

ISO Rules

Part 200 Market

Division 206 Capacity Market

Section 206.4 Offers and Bids for Capacity



Draft Version
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Applicability

- 1 Section 206.4 applies to:
- (a) a **capacity market participant** with an asset that has a **uniform capacity value** assigned pursuant to Section 206.3 of the **ISO rules**, *Uniform Capacity Value Determination*; and
 - (b) the **ISO**.

Requirements

Obligation to Offer and Offer Content for a Base Auction

- 2(1) A **capacity market participant** must:
- (a) submit an **offer** for a **base auction** in respect of an asset;
 - (b) ensure the volume of the **offer** in subsection 2(1)(a) is equal to the asset's assigned **uniform capacity value**; and
 - (c) ensure that each **capacity block** in an **offer** is a different price in respect of an asset.
- (2) A **capacity market participant** must, subject to subsection 7 and 9 include in each **capacity block** in an **offer** for a **base auction**:
- (a) a price in \$/kW-year to the nearest cent per kW-year that is:
 - (i) greater than or equal to \$0/kW-year; and
 - (ii) less than or equal to the price cap established by the final demand curve for the **base auction** in accordance with Section 207.4 of the **ISO rules**, *Shape of Demand Curve*;and
 - (b) a quantity in MW that is a positive integer greater than or equal to 1 MW.

Obligation to Offer and Offer Content for a Rebalancing Auction

- 3(1) A **capacity market participant** must, subject to subsections 10 and 11:
- (a) submit an **offer** for a **rebalancing auction** for that asset; and
 - (b) ensure the volume of the **offer** in subsection 3(1)(a) is equal to:
 - (i) the difference between the asset's assigned **uniform capacity value** and the **capacity commitment**, if the assigned **uniform capacity value** of the **capacity market participant's** asset is greater than the **capacity commitment**; or
 - (ii) the asset's assigned **uniform capacity value**, if the **capacity market participant's** asset is not subject to a **capacity commitment**;and
 - (c) ensure that each **capacity block** in an **offer** is a different price.
- (2) A **capacity market participant** must, subject to subsection 10, include in each **capacity block** in an **offer** for a **rebalancing auction**:
- (a) a price in \$/kW-year to the nearest cent per kW-year that is:

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- (i) greater than or equal to \$0/kW-year; and
 - (ii) less than or equal to the maximum price established by the final demand curve for the **rebalancing auction** in accordance with Section 207.4 of the **ISO rules**, *Shape of Demand Curve*;
- and
- (b) a quantity in MW that is a positive integer equal to or greater than 1 MW.

Designation of Flexible Blocks or Inflexible Blocks for Offers

- 4** A **capacity market participant** must, subject to subsections 8, 9 and 10, designate in an **offer**:
- (a) the lowest priced **capacity block** as a **flexible block** or **inflexible block**; and
 - (b) all other **capacity blocks** as **flexible blocks**.

Obligation to Bid and Bid Content for a Rebalancing Auction

- 5(1)** A **capacity market participant** with a **capacity commitment** may, subject to subsection 10, submit a **bid** for an asset in a **rebalancing auction**.
- (2)** A **capacity market participant** that submits a **bid** for a **rebalancing auction** in accordance with subsection 5(1) must include in each **capacity block** in the **bid**:
- (a) a price in \$/kW-year to the nearest cent per kW-year that is:
 - (i) greater than or equal to \$0/kW-year; and
 - (ii) less than or equal to the price cap established by the final demand curve for the **rebalancing auction** in accordance with Section 207.4 of the **ISO rules**, *Shape of Demand Curve*;
- and
- (c) a quantity in MW that is a positive integer:
 - (i) equal to or greater than 1 MW; and
 - (ii) less than or equal to the **capacity commitment**.
- (3)** A **capacity market participant** with an asset subject to a **capacity commitment** must, if the assigned **uniform capacity value** of the asset is less than the **capacity commitment**, submit a **bid** comprised of 1 **capacity block** that is an **inflexible block** for the last **rebalancing auction** with:
- (a) a price of \$0.01/kW-year above the price cap established by the final demand curve for the **rebalancing auction** in accordance with Section 207.4 of the **ISO rules**, *Shape of Demand Curve*; and
 - (b) a quantity equal to the difference between the **capacity commitment** and the assigned **uniform capacity value**.

