



Capacity Auction Implementation

Purpose

The purpose of this presentation is to:

- Provide an overview of implementation activities and associated timelines for the 2022 Capacity Auction
- Discuss feedback received and present draft Market Rule and Market Manual amendments for the proposed administrative enhancements added to the 2022 auction

Agenda

- Key implementation activities and timelines
- Administrative enhancements (point-in-time, zonal group constraints)
- Draft Market Rule and Market Manual Update

Market Rules & Manuals: Process

Design

- Design Document
- Provides the high-level “What” and “Why?”



Implementation

- Market Rules and Manuals
- Provides the detailed “What” and “How”

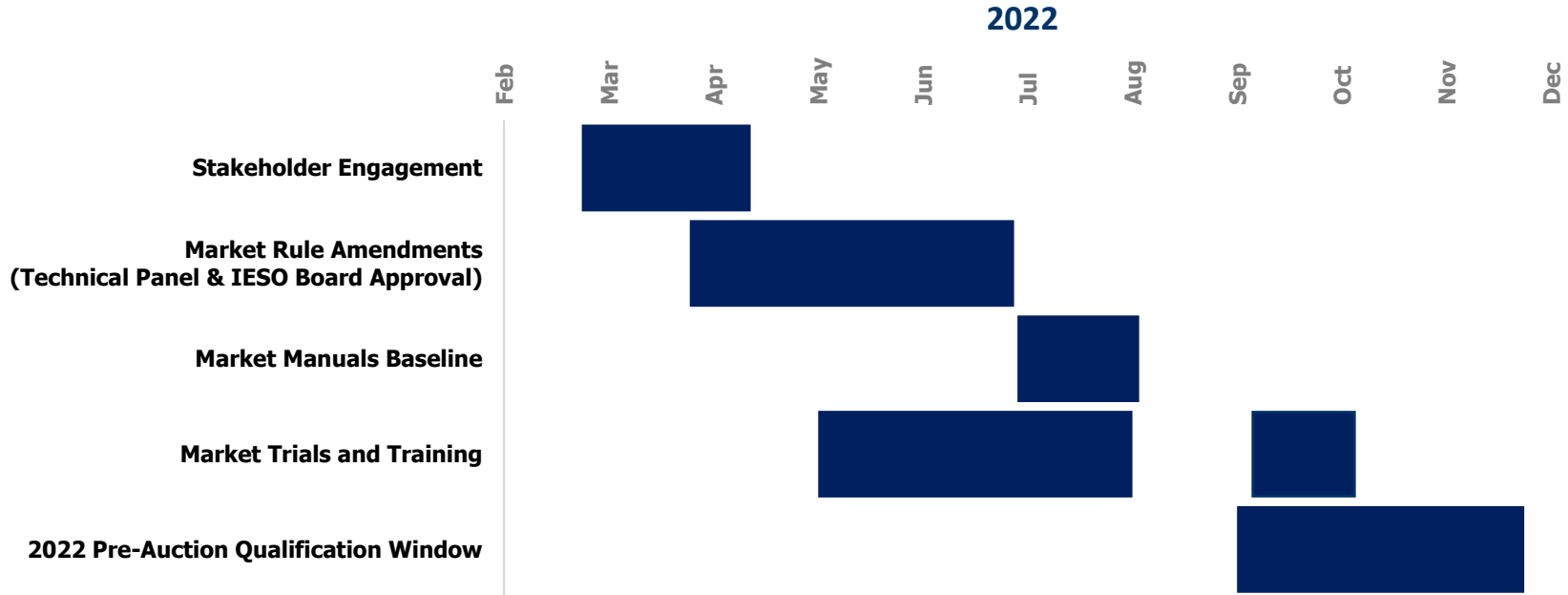
Market Rules: govern the Capacity Auction
Approval Process: subject to Technical Panel review and recommendation, IESO Board approval

Market Manuals: lay out the procedures and further description for activities specified in the Rules.

Approval Process: subject to IESO management approval and stakeholder review as part of the baseline process

Early drafts of these documents have been provided to aid stakeholders in understanding the proposed design enhancements in greater detail, and to allow stakeholders to provide feedback.

