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**JUNE 29, 2021**

# Administrative Changes to the IESO Capacity Auction: December, 2021

**Technical Panel**

# Agenda

- Background
- December 2021 Capacity Auction: Draft Market Rules and Manual Changes
- Stakeholder Engagement
- Next Steps



# Background

# Background

- A Capacity Auction enables the IESO to acquire capacity in a cost-effective manner and transparently adjust to changing supply-demand dynamics
- It is the IESO's primary mechanism for acquiring smaller amounts of capacity to meet needs emerging in the short term
- The first capacity auction was held in December 2020 for delivery from May 1 - October 31, 2021
  - Replaced the former Demand Response Auction
  - Enabled the participation of additional resource types (generation, storage, imports)
  - Procured 992.1 MW of capacity from a mix of all eligible resource types, with a clearing price of \$197.58/MW-day

## Background #2

- The first Capacity Auction ran smoothly and successfully overall
- Some process issues and areas of confusion were identified by stakeholders and the IESO for review prior to the 2021 Capacity Auction
- Changes to the Market Rules and Market Manuals have been limited to clarifying these areas of confusion and making minor clerical corrections (administrative changes)
  - No changes in requirements of the auction will be made for 2021 as they require more time for consideration and stakeholder engagement
  - Larger changes are being considered for future auctions



# December 2021 Capacity Auction: Market Rule and Manual Changes

# December 2021 Capacity Auction Market Rules

- The Market Rule changes listed do not result in corresponding Market Manual changes

## Summary of Proposed Changes

### Clarification

### Market Rule Chapter

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Definition of capacity auction eligible import resource clarified to specify the MWs offered in the capacity auction must be non-committed

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Ch. 11

Clarity added to specify that if eligibility requirements not satisfied by first day of obligation period, both the deposit and obligation may be forfeited

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Ch. 7, S. 18.4.4

Add capacity auction participant to list of market participant classes exempt from HST

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Ch. 2, S. 1.2.2.6

Minor clerical corrections to italicize defined terms or remove terms that are no longer defined

Ch. 2, S. 1.2.2, 5B.1.2  
Ch. 7, S. 19.2.1, 19.2.5 and 19.3.1  
Ch. 9, S. 4.7J.2.1, 4.7J.2.5

# Capacity Auction Import Resource Definition

## Concern:

- Language exists in the Market Rules and Market Manual 12 that implies the capacity enrolled in the auction must be non-committed, but it is not clearly specified in the definition of capacity auction eligible import resource

## Clarification:

- Add language to the definition of *capacity auction eligible import resource* to specify the capacity must be non-committed for the entirety of the obligation period
- Aligns with language in the definition of *capacity auction eligible generation resource* and *capacity auction eligible storage resource*

# Eligibility Requirements

## Concern:

- Ch. 7, S. 18.4.4 states the auction deposit will be forfeited if the participant does not meet the eligibility requirements set out in S. 19.2, 19.3, or 19.6 but does not specify what happens to the capacity obligation in these circumstances
- The intent of this rule was that the obligation would also be forfeited if a participant has not met the eligibility requirements by the start of the obligation period

## Clarification:

- Amended language to specify the obligation will also be forfeited and be explicit that this comes into effect if requirements are not met by start of obligation period

# General Corrections

- Performed a review of Market Rules applicable to the Capacity Auction and found some defined terms not italicized in Ch. 7 and Ch. 9; will be correcting this
- Found one term in Ch. 2, S. 5B.1.2 that is no longer defined and needed to be removed and replaced with the updated term (*demand response prudential support*, replaced with *capacity prudential support*)
- *Capacity auction participant* will be added to the list of market participant classes exempt from HST in Ch. 2, S. 1.2.2.6.
- Capacity auction participants were previously correctly added to the related HST exemption clause in S. 3.1.2.2 of the Market Rules but erroneously omitted from S. 1.2.2.6.

# December 2021 Capacity Auction Market Manuals

- In addition to the Market Rule changes, the following Market Manual clarifications have also been proposed to stakeholders

<b>Clarification</b>	<b>Market Manual</b>
Clarify registration requirement that the CMP must be the owner of the capacity auction resource	Market Manual 12
General clarity added to registration requirements for physical and virtual hourly demand response resources	Market Manual 12
Clarify application of the capacity charge for all resource types (on test activations only)	Market Manual 12 Market Manual 5, Part 5.5
Clarify effective period of obligation transfers (for entire obligation period)	Market Manual 12
Ability to revise auction offers during offer window	Market Manual 12