Designation of Flexible Blocks or Inflexible Blocks for Bids

- 6** A **capacity market participant** must, subject to subsection 10, designate in a **bid**:

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- (a) the lowest priced **capacity block** as a **flexible block** or **inflexible block**; and
- (b) all other **capacity blocks** as **flexible blocks**.

Variances for Mitigated Assets

7(1) A **capacity market participant** for an asset must, if the **person** with offer control over the asset failed the market power screen in accordance with Section 206.7 of the **ISO rules**, *Capacity Market Mitigation*, ensure that the quantity of the asset's **uniform capacity value** that the **person** has offer control over, less the quantity of incremental **capacity** that the **person** has offer control over, as applicable, within an **offer** for a **base auction** is submitted at a price equal to or less than:

- (a) the offer price cap referred to in Section 206.7 of the **ISO rules**, *Capacity Market Mitigation*; or
- (b) the asset-specific **offer** price cap if an asset-specific offer price cap has been provided in accordance with Section 206.7 of the **ISO rules**, *Capacity Market Mitigation*.

Variances for Incremental Capacity

8(1) A **capacity market participant** must, for an asset with incremental **capacity**, designate each **capacity block** in an **offer** for a **base auction** or **rebalancing auction** as a **flexible block** except in the following instances:

- (a) the lowest priced **capacity block** may be designated as an **inflexible block**; or
- (b) the **capacity block** that is not the lowest priced **capacity block** may be designated as an **inflexible block** if:
 - (i) the **capacity block** contains only incremental capacity and there is no lower priced **capacity block** which contains incremental **capacity**; or
 - (ii) the **capacity block** contains only non-incremental **capacity** and there is no lower priced **capacity block** which contains non-incremental **capacity**.

(2) A **capacity market participant** must indicate in each **capacity block** in the **offer** for an asset with incremental **capacity** the quantity in MW within the **capacity block** that is the incremental **capacity**.

Variances for Refurbished Capacity

9(1) A **capacity market participant** for an asset with refurbished **capacity** must, where all **persons** that have offer control over the asset have not failed the market power screen in accordance with Section 206.7 of the **ISO rules**, *Capacity Market Mitigation* and the **maximum capability** of the asset is anticipated to increase, designate each **capacity block** in an **offer** as a **flexible block** except:

- (a) the lowest priced **capacity block** may be designated as an **inflexible block**; or
- (b) a **capacity block** that is not the lowest priced **capacity block** may be designated as an **inflexible block** if:
 - (i) the **capacity block** contains only additional capacity associated with the increase to the asset's maximum capability and there is no lower priced **capacity block** which contains the additional **capacity**; or
 - (ii) the **capacity block** contains only **capacity** associated with the asset's current **maximum capability** and there is no lower priced **capacity block** which contains such **capacity**.

(2) A **capacity market participant** must include in each **capacity block** in the **offer** for an asset

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referred to in subsection 9(1) a declaration of the quantity in MW within a **capacity block** that is the additional **capacity** associated with the increase in the asset's **maximum capability**.

(3) A **capacity market participant** for an asset with refurbished **capacity** must, where any **person** that has offer control over the asset failed the market power screen in accordance with Section 206.7 of the **ISO rules**, *Capacity Market Mitigation* and the **capacity market participant** submitted an attestation in accordance with Section 206.1 of the **ISO rules**, *Qualification of Capacity* confirming that the asset will permanently delist, submit an **offer** comprised of one **capacity block** that is an **inflexible block**.

