

Memorandum



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To: The Markets Committee

From: Michael Lyle, Vice President, Legal Resources and Corporate Governance, Chair of the Technical Panel

Date: August 28, 2024

Re: 2023 Capacity Auction Market Rule Corrections (MR-00482-R00)

Purpose of Item: Recommendation for approval to the Board

Executive Summary:

The IESO is seeking a recommendation for the Board to approve proposed Market Rule Amendment (MR-00482-R00) that will correct an omission and provide greater clarity to the Capacity Auction market rules. At its July 16, 2024 meeting, the Technical Panel voted unanimously to recommend the proposed Market Rule Amendment to the IESO Board.

Background:

In 2023, the IESO brought forward market rule amendments in relation to capacity auction design enhancements. The market rule amendments improved system reliability by introducing stronger performance incentives and a revised testing framework to better ensure that the capacity acquired through the auction could be reliably delivered.

The capacity auction market rule amendments also introduced an additional performance incentive, the Performance Adjustment Factor (“**PAF**”), with the goal of providing greater assurance that only available capacity is offered into future auctions.

Further, the rule amendments included a consolidation effort to bring settlement related obligations previously spread across two market manuals, Market Manual 5.5, Physical Markets Settlement Amounts and Market Manual 12, Capacity Auctions, into Chapter 9 (Market Settlements) of the market rules.

The capacity auction market rule amendments were approved by the IESO Board on September 28, 2023 and came into effect on October 23, 2023.

Proposal and Analysis:

During the internal implementation of these capacity auction enhancements, two errors were identified. The proposed Market Rule Amendment corrects these two errors.

The first market rule amendment correction relates to the formula for the cleared installed capacity ("**cleared ICAP**") which is found in Chapter 7. The proposed Market Rule Amendment adds the PAF to the formula so that the formula properly reflects the design intent of the cleared ICAP. There is no market or operational impact associated with this issue.

The second market rule amendment correction relates to the Capacity Auction availability charge. This charge has been in place since 2016 and is not related to the performance enhancements/charges brought forward in 2023. However, during the consolidation process, some of the original market manual language was omitted leaving the market rule intent unclear. The proposed Market Rule Amendment clarifies the applicability of the Capacity Auction availability charge and brings it back into alignment with the language previously set out in the market manuals. There may be a minor cost impact, however there is no operational or performance management impact anticipated.

At the July 16, 2024 Technical Panel meeting, the Technical Panel members voted unanimously to recommend the proposed market rules for adoption by the IESO Board. All Technical Panel materials including stakeholder feedback submissions and meeting minutes are available on the Technical Panel [webpage](#).

Next Steps / Implementation:

I recommend that the IESO Board of Directors accept the unanimous vote and recommendation of the Technical Panel to approve Market Rule Amendment MR-00482-R00: 2024 Capacity Auction Market Rule Corrections with an effective date of September 20, 2024.

Recommendation:

The Committee is asked to approve the following motion:

BE IT RESOLVED THAT the Markets Committee recommends that the Board of Directors approve the following resolution:

[Recommended Board Resolution Begins.]

CONCERNING MR-00482-R00: 2024 Capacity Auction Market Rule Corrections, which is a Market Rule Amendment recommended by the IESO that will correct an omission and provide greater clarity to the Capacity Auction market rules.

WHEREAS the IESO engaged with stakeholders and the Technical Panel and incorporated their suggestions into MR-00482-R00.

WHEREAS the Technical Panel unanimously recommends MR-00482-R00 for approval by the IESO Board of Directors.

NOW THEREFORE BE IT RESOLVED THAT, on the recommendation of the Markets Committee, the IESO Board of Directors accepts the recommendation from the Technical Panel and approves MR-00482-R00: 2024 Capacity Auction Market Rule Corrections to come into effect on September 20, 2024.

Michael Lyle

Cc: IESO Records

Encls.

a. Market Rule Amendment Proposal form

b. Technical Panel Materials

i. Memo to Technical Panel from IESO staff

ii. Technical Panel Member Rationale

c. Stakeholder feedback summary, stakeholder engagement and Technical Panel

d. Consumer Impact Assessment

e. Resolution

f. Draft Board Reasons