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## Market Rule Amendment Proposal

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### PART 1 – MARKET RULE INFORMATION

Identification No.:	MR-00441-R03		
Subject:	Changes to Capacity Auction Settlements		
Title:	Capacity Auction, June 2020		
Nature of Proposal:	<input checked="" type="checkbox"/> Alteration	<input checked="" type="checkbox"/> Deletion	<input checked="" type="checkbox"/> Addition
Chapter:	9	Appendix:	N/A
Sections:	1.1, 2.1 & 4.7J		
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
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

Throughout Chapter 9, defined terms will be updated to reflect the new or revised definitions that have been added to Chapter 11 which relate specifically to the CA. These new definitions replace definitions that were specific to the DRA or the TCA.

References to the new resource types have been included in section 4.7J where applicable. Different capacity auction resources are not subject to all the same non-performance charges. Further information on the applicable changes can be found below.

#### Discussion

##### Chapter 9

Defined terms updated throughout the chapter to align with the amendments in MR-00441-R00.

2.1.1A.5 – This section has been removed because it relates specifically to the historical capacity based demand response program, which no longer exists.

4.7J.2.1 – This section has been amended to clarify the availability charges applicable to hourly demand response resources and capacity dispatchable load resources, as the section is specific to demand response energy bids.

4.7J.2.1A – This section has been amended to subject both the capacity import resources and capacity storage resources to the availability charge. This section is specific to energy offers.

4.7J.2.3 – The section has been amended to include reference to timely, accurate and complete measurement data to clarify the type of data that must be submitted to the IESO. These requirements are further clarified in market manual 5.5.

4.7J.2.5 – This section has been amended to subject capacity storage resources to the capacity charge

**PART 3 – EXPLANATION FOR PROPOSED AMENDMENT**

if the resource fails an activation test, subject to section 7.5.3 of Chapter 7.

4.7J.2.6 (new) – This section has been added to subject capacity import resources to the capacity charge if the resource fails an activation test, subject to section 7.5.8A of Chapter 7.

4.7J.4 – This section has been amended to remove reference to sections 4.8.3 and 4.8.4. The outcomes of IESO audits of CA resources is not intended to be associated with the recovery and distribution of charge methodologies outlined in those sections.

Specific changes to the market rules are listed below. There are three additional rule amendment packages that form the entirety of the proposed rule changes for the CA.

**PART 4 – PROPOSED AMENDMENT****Chapter 9****1.1 Application and Purpose**

1.1.2 This chapter sets out the respective rights and obligations of the *IESO* and of *market participants* in determining, billing for and effecting payment in respect of financial obligations arising from the *IESO-administered markets*, other provisions of the *market rules*, and *applicable law* including without limitation the *Electricity Act, 1998*, the *Ontario Energy Board Act, 1998*, and any regulations enacted thereunder including, but not limited to the following:

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1.1.2.17 ~~the capacity based demand response program, demand response pilot program and demand response capacity obligations; and~~

**2.1 Metering and Metering Responsibilities**

2.1.1 Subject to section 2.1.1A, every *meter* utilised for determining *settlement amounts* according to this Chapter must be a *registered wholesale meter (RWM)*.

2.1.1A Nothing in section 2.1.1 shall be construed as requiring the *IESO* to determine *settlement amounts* on the basis of an *RWM* in circumstances where:

2.1.1A.1 it is permitted to use another *meter* for this purpose pursuant to section 3.1.4A;

2.1.1A.2 in circumstances where the *IESO* has determined that determination of *settlement amounts* using a *metering installation* whose registration has expired is required for the efficient operation of the *IESO-administered markets*;

- 2.1.1A.3 [Intentionally left blank – section deleted]
- 2.1.1A.4 the *IESO* has not permitted the use of the *RWM* for determining *settlement amounts* for the reason specified section 4.2.2A of Chapter 6;
- ~~2.1.1A.5 [Intentionally left blank – section deleted] the *IESO* is determining *settlement amounts* related to the *capacity based demand response program* specified in section 17 of Chapter 7 using a measurement and verification plan submitted and approved under section 17.2.1.2 of Chapter 7; or~~
- 2.1.1A.6 the *IESO* is determining *settlement amounts* related to ~~*demand response*~~ *capacity obligations* using measurement data submitted by ~~*capacity*~~ ~~*demand response*~~ market participants with an *hourly demand response resource*.