(4) A **capacity market participant** for an asset with refurbished **capacity** must, where any **person** that has offer control over the asset failed the market power screen in accordance with Section 206.7 of the **ISO rules**, *Capacity Market Mitigation* and the **capacity market participant** submitted an attestation in accordance with Section 206.1 of the **ISO rules**, *Qualification of Capacity* confirming that the asset will continue to participate in the energy and capacity markets, must submit 2 **offers** for a **base auction** as follows:

- (a) a first **offer** comprised of 1 **capacity block** that is an **inflexible block**:
 - (i) at the price referred to in subsection 2(2)(a); and
 - (ii) with a quantity equal to the **uniform capacity value** assigned to the asset;and
- (b) a second **offer** comprised of 1 or more **capacity blocks**:
 - (i) at or below the applicable mitigated price referred to in subsection 7(a); and
 - (ii) with a quantity equal to the **uniform capacity value** that would have been assigned to the asset, had the asset qualified as refurbished **capacity**.

(5) A **capacity market participant** must, if the **capacity market participant** submitted **offers** in accordance with subsection 9(4) and the **offer** referred to in 9(4)(a) does not clear the **base auction** pursuant to Section 201.13, *Capacity Market Clearing*, submit in subsequent **base auctions**:

- (a) an **offer** comprised of one **capacity block** that is an **inflexible block**:
 - (i) at the price referred to in subsection 2(2)(a); and
 - (ii) with a quantity equal to the **uniform capacity value** assigned to the asset;or
- (b) an **offer** comprised of 1 or more **capacity blocks**:
 - (i) at or below the applicable mitigated price referred to in subsection 7(a); and
 - (ii) with a quantity equal to the **uniform capacity value** that would have been assigned to the asset, had the asset qualified as refurbished **capacity**.

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(6) A **capacity market participant** must, in the event that the **capacity market participant** submitted an **offer** for refurbished **capacity** in accordance with subsection 9(5)(a) and the **offer** does not clear the **base auction** pursuant to Section 201.13, *Capacity Market Clearing*, permanently delist the asset in accordance with Section 201.15 of the **ISO rules**, *Delisting*.

(7) A **capacity market participant** must ensure that an **offer** has not been submitted in a previous **base auction** or **rebalancing auction** for the asset with refurbished **capacity** in the manner described in subsection 9(4) prior to submitting an **offer** in accordance with subsection 9(4).

Variances for Delisting

10(1) A **capacity market participant** that requested to temporarily delist for economic reasons and has been provided a price in accordance with Section 201.15 of the **ISO rules**, *Delisting* must submit an **offer** or **bid** in the last **rebalancing auction** as follows:

- (a) for an asset where the volume submitted in the delist request is less than or equal to the assigned **uniform capacity value** minus the **capacity commitment** submit an **offer** as follows:
 - (i) submit 1 **capacity block** that is an **inflexible block**:
 - (A) at the price provided in accordance with Section 201.15 of the **ISO rules**, *Delisting*; and
 - (B) with a quantity in MW submitted in the delist request;and
 - (ii) if the quantity calculated in accordance with subsection 10(2) is positive, submit 1 or more **capacity blocks** with the remaining quantity calculated in accordance with subsection 10(2);

or

- (b) for an asset where the volume submitted in the delist request is greater than the assigned **uniform capacity value** minus the **capacity commitment** submit an **offer** and **bid** as follows:
 - (i) submit an **offer** comprised of 1 **capacity block** that is an **inflexible block**:
 - (A) at the price provided in accordance with Section 201.15 of the **ISO rules**, *Delisting*; and
 - (B) with a quantity in MW that is equal to the assigned **uniform capacity value** less the **capacity commitment**;and
 - (ii) a bid comprised of 1 **capacity block** that is an **inflexible block**:
 - (A) at the price provided in accordance with Section 201.15 of the **ISO rules**, *Delisting* less \$0.01; and
 - (B) with a quantity calculated in accordance with subsection 10(3).