High Level Implementation Timeline



Detailed Implementation Timeline

2022 Capacity Auction

Stakeholder Engagement

Feb SE Updated Design Document, MR Amendments	February 24
Feedback Due (Feb SE)	March 17
March SE (TBD)	TBD (March 23-25)
Feedback Due (Mar SE)	TBD (April 13-15)

Market Rule Amendments

Technical Panel Meeting (Education)	March 22
Technical Panel Meeting (Vote to Post)	April 19
Technical Panel Meeting (Vote to Recommend)	May 17
IESO Board Approval (Market Rule Amendments)	June 01
Market Rules Effective	June 27

Market Trial and Training


Market Trial	TBD (May)
Participant Training	TBD (June/July & September)

Market Manual Baseline (expected dates)

Post for Comment	June 28
Market Manuals Effective	August 04

Pre-Auction, Qualification and Auction

Auction Timelines Document	April 01
Pre-Auction Report	June 30
Pre-Auction Qualification Window	September 01 to November 23
Auction Submission Window	November 30 to December 01



Administrative Enhancement Updates: Point-in-time & Zonal Group Constraints

Recap

At the November engagement, the IESO presented two administrative updates for feedback:

- 1. Point-in-time Rules** - in recognition of the pending volume of market rule amendments being introduced by Market Renewal, the IESO identified a need to make necessary changes to the point-in-time provisions of the Capacity Auction (CA)
- 2. Zonal Group Constraints** - the IESO proposed utilizing zonal group constraints in the CA, to yield more economic outcomes



Point-in-time Rules

Key Stakeholder Feedback

Feedback:

- Changes to point-in-time should be presented through the Market Renewal Program (MRP) initiative as well as through the CA
- Changes should be made to preceding CA Market Rules and Market Manuals prior to the MRP going live

IESO Response:

- The IESO agrees, any changes to the rules that fall under the point-in-time construct should be stakeholdered through all relevant engagement forums
 - The amendment to the point-in-time rule itself is being introduced through the CA engagement
- Proposed timing of MRP implementation is part way through the winter obligation period of the 2022 auction
 - Uncertain if there will be sufficient clarity on the MRP market rule and manual changes affecting the CA in advance of the 2022 CA
 - The proposed enhancement will effectively address such issues for the participant and the IESO in an open and transparent manner

Proposed Enhancement to Point-in-time Rule

The IESO is proposing an enhancement to the point-in-time rule which would apply to any proposed Market Rule or Market Manual amendment related to the ability to satisfy a capacity obligation.

The enhanced point-in-time rule would require that any proposed amendment expressly state that an exception to the “freeze” on the point-in-time rules would be necessary.

Explicitly referring to the new point-in-time exception rule in the proposed amendment ensures any requested exemption is transparent to stakeholders, the Technical Panel and the IESO Board.

Proposed Enhancement to Point-in-time Rule

The scope of utilizing this proposed enhancement is limited to changes to the mechanics, or the "how", of satisfying a capacity obligation.

Changes that affect the underlying obligation or performance assessment methodology are not in scope.

The engagement process for proposed amendments remains in place, where stakeholders can weigh in on the appropriateness of a proposed exemption through the relevant engagement forum.

Proposed Market Rule Amendment

Chapter 7

18.1A Capacity Auction – Transitional Market Rules

- 18.1A.1 For the purposes of participation in a *capacity auction*, *market rules* and *market manuals* that specifically concern *capacity auction* participation, the satisfaction of *capacity obligations*, or the performance of requirements directly related to that participation, shall remain in effect from the date of the *capacity auction* until the end of its associated *commitment period*, except as otherwise provided in sections 18.1A.1.1 and 18.1A.3.
- 18.1A.1.1 ~~Notwithstanding sections 18.1A.1, in the case where a *capacity auction* is a *demand response auction*, the *market rules* and applicable *market manuals* that shall remain in effect until the end of the associated *commitment period*, in accordance with 18.1A.1, shall be the *market rules* and applicable *market manuals* in effect at the start of that *demand response auction's* associated *commitment period*. Nothing in this section 18.1A shall limit the effectiveness of a *market rule* amendment or *market manual* amendment that expressly excludes the application of sections 18.1A.1 and 18.1A.2.~~
- 18.1A.2 Except as otherwise provided in sections 18.1A.1.1 and 18.1A.3, changes to the *market rules* and applicable *market manuals* that specifically concern *capacity auction* participation, the satisfaction of *capacity obligations*, or the performance of requirements directly related to that participation, and which are brought into effect between the date of a given *capacity auction* and the end of its associated *commitment period*, shall be applicable to subsequent *capacity auctions* and their associated *commitment periods*.

