

ISO Rules

Part 200 Markets

Division 206 Capacity Market

Section 206.7 Capacity Market Mitigation



Draft Version

Posted January 2019

Applicability

1 Section 206.7 applies to:

- (a) a **person** identified in **offer control information** associated with **capacity** from an asset that has been assigned a **uniform capacity value** for a **base auction**; and
- (b) the **ISO**.

Market Power Screen

2(1) The **ISO** must, before a **base auction** and within the timelines prescribed by the *Capacity Market Auction Guidelines*, calculate the market power screen as follows:

- (a) calculate the slope above the inflection point of the final demand curve for the **base auction** in accordance with the following formula:

$$|slope_m| = \frac{price\ cap - inflection\ price}{net\ minimum\ procurement\ volume - inflection\ volume}$$

where:

- (i) $|slope_m|$ is the absolute value of the slope above the inflection point of the final demand curve for the **base auction**;
 - (ii) *price cap* is the price cap of the final demand curve for the **base auction**;
 - (iii) *inflection price* is the price corresponding to the inflection point on the final demand curve for the **base auction**;
 - (iv) *net minimum procurement volume* is the net minimum procurement volume for the **base auction** determined in accordance with Section 207.4 of the **ISO rules**, *Shape of the Demand Curve*; and
 - (v) *inflection volume* is the volume of **capacity** corresponding to the inflection point on the final demand curve for the **base auction**;
- (b) calculate the slope below the inflection point of the final demand curve for the **base auction** that is established in accordance with Section 207.3 of the **ISO rules**, *Shape of the Demand Curve* in accordance with the following formula:

$$|slope_n| = \frac{inflection\ price - foot\ price}{inflection\ volume - foot\ volume}$$

where:

- (i) $|slope_n|$ is the absolute value of the slope below the inflection point of the final demand curve for the **base auction**;
- (ii) *inflection price* is the price corresponding to the inflection point on the final demand curve for the **base auction**;

ISO Rules

Part 200 Markets

Division 206 Capacity Market

Section 206.7 Capacity Market Mitigation



- (iii) *foot price* is the price at the foot of the final demand curve for the **base auction** established in accordance with Section 207.3 of the **ISO rules**, *Shape of the Demand Curve*;
 - (iv) *inflection volume* is the volume of capacity corresponding to the inflection point on the final demand curve for the **base auction**; and
 - (v) *foot volume* is the volume of capacity corresponding to the foot of the final demand curve for the base auction established in accordance with Section 207.3 of the **ISO rules**, *Shape of the Demand Curve*;
- (c) calculate the average amount of **capacity** that, if withheld, would effect a 10% change in the clearing price in accordance with the following formula:

$$\text{average capacity} = \left(\frac{0.1}{|\text{slope}_m|} + \frac{0.1}{1.1 \times |\text{slope}_n|} \right) \times \text{inflection price} \div 2$$

where:

- (i) $|\text{slope}_m|$ is the slope calculated in subsection 2(1)(a);
 - (ii) $|\text{slope}_n|$ is the slope calculated in subsection 2(1)(b); and
 - (iii) *inflection price* is the price corresponding to the inflection point on the final demand curve for the **base auction**;
- and
- (d) calculate the minimum amount of **capacity** that a **person** must have under its offer control to withhold the average amount of **capacity** in subsection 2(1)(c) without sustaining any financial loss in accordance with the following formula:

$$\text{portfolio capacity} = 11 \times \text{average capacity}$$

where:

- (i) *average capacity* is the average capacity calculated in accordance with subsection 2(1)(c).

(2) The **ISO** must identify those **persons** that have offer control over an amount of **capacity** that is greater than or equal to the amount of **capacity** calculated in subsection 2(1)(d), where **capacity** is measured by **uniform capacity values**, excluding such **capacity** that is **new capacity**, incremental **capacity**, or the portion of refurbished **capacity** that represents the increase in an asset's **maximum capability**.

