

Memorandum

To: Technical Panel

From: Adam Cumming

Date: June 6, 2023

Re: MR-00476-R00 – 2023 Capacity Auction Enhancements – Stream 1

In the IESO’s Resource Adequacy Framework (the “Framework”), the Capacity Auction serves as the short term balancing mechanism, helping to secure capacity needed to meet Ontario’s resource adequacy needs. The Capacity Auction enables participation from a diverse range of resources that compete annually to provide capacity for two six-month obligation periods (summer and winter). Additional information on the Capacity Auction can be found on the IESO’s Capacity Auction [webpage](#).

Over the next several years, as capacity needs grow, the IESO expects to rely on the Capacity Auction to acquire increasing amounts of capacity to meet Ontario’s resource adequacy needs in conjunction with the other procurement mechanisms in the Framework.

The IESO has engaged with stakeholders to design enhancements that aim to drive competition, improve resource performance, maintain a reliable electricity system, and contribute to ratepayer value as auction targets increase beginning with the 2023 Capacity Auction (collectively, “2023 Capacity Auction Enhancements”). A collaborative approach to stakeholder engagement on the 2023 Capacity Auction Enhancements has resulted in a robust set of designs that will achieve the IESO’s objectives for the enhancements while incorporating stakeholder proposals.

Objectives of the 2023 Capacity Auction Enhancements

In the coming years, the Capacity Auction will be an increasingly important component of the Framework. Consequently, the reliability of Capacity Auction resources will be increasingly important as the IESO will need to have confidence that the amount of capacity that each resource is expected to contribute to resource adequacy is actually able to perform to its obligations. With that in mind, the 2023 Capacity Auction Enhancements are intended to help improve resource performance as well as further enhance competition in order to continue to contribute to ratepayer value as auction targets increase.

Stakeholder Feedback

During the May 16th technical panel meeting, the technical panel voted to post the proposed market rule amendment (MR-00476-R00) for a period of two weeks for stakeholder comment. A stakeholder feedback submission was received from Advanced Energy Management Alliance (AEMA) that reiterated feedback that had been previously submitted and considered through the Capacity Auction Enhancements stakeholder engagement. The IESO has prepared and posted a response to this feedback on the IESO's [technical panel website](#) that connects the feedback with previously communicated IESO responses available on the Capacity Auction Enhancements webpage.

Additionally, some technical panel members inquired about the potential for rescheduling capacity auction tests under the new testing framework if a participant was unable to complete the test during the entirety of the five-business day scheduled testing window due to a third party outage or other significant unforeseeable events beyond a participant's control. The IESO referred these panel members to the "Allowable Exceptions" set out in market manual 12 that would qualify for a rescheduled testing window, which includes an *outage* caused by a third party *market participant* or *force majeure event*, all as defined in the market rules.

IESO staff identified a minor correction that was required in the proposed sections 4.7J.2.9 and 4.7J.6 of Chapter 9. The defined term *trading day* was replaced with *energy market billing period* where applicable and the associated variables had the proper subscripts/superscripts applied to correctly refer to hours, days, or *energy market billing periods* as appropriate. These minor changes were required in order to align with the recent market rule amendments related to the RSS implementation.

Panel Action and Next Steps

The IESO recommends that the technical panel vote to recommend the proposed market rules amendment MR-00476-R00 to the IESO Board of Directors for consideration.

Accompanying Materials

- Market Rules Amendment Proposal Form - MR-00476-R00 – Version 4
- Market Manual 4.3 - Real Time Scheduling of the Physical Markets
- Market Manual 5.4 - Prudential Support
- Market Manual 5.5 - Physical Markets Settlement Statements
- Market Manual 12.0 - Capacity Auctions
- Market Manual 7.3 - Outage Management
- IESO Charge Types and Equations