



Capacity Auction Enhancements

May 28, 2026

Capacity Auction Team



Welcome!

We will begin momentarily. Please ensure your microphones are muted. Thank you.

Territory Acknowledgement

The IESO acknowledges the land from where we are delivering today's webinar is the traditional territory of many nations including the Mississaugas of the Credit, the Anishinaabeg, the Chippewa, the Haudenosaunee and the Wendat peoples, and is now home to many diverse First Nations, Inuit and Métis peoples. We also acknowledge that Toronto is covered by Treaty 13 with the Mississaugas of the Credit First Nation.

As we have attendees from across Ontario, the IESO would also like to acknowledge all the traditional territories across the province, which include those of the Algonquin, Anishinaabeg, Ojibwe, Cree, Oji-Cree, Huron-Wendat, Haudenosaunee, Métis, and Inuit peoples.

Engagement Principles

This engagement is conducted in accordance with the IESO's [External Engagement Framework](#), which includes the following principles:

- **Purposeful** – Initiate meaningful conversations that move the sector forward
- **Inclusive** – Invite many voices and diverse perspectives to the table
- **Timely** – Seek input and insight when it can have the most impact
- **Accessible** – Ensure we meet people where they are on their energy journey
- **Traceable** – Allow everyone to follow the path that is being taken
- **Transparent** – Show how engagement helped shape the final outcome

Shared Commitment to Respectful Participation

To support a focused and constructive discussion:

- We will take questions one at a time; please use the raise-hand feature to enter the speaking queue
- We encourage concise and focused comments to allow time for multiple perspectives
- Participants are encouraged to raise relevant points during the discussion and provide more detailed feedback through the written submission process
- We ask that all participants maintain a respectful and professional tone throughout the session
- Facilitators will guide the discussion and manage participation to stay aligned with today's focus and agenda
- Where necessary, we may disable a participant's microphone to manage participation

Participation

- For questions and comments click on the “Raise hand” icon (hand symbol) at the top of the application window. This will indicate to the host you would like to speak
- To unmute audio, click on the microphone icon at the top of the application window
- Audio should be muted when not asking a question
- Connection issues contact engagement@ieso.ca or Microsoft Office Support

Today's Discussion

The IESO is continuing engagement activity on Capacity Auction (CA) enhancements. At today's session the IESO will:

- Discuss feedback from the March engagement
- Outline a draft market manual amendment to provide clarification on HDR Emergency Activation Payment eligibility and also provide other HDR Market Operations updates
- Provide updates on 2026 Administrative Enhancements, including draft amendments to market rules (MR) and market manuals (MM)

We will wrap up the discussion today with a summary and outline next steps.



Summary of Stakeholder Feedback: March 2026 Session

March Stakeholder Feedback

- The IESO requested feedback following the March 31, 2026 stakeholder engagement session and five responses were received.
- The IESO's response to stakeholder feedback is posted to the [Capacity Auction Enhancements](#) engagement webpage.
- The following slides focus on stakeholder feedback related to topics discussed in today's presentation or relevant to ongoing enhancement design work.

Prioritized Enhancements for the 2026 Auction

1/2

Feedback:

- Stakeholders said that the capacity test enhancements should be prioritized, and suggested enhancements such as utilizing in-market activations in place of formal tests, increasing the length of the testing window, and removing the requirement to secure a commitment in the day-ahead market (DAM) as part of the capacity test.

Response:

- The IESO acknowledges feedback emphasizing the importance of enhancements to capacity testing, and is considering broader enhancements for the 2027 and 2028 auctions under the Improve Performance category. Stakeholder feedback will inform this work, with further details to be shared at a future engagement.

Prioritized Enhancements for the 2026 Auction

2/2

Response:

- Changes to the capacity test framework involve complex implementation, with impacts on the Market Rules/Manuals and IT systems. For this reason, it will not be possible to make changes for the 2026 Capacity Auction.
- 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.

Engagement Approach and High-Level Timelines 1/2

Feedback: Stakeholders provided feedback related to the IESO's engagement approach and timelines, including the following:

- Support for the IESO's three-year engagement approach and appreciation for the IESO's responsiveness to stakeholder feedback
- Requested greater clarity about timelines for 2027 and 2028 enhancements
- Suggested developing parallel workstreams for near-term and longer-term enhancements and a cohesive program of changes to address HDR operational issues

Engagement Approach and High-Level Timelines 2/2

Response:

- The IESO appreciates the support for the three-year engagement approach, as well as the insights and suggestions provided.
- Greater clarity on timelines and workstreams will be provided in upcoming engagements as detailed scoping activities are completed.



HDR Market Operations Update

Emergency Payment and Partial Activations - Clarification

- In the March engagement, the IESO explained that as long as HDRs bid at or above \$1,999, their activations will meet the payment eligibility threshold and be compensated for energy delivered as per the Market Rules. The IESO does not plan to issue any additional communications to confirm payment eligibility.
- 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.

