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## Market Rule Amendment Proposal

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### PART 1 – MARKET RULE INFORMATION

Identification No.:	MR-00441-R00		
Subject:	Updates to Defined Terms		
Title:	Capacity Auction, June 2020		
Nature of Proposal:	<input checked="" type="checkbox"/> Alteration	<input checked="" type="checkbox"/> Deletion	<input checked="" type="checkbox"/> Addition
Chapter:	11	Appendix:	N/A
Sections:	N/A		
Sub-sections proposed for amending:	N/A		

### PART 2 – PROPOSAL HISTORY

Version	Reason for Issuing	Version Date
1.0	Submitted for Technical Panel Review	January 28, 2020
2.0	Publish for Stakeholder Review and Comment	February 5, 2020
3.0	Submitted for Technical Panel Vote	February 25, 2020
Approved Amendment Publication Date:		
Approved Amendment Effective Date:		

**PART 3 – EXPLANATION FOR PROPOSED AMENDMENT**

Provide a brief description of the following:

- 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 proposes to amend the market rules to evolve the Demand Response Auction (DRA), and the proposed Transitional Capacity Auction (TCA), into the Capacity Auction (CA) which will be a mechanism to address capacity needs in Ontario. The Capacity Auction will enable existing and available resources to participate, including system backed imports and storage, which will compete alongside demand response and non-committed generators to meet Ontario's capacity needs.

The amendment proposal has been discussed as part of the Capacity Auction stakeholder engagement initiative prior to consideration by the Technical Panel.

Further information on the Capacity Auction stakeholder engagement can be found [here](#) along with the [June 2020 Capacity Auction - Design Document](#) which includes the key decisions and rationale supporting these market rule amendments.

## Background

The proposed amendments to the Chapter 11 – Definitions outlined below will clearly define key aspects of the Capacity Auction [design document](#) and to update or remove defined terms that were specific to the DRA or TCA.

## Discussion

The majority of proposed new definitions are required to introduce the new resource types included as part of the expanding participation in the CA. The IESO has introduced *capacity import resources* and *capacity storage resources* for the June 2020 auction. Terms have been introduced to define certain eligibility requirements for these new resources.

The June 2020 CA will operate with resource level obligations which will require CA participants to identify energy market resources during the pre-auction period that they intend to use to satisfy a capacity obligation. To enable resource level obligations, the defined term *capacity auction resource* has been added and applicable defined terms throughout chapter 11 have been revised. Resource level obligations will be necessary for the reliability focused capacity qualification process intended to be included as part of the December 2020 auction. .

As the IESO develops a reliability focused capacity qualification process for the December 2020 capacity auction, the IESO has replaced *qualified capacity* with *enrolled capacity* for the June 2020 auction. *Enrolled capacity* is reflective of the process that the IESO is utilizing for the June 2020 CA.

The definition of *enrolled capacity* allows the IESO to begin the capacity qualification for December 2020 shortly after the completion of the June 2020 CA. Starting with the December 2020 CA, participants will now be required to submit qualification criteria in advance of a CA. In order to ensure that the IESO can collect this information in advance of market rule amendments for December 2020 CA, this requirement has been included in the June 2020 CA market rule amendments. The applicable market manuals that will include details of the qualification criteria will be shared for stakeholder feedback at the Capacity Auction stakeholder engagement.

Please find a list of all amendments to the Chapter 11 definitions below.

## Chapter 11

New Definitions:

- *capacity auction eligible import*
- *capacity auction eligible storage resource*
- *capacity auction resource*

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- *capacity auction clearing price* (formerly TCA clearing price)
- *capacity auction reference price* (formerly TCA reference price)
- *capacity dispatchable load resource*
- *capacity import resource*
- *capacity storage resource*
- *enrolled capacity* (formerly *qualified capacity*)

## Updated Definitions:

- *auction capacity*
- *availability window*
- *boundary entity*
- *capacity auction*
- *capacity auction eligible generation resource*
- *capacity auction offer*
- *capacity auction participant*
- *capacity auction zonal constraint*
- *capacity generation resource*
- *capacity obligation*
- *capacity prudential support obligation*
- *capacity transferee*
- *capacity transferor*
- *demand response auction*
- *demand response capacity*
- *demand response contributor*
- *demand response energy bid*
- *demand response resource*
- *dispatchable load*
- *hourly demand response resource*

## Deleted Definitions:

- *demand response auction deposit*
- *demand response auction participant*
- *demand response auction reference price*

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- *demand response market participant*
- *demand response prudential support*
- *demand response prudential support obligation*
- *demand response schedule*
- *demand response transferee*
- *demand response transferor*
- *transitional capacity auction*

**PART 4 – PROPOSED AMENDMENT****Chapter 11**

*auction capacity* means an amount in megawatts of electricity available to be provided to the IESO-controlled grid, by capacity market participants in association with ~~pursuant to obligations related to~~ a capacity auction;

....

*availability window* means the hours in an *obligation period* during which capacity auction resources ~~resources associated with capacity obligations~~ are required to be available to provide auction capacity;

....