(2) A **capacity market participant** must calculate the quantity referred to in subsection 10(1)(a)(ii) in accordance with the following formula:

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$$\text{quantity} = \text{uniform capacity value}_{it} - \text{capacity commitment}_{it} - \text{delist volume}_t$$

where:

- (a) *uniform capacity value*_{it} is the assigned **uniform capacity value** for asset *i* in **obligation period** *t*;
- (b) *capacity commitment*_{it} is the **capacity commitment** for asset *i* in **obligation period** *t*; and
- (c) *delist volume*_i is the quantity in MW submitted in the delist request for asset *i*;

(3) A **capacity market participant** must calculate the quantity referred to in subsection 10(1)(b)(ii)(B) in accordance with the following formula:

$$\text{quantity} = \text{delist volume}_i - (\text{uniform capacity value}_{it} - \text{capacity commitment}_{it})$$

where:

- (a) *delist volume*_i is the quantity in MW submitted in the delist request for asset *i*;
- (b) *uniform capacity value*_{it} is the assigned **uniform capacity value** for asset *i* in **obligation period** *t*; and
- (c) *capacity commitment* is the **capacity commitment** for asset *i* in **obligation period** *t*.

(4) A **capacity market participant** for an asset subject to a **capacity commitment** must, if the asset's assigned **uniform capacity value** for the **rebalancing auction** is lower than the **capacity commitment** due to a permanent delist notification or a request to temporarily delist for physical reasons, submit a **bid** comprised of 1 **capacity block** that is an **inflexible block**:

- (a) at a price of \$0.01/kW-year above the price cap established by the final demand curve for the **rebalancing auction**, in accordance with Section 207.4 of the **ISO rules**, *Shape of Demand Curve*; and
- (b) with a quantity equal to the difference between the **capacity commitment** and the assigned **uniform capacity value**.

Variations for Assets that Fail to Achieve a Milestone

11(1) A **capacity market participant** must not, if the **ISO** determines that the **capacity market participant** failed the milestone assessment for an asset in accordance with Section 206.5 of the **ISO rules**, *Milestone Assessment*, submit an **offer** in a **rebalancing auction** for:

- (a) the entire asset with **new capacity** or refurbished **capacity**; or
- (b) the portion of the asset that is incremental **capacity**.

(2) A **capacity market participant** for an asset with **new capacity** or refurbished **capacity** that is subject to a **capacity commitment** must, if the **ISO** determines that the **capacity market participant** failed the milestone assessment in accordance with Section 206.5 of the **ISO rules**, *Forward Period Milestone Assessment* for the asset, submit a **bid** in a **rebalancing auction** comprised of 1 **capacity block** that is an **inflexible block**:

- (a) at a price of \$0.01/kW-year above the price cap established by the final demand curve for the **rebalancing auction** in accordance with Section 207.4 of the **ISO rules**, *Shape of Demand Curve*; and

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(b) with a quantity equal to the **capacity commitment**.

(3) A **capacity market participant** for an asset with incremental **capacity** that is subject to a **capacity commitment** must, if the **ISO** determines that the **capacity market participant** failed the milestone assessment in accordance with Section 206.5 of the **ISO rules**, *Forward Period Milestone Assessment* for the asset and the capacity commitment is greater than the **uniform capacity value** of the asset without considering the incremental **capacity**, submit a **bid** in a **rebalancing auction** comprised of 1 **capacity block** that is an **inflexible block**:

- (a) at a price of \$0.01/kW-year above the price cap established by the final demand curve for the **rebalancing auction** in accordance with Section 207.4 of the **ISO rules**, *Shape of Demand Curve*; and
- (b) with a quantity equal to the **capacity commitment** less the **uniform capacity value** of the asset without considering the incremental **capacity**.