HDR Standby Trigger Price - Update

- A review was completed using the same methodology as was used in 2022; the results showed no change to the current threshold of \$200/MWh.
- The IESO recognizes that maintaining the trigger price at \$200/MWh may continue to generate standby notices at the current frequency, potentially reducing their effectiveness.
- As such, the IESO is exploring alternative methodologies and will return to a future engagement with more information.

Frequent Activations - Update

- The IESO will undertake a review of HDR activations to determine if the timing of HDR scheduling in pre-dispatch is impacting the frequency of activations, with consideration of 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.



2026 Administrative Enhancements – Draft Market Rule and Market Manual Amendments

2026 Draft MR/MM Amendments

1/2

- The IESO has prioritized a set of achievable administrative enhancements for implementation ahead of the 2026 CA, focusing on targeted improvements to tools, processes, and settlement activities.
- These enhancements include:
 - Capacity Testing Processes
 - Settlements Enhancements
 - Contributor Management Tool Enhancements

2026 Draft MR/MM Amendments

2/2

- The following slide summarizes how the IESO has translated the prioritized enhancement design details into draft Market Rule and/or Market Manual amendments.
- The enhancements to the contributor management tool do not require any changes to the Market Rules or Market Manuals.

2026 Market Rule and Market Manual Amendments

Enhancement	Summary	Market Rule or Market Manual
Capacity Testing Processes	<ul style="list-style-type: none"> Revised capacity test data submission requirements to reflect submission via Online IESO 	MM12, ss.5.3.4.1
In-Period Cleared UCAP adjustment Charge for <1MW Delivery	<ul style="list-style-type: none"> Clarification of how the in-period UCAP adjustment charge is applied when delivered capacity in a capacity test is less than 1MW 	Chapter 9, ss.4.13.8
Emergency Activation Payment Formula Correction	<ul style="list-style-type: none"> Revision to the emergency activation charge (CT-1320) formula to address edge case scenarios where HDRDC calculation results in a negative value 	Chapter 9 Appendices, ss. 11.1.12
Emergency Activation Payment Eligibility	<ul style="list-style-type: none"> Clarification on conditions under which Emergency Activation Payment is made 	MM5.5, ss.3.4.2.1

In-Period Cleared UCAP Adjustment Recap

- Hourly Demand Response (HDR) resources are assessed for an in-period cleared UCAP adjustment based on the average capacity delivered during the four-hour period of the capacity test.
- A de-rate is applied when the HDR's average delivered capacity over the four-hour testing period is less than 90% of its cleared UCAP.
- The de-rate is applied effective 1 business day following the notice of disagreement (NOD) deadline.
- The in-period cleared UCAP adjustment charge (CT-1323) claws back availability payments equal to the difference between the resource's obligation and the calculated delivered MW over the entire obligation period.

UCAP Adjustment Market Rule Amendments

In-Period Cleared UCAP Adjustment for <1MW Delivery

- When an in-period cleared UCAP adjustment applies to an HDR resource and would result in an obligation of less than 1 MW, the Market Rules have been clarified to outline the following actions:
 - The obligation will be adjusted to 0 MW effective 1 business day after the close of the notice of disagreement (NOD) deadline to the end of the obligation period; and
 - The UCAP adjustment charge will apply to claw back availability payments equal to the difference between the resource's obligation and the calculated delivered MW. This charge will be effective from the first day of the obligation period to the effective date of the obligation adjustment (one day after the NOD deadline).

NOD and UCAP Adjustment to <1 MW

- If a participant files a NOD where a UCAP adjustment would result in a <1 MW obligation, the obligation will not be reduced to 0 MW while the NOD is under review.
- UCAP adjustment charge will continue to apply to claw back availability payments equal to the difference between the resource's obligation and the calculated delivered MW.
- After the NOD is resolved:
 - The de-rate (%) will be re-calculated to reflect the final NOD outcome and will apply to all billing periods for the obligation.
 - If the re-calculated de-rate still results in an adjusted obligation that is below 1 MW (i.e. it should have been forfeited if not for the NOD), a de-rate of 100% will be applied to all billing periods from the date the forfeit would have been effective.

