

ISO Rules

Part 200 Market

Division 206 Capacity Market

Section 206.4 Offers and Bids for Capacity



External Consultation Draft
October 22, 2018

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; and
 - (b) ensure the volume of the **offer** in subsection 2(1)(a) is equal to the asset's assigned **uniform capacity value**.
- (2) A **capacity market participant** must 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 which, subject to Section 206.7 of the **ISO rules**, *Capacity Market Mitigation*, is:
 - (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 **base auction**;and
 - (b) a quantity in MW that is a positive integer greater than or equal to 1 MW.
- (3) The **ISO** must, if a **capacity market participant** does not submit an **offer** in accordance with subsections 2(1) or 2(2), assign an **offer** price of \$0/kW-year for the **offer** volume equal to the asset's assigned **uniform capacity value** at the close of the offering window.
- (4) A **capacity market participant** must, for a **person** that has been provided an offer price cap or has in accordance with Section 206.7 of the **ISO rules**, *Capacity Market Mitigation*, submit an **offer** in the **base auction** for the quantity of the asset's **uniform capacity value** that the **person** has offer control over at a price equal to or below:
 - (a) the offer price cap referred to in Section 206.7 of the **ISO rules**, *Capacity Market Mitigation*;
or
 - (b) if an asset-specific offer price cap has been provided in accordance with Section 206.7 of the **ISO rules**, *Capacity Market Mitigation*, the asset-specific **offer** price cap.

Obligation to Offer and Offer Content for a Rebalancing Auction

- 3(1) A **capacity market participant** must, if the assigned **uniform capacity value** of the **capacity market participant's** associated asset is greater than the **capacity commitment**:
 - (a) submit an **offer** for a **rebalancing auction** for that asset; and

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- (b) ensure the volume of the **offer** in subsection 3(1)(a) is equal to the difference between the asset's assigned **uniform capacity value** and the **capacity commitment**.

(2) A **capacity market participant** must, if the **capacity market participant's** asset is not subject to a **capacity commitment**:

- (a) submit an **offer** for a **rebalancing auction** for that asset; and
- (b) ensure the volume of the **offer** in subsection 3(2)(a) is equal to the asset's assigned **uniform capacity value**.

(3) A **capacity market participant** must, subject to subsection 3(4), 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 which is:
 - (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**;and
- (b) a quantity in MW that is a positive integer equal to or greater than 1 MW.

(4) A **capacity market participant** that requested to temporarily delist for economic reasons and has been provided a price based on the remaining **avoidable costs** 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** comprised of 1 **capacity block** as follows:
 - (i) a price based on the remaining **avoidable costs** provided in accordance with Section 201.15 of the **ISO rules, Delisting**; and
 - (ii) a quantity in MW submitted in the delist request;and
- (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 the following:
 - (i) an **offer** comprised of 1 **capacity block**:
 - (A) at a price based on the remaining **avoidable costs** provided in accordance with Section 201.15 of the **ISO rules, Delisting**; and
 - (B) a quantity in MW that is equal to the assigned **uniform capacity value** minus the **capacity commitment**;and
 - (ii) a bid comprised of 1 **capacity block**:
 - (A) at a price based on the remaining **avoidable costs** provided in accordance with Section 201.15 of the **ISO rules, Delisting** less \$0.01; and
 - (B) the quantity calculated in accordance with subsection 5.

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(5) A **capacity market participant** must calculate the quantity referred to in subsection 3(4)(ii)(B) in accordance with the following formula:

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

where:

- (a) *delist volume* is the volume submitted in the delist request;
- (b) *uniform capacity value* is the assigned **uniform capacity value**; and
- (c) *capacity commitment* is the **capacity commitment** for the asset.

(6) The **ISO** must, if a **capacity market participant** does not submit an **offer**:

- (a) in accordance with subsections 3(1), 3(2) or 3(3), assign an **offer** price of \$0/kW-year for the **offer** volume equal to the difference between the asset's **uniform capacity value** and its **capacity commitment** at the close of the offering window; or
- (b) in accordance with subsection 3(4), assign the **offer** price and **offer** volume referred to in subsection 3(4) and 3(5).

(7) A **capacity market participant** must, notwithstanding subsection 3(2), not submit an **offer** in a **rebalancing auction** for an asset with **new capacity** or incremental **capacity** if the **ISO** determines that the **capacity market participant** has failed the milestone assessment in accordance with Section 206.5 of the **ISO rules**, *Forward Period Milestone Requirements*.

Designation of Flexible Blocks or Inflexible Blocks for Offers

4(1) A **capacity market participant** must, except for an asset with incremental **capacity**, 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**.

(2) A **capacity market participant** must, for an asset with incremental **capacity**, 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) such **capacity block** contains only incremental capacity and there is no lower priced **capacity block** which contains incremental **capacity**; or
 - (ii) such **capacity block** contains only non-incremental **capacity** and there is no lower priced **capacity block** which contains non-incremental **capacity**.

