Date:

Approved Amendment Effective Date:

Part 3 - Explanation for Proposed Amendment

Provide a brief description that includes some or all of the following points:

- 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 is proposing two amendments to the market rules related to Capacity Auction settlements. The first proposed amendment is to the settlement application of the In-Period Cleared UCAP Adjustment Charge where a notice of disagreement is filed. The second proposed amendment is to the Emergency Activation Payment formula to adjust for an edge-case scenario that can result in an hourly demand response (HDR) resource receiving no Emergency Activation Payments during a successful activation.

Further information can be found on the Capacity Auction Enhancements stakeholder engagement webpage.

Background

The IESO has prioritized a set of achievable administrative enhancements for implementation ahead of the 2026 Capacity Auction, focusing on targeted improvement to tools, processes, and settlement activities.
These enhancements include:

- Capacity testing processes;
- Settlement enhancements;
- Contributor management tool enhancements, which do not require any changes to the market rules or market manuals.

Discussion

Capacity Testing Processes: In-Period Cleared UCAP Adjustment Charge - Chapter 9 s.4.13.8

Where a notice of disagreement is filed in relation to a capacity auction capacity test, the In-Period Cleared UCAP Adjustment Charge currently is set to 100%. The proposed amendment will see the In-Period Cleared UCAP Adjustment Charge and any associated forfeiture applied retroactively based on the outcome of the notice of disagreement. This adjustment will occur on a recalculated settlement statement after the resolution of the notice of disagreement.

Settlement Enhancements: Emergency Activation Payment formula - Appendix 9.2 s.11.1.12

If a capacity auction participant has a scheduled quantity that exceeds its obligation or capability, this can currently result in no Emergency Activation Payments for the given hour.

The IESO is proposing to make a minor update to the Emergency Activation Payment formula to enable payments in this edge-case scenario.

A formula revision is required due to an edge case scenario where the scheduled quantity (DQSW) exceeds the obligation (CCO) or capability (CARC). In such cases, HDRDC would be negative, resulting in no Emergency Activation Payment for the hour. The proposed amendment to this formula will result in the intended Emergency Activation Payment.

Part 4 - Proposed Amendment

Chapter 9

Capacity Obligation In-Period Cleared UCAP Adjustment Charge

4.13.8 The *capacity obligation* in-period *cleared UCAP* adjustment charge *settlement amount* for *capacity market participant* 'k' at *delivery point* 'm' in the relevant *energy market billing period* ("$CAIPA^m_k$") shall be calculated and collected from such *capacity market participant* for i) the *energy market billing period* in which the *IESO* provided notice to the *capacity market participant* that the *hourly demand response resource's* average hourly capacity delivered over the four hour testing period was less than 90% of its *cleared UCAP*; ii) each prior *energy market billing period* of the relevant *obligation period* included as an adjustment to the next scheduled *recalculated settlement statement* for such *energy market billing period*; and iii) if the *capacity market participant* has filed a *notice of disagreement* in regards to the outcome of a *capacity auction capacity test,* each subsequent *energy market billing period* of the relevant *obligation period*. The *capacity obligation* in-period UCAP adjustment charge *settlement amount* is calculated as follows:

$$CAIPA^m_k = (-1 \times \text{Max}\ (0, (CAAP^m_k \times (\text{UCAP Adjustment}) + \Sigma^H\ CAAC^m_{k,h}))$$

Where:

a. $CAAP^m_k$ is the *capacity obligation* availability payment *settlement amount* for *capacity market participant* 'k' at *delivery point* 'm' for the relevant *energy market billing period*, as calculated pursuant to section 4.13.1;

b. $CAAC^m_{k,h}$ is the *capacity obligation* availability charge *settlement amount* for *capacity market participant* 'k' at *delivery point* 'm' for *settlement hour* 'h', as calculated pursuant to section 4.13.2;

c. 'H' is the set of all *settlement hours* 'h' within the *availability window* of the relevant *energy market billing period;* and

d. 'UCAP Adjustment' is a de-rate (in %) based on the *hourly demand response resource's* delivered performance during a *capacity auction capacity test*, as determined in accordance with the applicable *market manual*. If the *capacity market participant* has filed a *notice of disagreement* in regards to the outcomes of the *capacity auction capacity test* in accordance with section 6.8, and but for filing such *notice of disagreement* the *capacity market participant* would have forfeited any of its *capacity obligation* pursuant to MR Ch.7 s. 19.4.18, then the

UCAP Adjustment shall ~~equal 100%.~~ be the value the *IESO* initially determined in accordance with the applicable *market manual.* Following the resolution of the *notice of disagreement,* the *IESO* shall make adjustments on the applicable *recalculated settlement statement* to:

I. Apply the de-rate % determined to be correct following the resolution of the *notice of disagreement* to all *energy market billing periods* to which the *settlement* amount applied; and

II. Notwithstanding (I), if the de-rate % determined to be correct following the resolution of the *notice of disagreement* is such that the *capacity market participant* would have forfeited all of its *capacity obligation* pursuant to MR Ch.7 s.19.4.18 but for filing such *notice of disagreement,* the de-rate % applicable to the *energy market billing periods* referred to in clause (iii) of s.4.13.8 shall equal 100%.

Appendix 9.2

11.1.12 $HDRDC^{m}_{k,h}$= the delivered capacity (in MWh) by *hourly demand response resource* for *capacity market participant* 'k' at *delivery point* 'm' in *settlement hour* 'h' within the *activation window* of the applicable test activation, calculated as follows:

~~$\text{Min}(\text{Curtailed MW}^{m}_{k,h}, \sum_{t=1}^{12}(\frac{\text{Min}(\text{TBQ}^{m}_{k,h}, \text{CARC}_{k^m}, \text{CCO}^{m}_{k,\text{h}})) - DQSW^{m,t}_{k,h}}{12}))$~~

$$Min\left(Curtailed\ MW^{m}_{k,h}, \sum_{t=1}^{12}\left(\frac{Min(TBQ^{m}_{k,h} - DQSW^{m,t}_{k,h}, CARC_{k_m}, CCO^{m}_{k,h})}{12}\right)\right)$$

Where:

(a) "Curtailed $MW^{m}_{k,h}$" is the difference (in MWh) between baseline value, calculated in accordance with the applicable *market manual*, and actual consumption measurement data by *capacity market participant* 'k' at *delivery point* 'm' for an *hourly demand response resource* for *settlement hour* 'h', as calculated in accordance with the applicable *market manual*.

(b) "$TBQ^{m}_{k,h}$" is the offered quantity of *energy* (in MW) contained in the last lamination of the *price quantity pair* of the *energy bid* submitted in the *real-time market* by *capacity market participant* 'k' at *delivery point* 'm' for an *hourly demand response resource* in *settlement hour* 'h'.