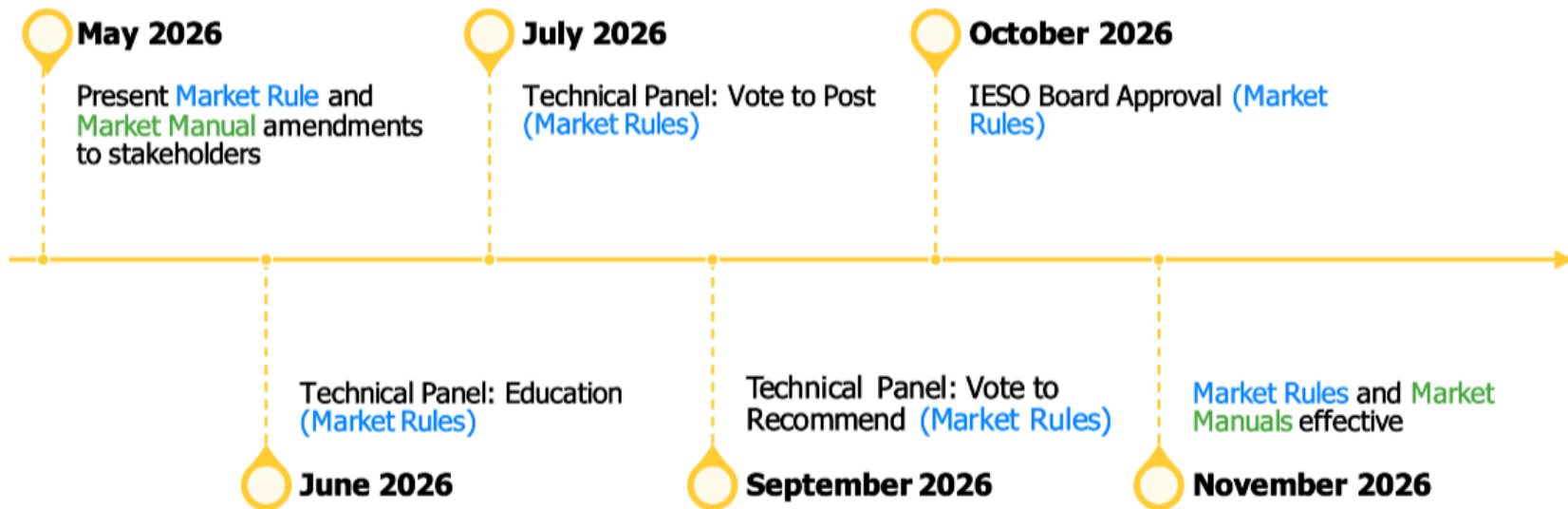
Emergency Activation Payment Eligibility

- At the March engagement, the IESO clarified its interpretation of “...leading up to or during an emergency operating state” and confirmed its intent to continue to provide compensation for HDRs when the following conditions occur:
 - The Control Room manually activates an HDR resource, or
 - The PD-3 scheduling run price associated with the activation is at or above \$1,999
- The IESO proposes an amendment to Market Manual 5.5, section 3.4.2.1 to reflect this interpretation and provide clarity on eligibility for the Emergency Activation Payment.



Timelines for Market Rule and Market Manual Amendments

Timing of MR/MM Amendment Approvals





Summary and Next Steps:

Summary of Today's Discussion

The IESO appreciates the detailed feedback following the March 2026 engagement and will continue to update stakeholders as the review of HDR Market Operations continues. To recap today's discussions, the IESO:

- Provided updates on HDR Market Operations, including a draft MM5.5 amendment to clarify HDR Emergency Activation Payment eligibility
- Shared information on 2026 Administrative Enhancements, including draft amendments to market rules and market manuals

Next Steps for 2026 Capacity Auction Enhancements

- The IESO is requesting stakeholder feedback to confirm that the proposed amendments to the MR and MM accurately reflect the changes presented and discussed at the March 31, 2026 stakeholder engagement session.
- The IESO will consider feedback before finalizing market rule and manual amendments.
- Any design element details that materially deviate from final designs presented today will be brought back to stakeholders for input before market rule and manual amendments are submitted for Technical Panel review and approval.

Next Steps

- The IESO will continue planning for its three-year enhancements program and developing designs for the 2027-28 enhancements.
- The IESO anticipates holding another engagement in summer 2026 to continue discussions on future enhancements to the Capacity Auction.

Request for Feedback

- A feedback form is posted on the [Capacity Auction Enhancements](#) engagement webpage.
- Feedback is requested by June 11, 2026.
- Please contact engagement@ieso.ca if you have questions following this session.

Disclaimer

This presentation and the information contained herein is provided for informational purposes only. The IESO has prepared this presentation based on information currently available to the IESO and reasonable assumptions associated therewith, including relating to electricity supply and demand. The information, statements and conclusions contained in this report are subject to risks, uncertainties and other factors that could cause actual results or circumstances to differ materially from the information, statements and assumptions contained herein. The IESO provides no guarantee, representation, or warranty, express or implied, with respect to any statement or information contained herein and disclaims any liability in connection therewith. In the event there is any conflict or inconsistency between this document and the IESO market rules, any IESO contract, any legislation or regulation, or any request for proposals or other procurement document, the terms in the market rules, or the subject contract, legislation, regulation, or procurement document, as applicable, govern.

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