*boundary entity* means an entity designated and maintained by the IESO for the purpose of energy trading, and which represents the capacity of one or more resources, including but not limited to *generation facilities* or *load facilities*, located at a point or points external to the IESO control area which a *market participant* is entitled to inject into or withdraw from the IESO-controlled grid and which shall be deemed to be located in an *intertie zone* in accordance with section 2.2.7.2 of Chapter 7;

....

*capacity auction* means an auction operated by the IESO to acquire auction capacity ~~transitional capacity auction or a demand response auction~~, and includes a demand response auction;

~~transitional~~ *capacity auction clearing price* means the price at which a *capacity auction* clears for an *obligation period* and will be quoted in ~~is expressed in~~ \$/MW-day;

~~transitional~~ *capacity auction reference price* represents the price at which resources would be incentivized to enter the market and recover the necessary costs to make their capacity available, recognizing their revenue opportunities and avoided costs in the *energy market*. The reference price is directly associated with the *target capacity* as another key reference point in the demand curve;

*capacity auction deposit* means the deposit required to be made by a *capacity auction participant* in accordance with section 18 of Chapter 7, as a condition of participating in a *capacity auction*;

*capacity auction eligible generation resource* means a *non-committed resource* that is associated with a generation facility, which is also a *connected facility* at the commencement of the capacity ~~enrollment~~qualification process for a given *capacity auction*, and which is registered as dispatchable with the *IESO* prior to the obligation period in accordance with the timelines specified in the applicable market manual~~from at least the time a capacity obligation is allocated to it~~;

*capacity auction eligible import resource* means a *capacity auction resource* associated with a *boundary entity* that is available to enroll capacity that a *neighbouring control area operator* is willing to allocate to Ontario, if a *capacity obligation* is secured, for the duration of the applicable *commitment period* and *availability window*, which capacity would be deemed to be supplied from the entire system of the *neighbouring control area*;

*capacity auction eligible storage resource* means a *non-committed resource* associated with a *generation facility*, which is also a *connected facility* at the commencement of the capacity enrollment process for a given *capacity auction*, and which is registered as a *dispatchable generation facility* and a *dispatchable load facility* with the *IESO* prior to the *obligation period* in accordance with the timelines specified in the applicable *market manual*;

*capacity auction offer* means an *offer(s)* from a *capacity auction participant*, in the form of a *price-quantity pair(s)*, to provide *auction capacity* through a capacity auction resource for an applicable *obligation period*, reflecting the amount of *auction capacity* that the *capacity auction participant* can reliably and responsibly provide if received as a *capacity obligation*, and which *offer* amount is no greater than the *capacity auction participant's* ~~enrolled~~qualified capacity;

*capacity auction participant* means a person that is authorized to participate in a *capacity auction* and submit capacity auction offers;

*capacity auction resource* means a resource type specified in section 19.1.2 of Chapter 7 and is utilized by a *capacity market participant* to satisfy a *capacity obligation*;

*capacity auction zonal constraints* means the minimum or maximum amount of *auction capacity*, or *virtual demand response capacity* that a *capacity auction* seeks to secure for a specific electrical zone as detailed by the *IESO* in each pre-auction report;

*capacity dispatchable load resource* means the *capacity auction resource* associated with a *dispatchable load* that has received a *capacity obligation* in a given *capacity auction* in accordance with the applicable *market manual*;

....

*capacity generation resource* means a *capacity auction eligible generation resource* with ~~respect to which a capacity market participant has allocated a percentage of~~ a *capacity*

*obligation* received in ~~at~~ the given *capacity auction* in accordance with the applicable *market manual*;

~~*capacity import resource* means a *capacity auction eligible import resource* with a *capacity obligation* received in a given *capacity auction* in accordance with the applicable *market manual*;~~

*capacity market participant* means a *capacity auction participant* that has registered with the IESO as a *capacity market participant*, and who satisfies requirements contemplated in Chapter 7, section 18;

*capacity obligation* means the amount of *auction capacity* that a *capacity market participant* is required to provide ~~from a particular *capacity auction resource*~~ during ~~each hour of~~ the *availability windows* of an *obligation period*;

*capacity prudential support* means the collateral provided by a *market participant* with a *capacity obligation* in accordance with the requirements contemplated in Chapter 2, section 5B;

*capacity prudential support obligation* means the dollar amount of collateral required as specified by the IESO as a condition of ~~satisfying~~ ~~delivering on~~ a *capacity obligation*;

~~*capacity storage resource* means a *capacity auction eligible storage resource* with a *capacity obligation* received in a given *capacity auction*, in accordance with the applicable *market manual*;~~

*capacity transferee* means a *capacity auction participant* who is willing to accept all or a portion of a *capacity obligation* from a *capacity transferor*. ~~A *capacity transferee* may be the same *capacity auction participant* as the *capacity transferor*;~~

*capacity transferor* means a *capacity auction participant* who intends to transfer all or a portion of its *capacity obligation* received through a *capacity auction* to a *capacity transferee*. ~~A *capacity transferor* may be the same *capacity auction participant* as the *capacity transferee*;~~

....

