

# ISO Rules

## Part 200 Market

### Division 206 Capacity Market

#### Section 206.4 Offers and Bids for the Capacity Market



#### External Consultation Draft

August 3, 2018

#### Applicability

- 1** Section 206.4 applies to:
- (a) a **capacity market participant** with an asset that has an assigned **uniform capacity value**; and
  - (b) the **ISO**.

#### Requirements

##### Obligation to Offer and Offer Content for a Base Auction

**2(1)** A **capacity market participant** must submit an **offer** for a **base auction** in respect of an asset that:

- (a) has an assigned **uniform capacity value**; and
- (b) is listed opposite the **capacity market participant** on the list the **ISO** publishes pursuant to Section 201.10 of the **ISO rules**, *Capacity Market Participant Registration*.

**(2)** A **capacity market participant** must ensure its **offer** volume for an asset in a **base auction** equals the asset's **uniform capacity value**.

**(3)** 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 demand curve; and
- (b) a quantity in MW that is greater than or equal to than 1 MW.

**(4)** The **ISO** must, if a **capacity market participant** does not submit an **offer** in accordance with subsections 2(1), 2(2) or 2(3), assign an **offer** price of \$0/kW-year for the **offer** volume equal to the asset's assigned **uniform capacity value**.

##### Obligation to Offer and Offer Content for a Rebalancing Auction

**3(1)** A **capacity market participant** must submit an **offer** for a **rebalancing auction** in respect of an asset that:

- (a) has an assigned **uniform capacity value** greater than the **capacity commitment**; and
- (b) is listed opposite the **capacity market participant** on the list the **ISO** publishes pursuant to Section 201.10 of the **ISO rules**, *Capacity Market Participant Registration*.

**(2)** A **capacity market participant** must ensure its **offer** volume for an asset in a **rebalancing auction** equals the difference between the asset's **uniform capacity value** and its **capacity commitment**.

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**(3)** A **capacity market participant** must 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 demand curve; and
- (b) a quantity in MW that is equal to or greater than 1 MW.

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

#### 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 in an **offer** all **capacity blocks** as **flexible blocks** except in the following circumstances:

- (a) the lowest priced **capacity block** may be designated as an **inflexible block**; or
- (b) in the event that:
  - (i) the lowest priced **capacity block** contains only **incremental capacity**;
  - (ii) there is a **capacity block** that contains only non-**incremental capacity**; and
  - (iii) there is no lower priced **capacity block** that contains both **incremental capacity** and non-**incremental capacity** than the lowest priced **capacity block** that contains no **incremental capacity**,

the lowest priced **capacity block** containing only non-**incremental capacity** may be designated as an **inflexible block**, as demonstrated in Appendix 1.

- (c) in the event that:
  - (i) the lowest priced **capacity block** contains only non-**incremental capacity**;
  - (ii) there is a **capacity block** that contains only **incremental capacity**; and
  - (iii) there is no lower priced **capacity block** that contains both **incremental capacity** and non-**incremental capacity** than the lowest priced **capacity block** that contains only **incremental capacity**,

the lowest priced **capacity block** containing only **incremental capacity** may be designated as an **inflexible block**, as demonstrated in Appendix 1.

#### 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**.

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#### Additional Offer Content for Refurbished Capacity

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

- (a) a first **offer** comprised of one **capacity block** that is an **inflexible block** for an asset with **refurbished capacity** qualified by the **ISO**; and
- (b) a second **offer** based on the **offer** the **capacity market participant** would have submitted had the **ISO** not qualified the **refurbished capacity**,

unless the **capacity market participant** declared to permanently delist the **refurbished capacity** pursuant to Section 206.1 of the **ISO rules**, *Qualification of Capacity* in the event it fails to obtain a **capacity commitment**.

**(2)** A **capacity market participant** may, if it has submitted an **offer** in accordance with subsection 6(1) and the **offer** that is referred to in subsection 6(1)(a) does not clear, submit in the next **base auction**:

- (a) an **offer** comprised of one **capacity block** that is an **inflexible block** for an asset with **refurbished capacity** qualified by the **ISO**; or
- (b) an **offer** based on the **offer** the **capacity market participant** would have submitted had the **ISO** not qualified the **refurbished capacity**.