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## 4.7J Capacity Obligations

- 4.7J.1 The *IESO* shall remit an availability payment associated with a *capacity obligation*, if any, to the applicable *capacity market participant*, in the manner specified in the applicable *market manual*.
- 4.7J.2 A *capacity market participant* with a *capacity obligation* shall, in accordance with the applicable *market manual*, be subject to the following non-performance charges if the *capacity market participant* does not satisfy the requirements of its *capacity obligation*:

### Capacity Obligation Availability Charges

- 4.7J.2.1 A *capacity market participant* ~~participating with an *hourly demand response resource* or a *capacity dispatchable load resource*~~ shall be subject to an availability charge for every hour of the *availability window* it fails to submit *demand response energy bids* in the amount of their *capacity obligation* in either the day-ahead commitment process or in the *real-time energy market*.
- 4.7J.2.1A A *capacity market participant* participating with a *capacity generation resource*, ~~*capacity import resource*, or *capacity storage resource*~~ shall be subject to an availability charge for every hour of the *availability window* in which it fails to submit *energy offers* in the amount of their *capacity obligation* in the day-ahead commitment process or in the *pre-dispatch* hour ~~specified in Market Manual 5.5~~.

### Capacity Obligation Dispatch Charges

- 4.7J.2.2 A *capacity market participant* participating with an *hourly demand response resource* ~~resource~~ shall be subject to a dispatch charge for

failure to comply with an activation notice received under section 19.4.5 of Chapter 7.

#### Capacity Obligation Administration Charges

4.7J.2.3 A *capacity market participant* participating with an *hourly demand response resource* shall be subject to a *demand response administration charge* for failure to provide timely, accurate and complete demand response measurement data to the *IESO*.

#### Capacity Obligation Capacity Charges

4.7J.2.4 Subject to section 19.4.5 of Chapter 7, a *capacity market participant* participating with an *hourly demand response resource* that fails to satisfy its *capacity obligation* in response to an activation test shall be subject to a *capacity charge*.

4.7J.2.5 Subject to section 7.5.3 of Chapter 7, a *capacity market participant* participating with either a capacity dispatchable load resource, or a capacity generation resource or a capacity storage resource that fails to satisfy its *capacity obligation* in response to an activation test shall be subject to a *capacity charge*.

4.7J.2.6 Subject to section 7.5.8A of Chapter 7, a capacity market participant participating with a capacity import resource that fails to satisfy its capacity obligation in response to an activation test shall be subject to a capacity charge.

4.7J.3 A *capacity market participant* or a *capacity auction participant* may elect to be subject to a buy-out charge for all, or a portion of, their *capacity obligation* in accordance with the applicable *market manual*, if they are unable to fulfill a *capacity obligation* for the remaining portion of an obligation period.

4.7J.4 At any time, the *IESO* may audit any submitted measurement data and supporting information and a *capacity market participant* shall provide such information in the time and manner specified by the *IESO*. If, as a result of such an audit, the *IESO* determines that actual measurement data and supporting information differed from the submitted measurement data and supporting information, the *IESO* shall recover from or distribute to a *capacity market participant* any resulting over or under payment, as applicable. ~~Any amounts recovered or distributed to a capacity market participant shall be distributed to or recovered from market participants in accordance with sections 4.8.3 and 4.8.4.~~

4.7J.5 The *IESO* shall remit a test activation payment or emergency activation payment for a valid test activation or emergency activation, respectively, of an *hourly demand response resource*, associated with a ~~demand response capacity obligation~~, if any, to the applicable capacity demand response market participant, in the manner specified in the applicable *market manuals*.

**PART 5 – IESO BOARD DECISION RATIONALE**

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