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# Technical Panel Education: 2026 Capacity Auction Enhancements

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# Today's Discussion

- This discussion is to update Technical Panel members on the Market Rule (MR) amendments associated with enhancements to the 2026 Capacity Auction.
- These amendments aim to bring clarity to existing settlement formulas and processes.
- These enhancements are supported by stakeholders.

# Agenda

- Engagement process
- Proposed market rule and manual amendments
- Summary and next steps



# Engagement Process

# Engagement on the 2026 Enhancements

- The IESO makes regular, incremental updates to the capacity auction to ensure it continues to provide a stable and transparent investment signal to market participants, drive competition, and promote ratepayer value.
- The IESO's approach to the [Capacity Auction Enhancements](#) engagement has aimed to provide a timely, transparent, and inclusive process for participants.
- The 2026 enhancements aim to improve the underlying tools and processes that support the capacity auction.
- Two engagement sessions were held in March and in May 2026 to provide an overview of the updates being made and seek feedback, as well as to present the market rule and market manual amendments.



# Proposed Market Rule Amendments

# Objective of the 2026 Enhancements

- The market rule amendments for the 2026 Capacity Auction are focused on two updates to settlement formulas and processes:
  - Updates to the settlement formula for the Emergency Activation Payment and;
  - Updates to the In-Period UCAP Adjustment Charge settlement process for capacity testing.
- **Objective:** to support resource performance by bringing clarity to settlement formulas and processes for auction participants with HDR resources.

# Emergency Activation Payment Formula Update

## Overview:

- The IESO will make a minor update to the Emergency Activation Payment formula to rectify an edge-case scenario.

## Scope:

- Revision of Emergency Activation Payment (CT-1320) formula that currently caps curtailed capacity to 0 MW when bids are greater than the capacity obligation for any given hour.

## Benefits:

- This change will resolve an identified issue with the CT-1320 formula.

# Revised Activation Payment (CT-1320) Formula

- The Emergency Activation Payment (CT-1320) formula is as follows:

$$\text{Max}(0, \text{HDRBP}_{k,h}^m - \text{Max}(0, \text{DAM\_LMP}_h^z + \text{LFDA}_h)) \times \text{HDRDC}_{k,h}^m$$

- The delivered capacity from HDR resources (HDRDC) is calculated for each hour of activation and forms part of the emergency activation payment (CT-1320) determination:

$$\text{Min}(\text{Curtailed MW}_{k,h}^m, \sum_{t=1}^{12} \left( \frac{\text{Min}(\text{TBQ}_{k,h}^m, \text{CARC}_{k,m}, \text{CCO}_{k,h}^m)}{12} - \text{DQSW}_{k,h}^{m,t} \right))$$

- A revision to this variable is required due to an edge-case scenario where the scheduled quantity (DQSW) exceeds the obligation (CCO) or capability (CARC). In such cases, HDRDC would be negative, resulting in no emergency activation payment for the hour.

$$\text{Min} \left( \text{Curtailed MW}_{k,h}^m, \sum_{t=1}^{12} \left( \frac{\text{Min}(\text{TBQ}_{k,h}^m - \text{DQSW}_{k,h}^{m,t}, \text{CARC}_{k,m}, \text{CCO}_{k,h}^m)}{12} \right) \right)$$

# Example of HDRDC Calculation

## Current Formula

$$\text{Min}(\text{Curtailed MW}_{k,h}^m, \sum_{t=1}^{12} \left( \frac{\text{Min}(\text{TBQ}_{k,h}^m, \text{CARC}_{k,m}, \text{CCO}_{k,h}^m)}{12} - \text{DQSW}_{k,h}^{m,t} \right))$$

		Minimum					
			Minimum				
Obligation (MW)	Cleared ICAP (MW)	Curtailed MW	TBQ	CARC	CCO	DQSW	Calculated HDRDC
10	12	10	12	12	10	11	-1

## Variables

HDRDC	delivered capacity by HDR resource
Curtailed MW	difference between baseline and actual consumption
TBQ	offered quantity of energy of the energy bid
CARC	quantity of energy of HDR resource's contributors total registered capability
CCO	capacity obligation
DQSW	scheduled quantity of energy

## Proposed Formula

$$\text{Min} \left( \text{Curtailed MW}_{k,h}^m, \sum_{t=1}^{12} \left( \frac{\text{Min}(\text{TBQ}_{k,h}^m - \text{DQSW}_{k,h}^{m,t}, \text{CARC}_{k,m}, \text{CCO}_{k,h}^m)}{12} \right) \right)$$