(3) The **ISO** must, in accordance with the timelines prescribed in the *Capacity Market Auction Guidelines*:

- (a) publish the minimum amount of **capacity** identified in subsection 2(1)(d); ~~and~~
- (b) notify a **capacity market participant** ~~whether or not for~~ an ~~associated~~ asset ~~or a portion of such asset is owned by~~ under the offer control of a ~~person that has been~~ identified in subsection 2(2); ~~as having failed the~~ if all or a portion of the asset is subject to market power ~~screening~~ mitigation.

Offer Price Cap

3(1) The **ISO** must, for a **base auction**, establish an offer price cap that is:

ISO Rules

Part 200 Markets

Division 206 Capacity Market

Section 206.7 Capacity Market Mitigation



- (a) 80% of the adjusted net-CONE calculated in accordance with Section 207.4 of the **ISO rules**, *Shape of Demand Curve*, where the price cap for the **base auction** is set at a multiple of the adjusted net-CONE; or
- (b) an amount equal to gross-CONE multiplied by 80% of the ratio between the multiple of gross-CONE and the multiple of the adjusted net-CONE established in Section 207.4 of the **ISO rules**, *Shape of Demand Curve*, where the price cap for the **base auction** is set at a multiple of gross-CONE.

(2) The **ISO** must provide the offer price cap referred to in subsection 3(1) to a **person** that has ~~received notification~~ been identified in accordance with subsection 2(~~3~~)(b2), for each asset or portion of such asset under the offer control of the **person**, excluding an asset or portion of such asset that contains **new capacity**, incremental **capacity** or refurbished **capacity**.

Asset-specific Offer Price Cap

4(1) A **person** ~~that has received a notification in accordance with~~ identified under subsection 2(~~3~~)(b2) may submit to the **ISO** a request for an asset-specific offer price cap.

(2) A **person** must submit to the **ISO** the following information in the request referred to in subsection 4(1):

- (a) the **avoidable costs** of the asset for the **obligation period** and substantiating information;
- (b) an attestation from a corporate officer of the **legal owner** that has offer control over the asset that the information provided in accordance with subsection 4(2)(a) is complete and accurate.

(3) The **ISO** must request additional information from the **person** concerning the costs submitted in subsection 4(2)(a) where such costs, in the **ISO**'s determination, appear unreasonable.

(4) The **ISO** must exclude costs provided in accordance with subsection 4(2)(a) if the **ISO** determines, after requesting additional information pursuant to subsection 4(3), that such costs are unreasonable.

(5) The **ISO** must, where it excludes costs in accordance with subsection 4(4), provide to the **capacity market participant**:

- (a) an itemized list of the costs excluded; and
- (b) reasons for why the costs were excluded.

(6) The **ISO** must, when a request is made under subsection 4(1), calculate the asset-specific price cap as follows:

$$\text{asset specific price cap} = \text{EAS offset}_{it} - (\text{avoidable costs}_{it} - \text{excluded costs}_{it})$$

where:

- (a) EAS offset_{it} is the energy and ancillary services offset calculated for asset i for **obligation period** t in accordance with Section 206.11 of the **ISO rules**, *Energy and Ancillary Services Offset for Assets*;
- (b) $\text{avoidable costs}_{it}$ are the **avoidable costs** of asset i in **obligation period** t submitted in accordance with subsection 4(2)(a); and
- (c) $\text{excluded costs}_{it}$ are the costs excluded by the **ISO** in accordance with subsection 4(4) for asset i in **obligation period** t .

(7) The **ISO** must, if the **ISO** determines the amount calculated in subsection 4(6) is greater than the offer price cap in subsection 3, provide to the **person** the asset-specific price cap calculated in subsection 4(6).

ISO Rules

Part 200 Markets

Division 206 Capacity Market

Section 206.7 Capacity Market Mitigation



Revision History

Date	Description
xxxx-xx-xx	Initial release.