# Stakeholder Engagement

# Stakeholder Sessions

- **February 23, 2021 (materials posted [here](#))**
  - Provided recap of the December 2020 Capacity Auction results and outlined areas of improvement identified through practice and communications with stakeholders;
  - Asked stakeholders to provide feedback of any areas IESO should make administrative improvements
- **April 22, 2021 (materials posted [here](#))**
  - Meeting to review feedback from previous session and present draft changes
  - Provided draft Market Rules and Market Manuals

# Stakeholder Feedback: Enhance Guidance Documents

- Following the February 23, 2021 engagement stakeholders asked for more clarity on:
  - Online IESO contact roles and their responsibilities
  - Post-auction period registration and obligation period activities
- The IESO has taken steps to provide more clarity by publishing a guidance document that summarizes all contact roles in Online IESO and their associated responsibilities
- We will also enhance the Capacity Auction training guide with information regarding forward period and obligation period activities
- No Market Rule or Market Manual changes are required

# Stakeholder Feedback: Market Rule Changes

- Stakeholders also asked the IESO to consider Market Rule changes to:
  - Prudential support requirements
  - Point-in-time rules (the effective date of them)
  - Information provided in post-auction reporting (include offer data)
- The IESO did not add these proposed changes to the list of improvements for the 2021 auction as they require more time for consideration and stakeholder engagement than is available in advance of the next auction

# Stakeholder Feedback Summary

- Feedback received did not lead to additional changes to the Market Rules and Market Manuals for the 2021 Capacity Auction beyond the initial list of administrative improvements presented in Feb. 2021
  - Much of the feedback received can be addressed through enhancing IESO participant training and guidance documents
  - Some feedback encouraged the IESO to consider further Market Rule changes; these changes would require more time for IESO assessment and stakeholder engagement than is available before the 2021 Capacity Auction, but are being examined for future consideration

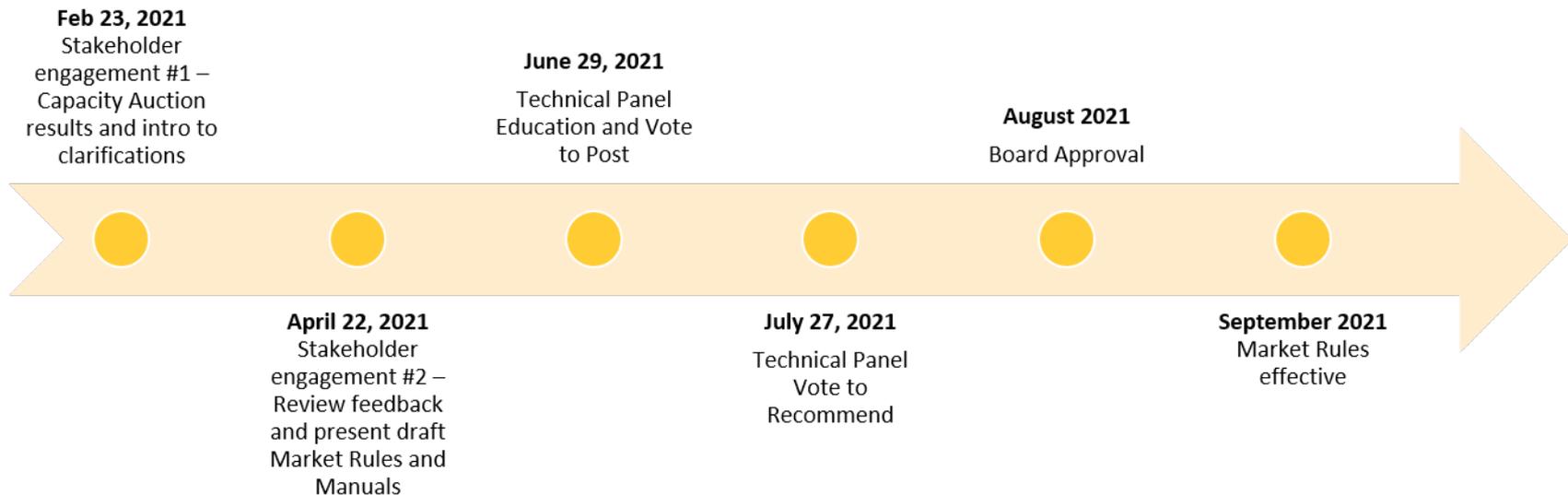


# Next Steps

## Next Steps

- June 29, 2021: Request the Technical Panel vote to post the amendments for stakeholder comment
- July 27, 2021: Pending stakeholder feedback, request that the Technical Panel vote to recommend the amendments to the IESO Board for Approval
- August 17-18, 2021: IESO Markets Committee and IESO Board meetings
- September 2021: Target effective date

# December 2021 Auction Timeline



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# Thank You

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