Additional Offer Content for Incremental Capacity

5 A **capacity market participant** must, for an asset with incremental **capacity**, include in each **capacity block** in an **offer** a declaration of the quantity in MW within a **capacity block** that is incremental **capacity**.

Additional Offer Content for Refurbished Capacity

6(1) A **capacity market participant** that has failed the market power screen in accordance with Section 206.7 of the **ISO rules**, *Capacity Market Mitigation* must, for an asset with refurbished **capacity**

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for which the **capacity market participant** declared to continue to participate in the energy and capacity markets the in event that the **capacity market participant** fails to receive a **capacity commitment** for such asset in a **base auction** or **rebalancing auction** in accordance with Section 206.1 of the **ISO rules**, *Qualification of Capacity*, submit 2 **offers** as follows:

- (a) a first **offer** comprised of one **capacity block** that is an **inflexible block** at the price referred to in subsection 2(4); and
- (b) a second **offer** based on the **offer** the **capacity market participant** would have submitted had the **ISO** not qualified the refurbished **capacity** at the price referred to in subsection 3(3)(b).

(2) A **capacity market participant** that has failed the market power screen in accordance with Section 206.7 of the **ISO rules**, *Capacity Market Mitigation* must, for an asset with refurbished **capacity** for which the **capacity market participant** declared to permanently delist in the event that the **capacity market participant** fails to receive a **capacity commitment** for such asset in a **base auction** or **rebalancing auction** in accordance with Section 206.1 of the **ISO rules**, *Qualification of Capacity*, submit an **offer** comprised of one **capacity block** that is an **inflexible block**.

(3) A **capacity market participant** may, if it has submitted an **offer** in accordance with subsection 6(1)(a) and the **offer** does not clear, submit in subsequent **base auctions**:

- (a) an **offer** comprised of one **capacity block** that is an **inflexible block** at the price referred to in subsection 2(4); or
- (b) an **offer** based on the **offer** the **capacity market participant** would have submitted had the **ISO** not qualified the refurbished **capacity** at the price referred to in subsection 3(3)(b).

(3) A **capacity market participant** must, in the event that the **capacity market participant** submitted an **offer** for refurbished **capacity** in accordance with subsection 6(3)(a) and the **offer** did not clear, permanently delist the asset in accordance with Section 201.15 of the **ISO rules**, *Delisting*.

(4) 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 6(1) prior to submitting an **offer** in accordance with subsection 6(1).

Bid Content

7(1) A **capacity market participant** with a **capacity commitment** may submit a **bid** in a **rebalancing auction** for an asset:

- (a) that is priced at a price in \$/kW-year to the nearest cent per kW-year which is greater than or equal to \$0/kW-year;
- (b) that is less than or equal to the price cap established by the final demand curve for the **rebalancing auction**; and
- (c) for a quantity in MW that is a positive integer equal to or greater than 1 MW and less than or equal to the **capacity commitment**.

(2) A **capacity market participant** with a **capacity commitment** must submit a **bid**, priced at \$0.01/kW-year above the price cap established by the final demand curve for the **rebalancing auction**, in accordance with the following:

- (a) if the asset's assigned **uniform capacity value** for a **rebalancing auction** is lower than the **capacity commitment** due to a permanent or temporary physical **delist** request, the **capacity market participant** must submit a **bid** equal to the difference between the **capacity commitment** and the assigned **uniform capacity value**;

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- (b) if the asset's assigned **uniform capacity value** for the last **rebalancing auction** is lower than the **capacity commitment**, the **capacity market participant** must submit a **bid** equal to the difference between the **capacity commitment** and the assigned **uniform capacity value**; or
- (c) if the **ISO** determines that the **capacity market participant** has not satisfied a critical milestone in accordance with Section 206.5 of the **ISO rules**, *Forward Period Milestone Requirements*, the **capacity market participant** must submit a **bid** equal to its entire **capacity commitment** in the applicable **rebalancing auction**.

(3) The **ISO** must, if a **capacity market participant** does not submit a **bid** in accordance with subsection 7(2), assign a **bid** price of \$0.01/kW-year above the price cap established by the final demand curve for the **rebalancing auction** for the **bid** volume required in subsection 7(2) at the close of the offering window.

Designation of Flexible Blocks or Inflexible Blocks for Bids

- 8** A **capacity market participant** must designate in a **bid**:
- (a) the lowest priced **capacity block** as a **flexible block** or **inflexible block**; and
 - (b) all other **capacity blocks** as **flexible blocks**.

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

9 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

10(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 if the **ISO** determines that such 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(2).

Offer Submission Methods

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

Revision History

Date	Description
xxxx-xx-xx	Initial release