Submission of Offer and Bid for the Same Asset in a Rebalancing Auction

12 A **capacity market participant** that submits an **offer** and **bid** for the same associated asset in a **rebalancing auction** must price the **capacity blocks** such that the highest priced **capacity block** for the **bid** is less than the lowest priced **capacity block** for the **offer**.

Offering Window

13(1) The **ISO** must, in the *Capacity Market Auction Guidelines*, establish an offering window of at least 5 **business days** for a **base auction** or **rebalancing auction**.

- (2) A **capacity market participant** must submit an **offer** or **bid** during the offering window.
- (3) The **ISO** may change or extend the offering window in the event of system unavailability where the **ISO** determines that the unavailability warrants a change or extension to the offering window.
- (4) The **ISO** must publish on the AESO website any change or extension to an offering window made pursuant to subsection 10(3).

Submission Methods

14 A **capacity market participant** must submit an **offer** or **bid** for a **base auction** or **rebalancing auction** in the manner the **ISO** specifies.

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15(1) The **ISO** must, subject to subsection 15(3), if a **capacity market participant** does not submit an **offer** for an asset in accordance with the requirements of this section 206.4, enter an **offer** at the close of the offering window for a **base auction** or **rebalancing auction** comprised of 1 **capacity block** that is a **flexible block**:

- (a) at a price of \$0/kW-year; and
- (b) with quantity equal to:
 - (i) the asset's assigned **uniform capacity value**, in the case of a **base auction**; or
 - (ii) the difference between the asset's **uniform capacity value** and its **capacity commitment**, in the case of a **rebalancing auction**.

(2) The **ISO** must, subject to subsection 15(3), if a **capacity market participant** does not submit a **bid** for an asset in accordance with the requirements of this section 206.4, enter a **bid** for the asset at the close of the offering window for a **rebalancing auction** comprised of 1 **capacity block** that is an

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inflexible block:

- (a) at a price of \$0.01/kW-year above the price cap established by the final demand curve for the **rebalancing auction** in accordance with Section 207.4, *Shape of the Demand Curve*; and
 - (b) with quantity equal to:
 - (i) the quantity referred to in subsection 5(3)(b), where the asset's assigned **uniform capacity value** is less than the **capacity commitment** in the case of the last **rebalancing auction**; or
 - (ii) the quantity referred to in subsection 11(2)(b), where the **capacity market participant** failed the milestone assessment pursuant to Section 206.5 of the ISO rules, *Forward Period Milestone Assessment*.
- (3) The **ISO** must, if a **capacity market participant** does not submit an **offer** or a **bid** for an asset in accordance with subsection 10, enter an **offer** or a **bid** for the asset, as applicable, as follows:
- (a) for an asset referred to in subsection 10(1)(a), enter an **offer** for the asset at the close of the offering window for the last **rebalancing auction** comprised of:
 - (i) 1 **capacity block** that is an **inflexible block** with the price and quantity referred to in subsection 10(1)(a)(i); and
 - (ii) 1 **capacity block** that is an **flexible block** at a price of \$0/kW-year with the quantity referred to in subsection 10(1)(a)(ii);
 - (b) for an asset referred to in subsection 10(1)(b), enter an **offer** and a **bid** for the asset at the close of the offering window for the last **rebalancing auction** as follows:
 - (i) an **offer** comprised of 1 **capacity block** that is an **inflexible block** with the price and quantity referred to in subsection 10(1)(b)(i); and
 - (ii) a **bid** comprised of 1 **capacity block** that is an **inflexible block** with the price and quantity referred to in subsection 10(1)(b)(ii);
- or
- (c) for an asset referred to in subsection 10(4), enter a **bid** for the asset at the close of the offering window for the **rebalancing auction** comprised of 1 **capacity block** that is an **inflexible block** with the price and quantity referred to in subsection 10(4).

Revision History

Date	Description
xxxx-xx-xx	Initial release