*demand response auction* means an auction operated by the IESO prior to December 31, 201~~9~~~~8~~, to acquire *demand response capacity*, in accordance with section 18 of Chapter 7;

~~*demand response auction deposit* means the deposit required to be made by a *demand response auction participant* in accordance with section 18 of Chapter 7, as a condition of participating in a *demand response auction*;~~

~~*demand response auction participant* means a person who is a *market participant* that is authorized to participate only in a *demand response auction*;~~

~~*demand response auction reference price* means the estimated costs necessary to support the sufficient return on investment for a new, representative *demand response resource*, net of~~

~~expected ancillary services revenues and avoided energy costs;~~

*demand response bid price threshold* means the price at which a *demand response energy bid* shall exceed, in the day-ahead commitment process and the *real-time energy market*, to be considered a *demand response energy bid* in accordance with the applicable *market manual*;

*demand response capacity* means the quantity of load reduction provided by dispatchable loads and/or hourly demand response resources~~expected auction capacity a dispatchable load or an hourly demand response resource can provide during a specified availability window and obligation period following a capacity auction, and excludes energy transacted through the energy market;~~

*demand response contributor* means ~~an interruptible load or behind the meter generator load facility that is associated with an hourly demand response resource and is used to satisfy in whole or a portion of a capacity obligation. Demand response contributors are registered by capacity market participants as part of the contributor management process detailed in the applicable market manual owned by a demand response direct participant, or with whom a demand response aggregator has enforceable rights, and in either case, who will provide a portion of the monthly contracted MW for the contracted dispatch period as outlined in the demand response schedule. A demand response contributor also means the delivery of a capacity obligation with an hourly demand response resource, in which case a monthly contracted MW is replaced by a capacity obligation;~~

*demand response energy bid* means a *bid* in the day-ahead commitment process and the *real-time energy market*, greater than the *demand response bid price threshold* and less than the *MMCP*, by a capacity demand response~~market participant entered for either a capacity dispatchable load resource or an hourly demand response resource~~ to fulfill a *capacity obligation* availability requirement;

~~*demand response market participant* means a capacity market participant with a dispatchable load or an hourly demand response resource;~~

~~*demand response prudential support* means capacity prudential support provided by a capacity market participant in connection with a demand response auction;~~

~~*demand response prudential support obligation* means the dollar amount of collateral required as specified by the IESO as a condition of delivering on a capacity obligation received through a demand response auction;~~

*demand response resource* means, in a *capacity auction*, either an hourly demand response resource~~resource~~ or a capacity dispatchable load resource~~and with respect to which a capacity market participant has allocated a percentage of a capacity obligation received in the given capacity auction in accordance with the applicable market manual;~~

~~*demand response schedule* means one or more transaction schedules which binds the demand response market participant and the IESO to specific terms of demand reduction including, but not limited to, the schedule commencement date, schedule term, monthly contracted MW, option, hours of availability, demand response account, and payment terms;~~

~~*demand response transferor* means a capacity auction participant who intends to transfer all or a portion of its capacity obligation received through a demand response auction to a demand response transferee;~~

~~*demand response transferee* means a capacity auction participant who is willing to accept all or a portion of a capacity obligation from a demand response transferor;~~

....

~~*dispatchable load* means a load facility which is subject to dispatch by the IESO and whose level is selected or set based on the price of energy in the real-time market, and excludes hourly demand response resourcesresources;~~

....

~~*enrolled*qualified capacity means a quantity in megawatts representing the maximum capacity auction offer that a capacity auction resource participant is willing to may provide for an applicable obligation period, and which corresponds to an amount submitted to the IESO by the capacity auction participant ~~for qualification~~ during the ~~enrollment~~pre-qualification period of a relevant capacity auction and if applicable, satisfies any qualification criteria that may be set out in the applicable market manual;~~

....

~~*hourly demand response resource* means the capacity auction resource ~~resource~~ type described in section 19 of Chapter 7, that is a registered facility that has received a capacity obligation in a given capacity auction and is used by a capacity market participant to satisfy the IESO as a delivery type, on an hourly basis, for a capacity obligation on an hourly basis and is activated by the IESO in accordance with section 19.4 of Chapter 7;~~

....

~~*transitional capacity auction* means an auction operated by the IESO after January 1, 2019 to acquire capacity, in accordance with section 18 of Chapter 7;~~

~~*transitional capacity auction clearing price* means the price at which a capacity auction clears for an obligation period and will be quoted in \$/MW-day;~~

~~*transitional capacity auction reference price* represents the price at which resources would be incentivized to enter the market and recover the necessary costs to make their capacity available, recognizing their revenue opportunities and avoided costs in the energy market. The reference price is directly associated with the *target capacity* as another key reference point in the demand curve;~~

## PART 5 – IESO BOARD DECISION RATIONALE

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**PART 5 – IESO BOARD DECISION RATIONALE**

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