**(3)** A **capacity market participant** must, in the event that the **capacity market participant** submitted an **offer** in accordance with subsection 6(2)(a) and the **offer** did not clear, permanently delist the asset.

**(4)** A **capacity market participant** must ensure that an **offer** has not been submitted for the asset 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**:

- (a) for a quantity in MW that is equal to or greater than 1 MW and less than or equal to the **capacity commitment**; and
- (b) 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.

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

- (a) if the asset's assigned **uniform capacity value** for the last **rebalancing auction** is lower than its **capacity commitment**, the **capacity market participant** must submit a **bid** for the difference between the **capacity commitment** and the assigned **uniform capacity value**;
- (b) subject to subsection 7(2)(d), if the **ISO** determines, before the first **rebalancing auction**, that an asset is unable to meet the milestone requirements in accordance with Section 206.5 of the **ISO rules**, *Forward Period Requirements*, a **capacity market participant** must submit a **bid** equal to its entire **capacity commitment** in the first **rebalancing auction**;
- (c) subject to subsection 7(2)(d), if the **ISO** determines, before the last **rebalancing auction**, that an asset is unable to meet the milestone requirements in accordance with Section 206.5 of the **ISO rules**, *Forward Period Requirements*, a **capacity market participant** must

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- submit a **bid** equal to its entire **capacity commitment** in the last **rebalancing auction**; or
- (d) if the **ISO** determines, before the last **rebalancing auction**, that an aggregation of load assets is unable to meet the milestone requirements in accordance with Section 206.5 of the **ISO rules**, *Forward Period Requirements*, a **capacity market participant** must submit a **bid** for the difference between the **capacity commitment** and the assigned **uniform capacity value** for the last **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 maximum price established by the demand curve for the **bid** volume required in subsection 7(2).

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

8 A **capacity market participant** that submits an **offer** and **bid** for the same 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**.

#### Designation of Flexible Blocks or Inflexible Blocks for Bids

- 9 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**.

#### Offering Window

- 10(1) The **ISO** must specify the offering window for a **base auction** or **rebalancing auction** in the *Capacity Market Auction Guidelines*.
- (2) The **ISO** may change or extend the offering window in the event of system unavailability and the **ISO** determines that such unavailability warrants a change or extension to the offering window
- (3) The **ISO** must notify **capacity market participants** of any change or extension to an offering window made pursuant to subsection 10(2).
- (4) A **capacity market participant** must submit an **offer** or **bid** during the offering window.

#### Offer Submission Methods

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

#### Appendices

Appendix 1 - *Scenarios for use of flexible and inflexible capacity blocks for assets with incremental capacity*

#### Revision History

Date	Description
yyyy-mm-dd	Initial release

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#### Appendix 1 – Scenarios for use of flexible and inflexible capacity blocks for assets with incremental capacity

Caveat for scenarios is that prices of **capacity blocks** increases from **capacity block** no. 1 to **capacity block** no. 7

##### Scenario 1

Block No.	Incremental Capacity	Non-Incremental Capacity	May Designate as Flexible?	May Designate as Inflexible?
1	Y	Y	Y	Y
2	Y	N	Y	N
3	N	Y	Y	N
4	*	*	Y	N
5	*	*	Y	N
6	*	*	Y	N
7	*	*	Y	N

##### Scenario 2

Block No.	Incremental Capacity	Non-Incremental Capacity	May Designate as Flexible?	May Designate as Inflexible?
1	N	Y	Y	Y
2	Y	Y	Y	Y
3	*	*	Y	N
4	*	*	Y	N
5	*	*	Y	N
6	*	*	Y	N
7	*	*	Y	N

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#### Scenario 3

Block No.	Incremental Capacity	Non-Incremental Capacity	May Designate as Flexible?	May Designate as Inflexible?
1	Y	N	Y	Y
2	Y	N	Y	N
3	Y	Y	Y	Y
4	*	*	Y	N
5	*	*	Y	N
6	*	*	Y	N
7	*	*	Y	N

#### Scenario 4

Block No.	Incremental Capacity	Non-Incremental Capacity	May Designate as Flexible?	May Designate as Inflexible?
1	Y	N	Y	Y
2	Y	N	Y	N
3	N	Y	Y	Y
4	*	*	Y	N
5	*	*	Y	N
6	*	*	Y	N
7	*	*	Y	N