Examples

Example #1

Through the MRP, the day-ahead commitment process (DACP) is being replaced with the day-ahead market (DAM). In doing this, the mechanics of offering capacity into the energy market will change and it will be necessary to reflect this change in updated rules and manuals to enable a CA participant to continue satisfying their obligation.

In making the change, the following is an example of language that may be inserted into the rule itself to expressly state that it is an exception to the point-in-time rule:

“This section _____ applies notwithstanding sections 18.1A.1 and 18.1A.2 of chapter 7 of the market rules”

Example #2

With the introduction of the DAM, if the IESO were to consider making changes to the performance assessment framework (e.g. updating/adding/removing charge types), such changes may not be immediately necessary, or suitable for a point-in-time rule exemption and may warrant a more wholesome engagement in advance of a future auction before such changes are implemented.

Summary

- The IESO has identified a need to enhance the CA point-in-time rule and have brought forward a proposed enhancement which will require the IESO to expressly state when a rule change may warrant an exemption from the CA point-in-time
- Enhanced process brings transparency of proposed exemptions to point-in-time, and existing engagement and approval process for Market Rules and Manuals ensures stakeholders have opportunity to weigh in



Zonal Group Constraints

Update

- One stakeholder comment was received regarding the methodology used to determine zonal group constraints
- The methodology was stakeholdered as part of the previous TCA design in September, 2019
 - A copy of this presentation can be made available on request
- Proposed language to incorporate zonal group constraints has been added to the Market Rules Amendment Proposal and the draft Market Manual 12 for stakeholder review



Market Rules and Manuals Update

Updated Amendments

Since the December 2021 posting of the Market Rule Amendment Proposal Form and the draft Market Manuals, in addition to the administrative enhancements discussed today, one further amendment has been made.

As part of Enhancement #1: Capacity Qualification in the updated Design Document, all types of generator-backed capacity import resources, except storage, will be qualified using their accredited UCAP value from an external jurisdiction. Externally located storage resources will be qualified using the same methodology used for internal storage resources. This amendment has been reflected in the updated Market Rule Amendment Proposal Form and draft Market Manual 12.

Market Rule Amendments Proposal Updates

The following edits have been made to the Market Rule Amendment Proposal form, in relation to the first version posted for feedback for the December, 2021 stakeholder engagement:

Chapter	Sub-Section	Edit
11 Definitions	n/a	Addition of zonal group constraints to <i>capacity auction zonal constraints</i> definition
11 Definitions	n/a	Addition of storage unit to <i>generator-backed capacity auction eligible import resource</i> definition
11 Definitions	n/a	Clerical corrections to the definition of <i>offer</i> and <i>market price</i> to include CA related uses.
7 System Operations and Physical Markets	18.1A	Point-in-time amendments

Market Manual Draft Edits

The following edits have been made to the draft Market Manual 12, in relation to the first draft version posted for feedback for the December, 2021 stakeholder engagement:

Market Manual 12

Section	Sub-Section	Edit
2. Capacity Auction Overview	2.5 Zonal Constraints	Addition of zonal group constraints
4. Auction Mechanics	4.2 Auction Clearing	Addition of zonal group constraints
3. Pre-Auction Requirements	3.3 Capacity Qualification	Storage units incorporated into qualification of generator-backed import resources
5. Post-Auction Requirements	5.3 Energy Market Participation (Testing)	Storage units incorporated into testing of generator-backed import resources

Next Steps

- The proposed amendments associated with the two administrative updates are reflected in the updated Proposed Market Rule Amendment Form and draft Market Manual 12 posted to the RA engagement webpage
- Stakeholders are invited to submit questions and comments on this proposal to engagement@ieso.ca by **March 17**
- The IESO continues to accept feedback on the remaining draft Market Manuals which are also re-posted to the RA engagement page, but remain unchanged from the December 2021 stakeholder engagement posted materials

Thank You

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