		Minimum					
			Minimum				
Obligation (MW)	Cleared ICAP (MW)	Curtailed MW	TBQ	DQSW	CARC	CCO	Calculated HDRDC
10	12	10	12	11	12	10	1

## In-Period Cleared UCAP Adjustment: Recap

- Hourly Demand Response (HDR) resources are assessed for an in-period cleared UCAP adjustment based on the average capacity delivered during the four-hour period of the capacity test.
- A de-rate is applied that adjusts the obligation when the HDR's average delivered capacity over the four-hour testing period is less than 90% of its cleared UCAP. It adjusts the obligation to what the resource delivered.
- The obligation adjustment is applied effective 1 business day following the notice of disagreement (NOD) deadline.
- The in-period cleared UCAP adjustment charge (CT-1323) claws back availability payments equal to the difference between the resource's obligation and the calculated delivered MW from the first day of the obligation period to the effective date of the obligation adjustment.

# UCAP Adjustment Market Rule Amendments

## In-Period Cleared UCAP Adjustment for <1MW Delivery

- When an in-period cleared UCAP adjustment applies to an HDR resource and would result in an obligation of less than 1 MW, the market rules have been clarified to outline the following actions:
  - The obligation will be adjusted to 0 MW effective 1 business day after the close of the notice of disagreement (NOD) deadline to the end of the obligation period. Adjusting the obligation to 0 MW is necessary as market rules dictate a resource must be 1MW or larger to participate in the market.
  - The UCAP adjustment charge will apply to claw back availability payments equal to the difference between the resource's obligation and the calculated delivered MW. This charge will be effective from the first day of the obligation period to the effective date of the obligation adjustment (one day after the NOD deadline).

# NOD and <1 MW UCAP Adjustment

- If a participant files a NOD related where a UCAP adjustment would result in a <1 MW obligation, the obligation will not be reduced to 0 MW while the NOD is under review.
- UCAP adjustment charge will continue to apply to claw back availability payments equal to the difference between the resource's obligation and the calculated delivered MW.
- After the NOD is resolved:
  - The de-rate (%) will be re-calculated to reflect the final NOD outcome and will apply to all billing periods for the obligation.
  - If the re-calculated de-rate still results in an adjusted obligation that is below 1 MW (i.e. it should have been forfeited if not for the NOD), a de-rate of 100% will be applied to all billing periods from the date the forfeit would have been effective.

# Market Manual Amendments

- Additional enhancements are being brought forward for the 2026 auction that impact the market manuals only. These include the following:
  - Automating the capacity test data submission process through Online IESO, and;
  - Clarification on conditions under which Emergency Activation Payment is made to HDR resources.

# 2026 Market Rule and Market Manual Amendments

Enhancement	Summary	Market Rule or Market Manual
Capacity Testing Processes	<ul style="list-style-type: none"> <li>Revised capacity test data submission requirements to reflect submission via Online IESO</li> </ul>	MM12, ss.5.3.4.1
In-Period Cleared UCAP adjustment Charge for <1MW Delivery	<ul style="list-style-type: none"> <li>Clarification of how the in-period UCAP adjustment charge is applied when delivered capacity in a capacity test is less than 1MW</li> </ul>	Chapter 9, ss.4.13.8 and Charge Types &Equations, ss.2.2.2
Emergency Activation Payment Formula Correction	<ul style="list-style-type: none"> <li>Revision to the emergency activation charge (CT-1320) formula to address edge case scenarios where HDRDC calculation results in a negative value</li> </ul>	Chapter 9 Appendices, ss. 11.1.12
Emergency Activation Payment Eligibility	<ul style="list-style-type: none"> <li>Clarification on conditions under which Emergency Activation Payment is made</li> </ul>	MM5.5, ss.3.4.2.1



# Next Steps

## Next Steps

- June 9, 2026 – Technical Panel (TP) Education.
- June 11, 2026 – Deadline for written comments on proposed market rule and market manual amendments presented to stakeholders on May 28<sup>th</sup>.
- July 14, 2026 – TP vote to post.
- September 15, 2026 – TP vote to recommend.
- October 20, 2026 – IESO Board consideration of rule amendments.
- November 13, 2026 – Effective date of amendments.

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# Thank You

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