

# ISO Rules

## Part 200 Markets

### Division 206 Capacity Market

#### Section 206.7 Capacity Market Mitigation



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#### Applicability

- 1 Section 206.7 applies to:
- (a) a **person** who has offer control over **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*, identify those **persons** who have market power by conducting the following steps:

- (a) determine the price corresponding to the inflection point on the final demand curve for the **base auction**;
- (b) determine the slope above the inflection point of the final demand curve for the **base auction** using the following formula:

$$m = \frac{y_{cap} - y_{ip}}{x_{min} - x_{ip}}$$

Where

$m$  means the slope above the inflection point of the final demand curve for the **base auction**;

$y_{cap}$  means the price cap;

$x_{min}$  means the minimum procurement volume;

$y_{ip}$  means the price corresponding to the inflection point on the final demand curve for the **base auction**, determined in subsection 2(1)(a); and

$x_{ip}$  means the capacity volume of the inflection point.

- (c) determine the slope below the inflection point of the final demand curve for the **base auction** using the following formula:

$$n = \frac{y_{ip} - y_{foot}}{x_{ip} - x_{foot}}$$

Where

$n$  means the slope below the inflection point of the final demand curve for the **base auction**;

$y_{ip}$  means the price corresponding to the inflection point on the final demand curve for the **base auction**, determined in subsection 2(1)(a);

$x_{ip}$  means the capacity volume of the inflection point;

$y_{foot}$  means the price at the foot of the final demand curve for the **base auction**;  
and

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$x_{foot}$  means the volume of capacity at the foot of the final demand curve.

- (d) calculate the amount of **capacity** that, if withheld, will raise the clearing price from  $y_{ip}$  to 1.1 times  $y_{ip}$  using the following formula:

$$w_1 = 0.1/m \times y_{ip}$$

Where:

$w_1$  means the amount of **capacity** in MW, if withheld, will raise the clearing price from  $y_{ip}$  to 1.1  $y_{ip}$ ;

$y_{ip}$  means the price corresponding to the inflection point on the final demand curve for the **base auction**, determined in subsection 2(1)(a); and

$m$  means the slope above the inflection point of the final demand curve established for the **base auction**, calculated in accordance with subsection 2(1)(a)(ii).

- (e) calculate, the amount of **capacity** that, if withheld, will raise the clearing price from  $y_{ip}/1.1$  to  $y_{ip}$  using the formula:

$$w_2 = 0.1/1.1n \times y_{ip}$$

Where:

$w_2$  means the amount of **capacity** in MW, if withheld, will raise the clearing price from  $y_{ip}/1.1$  to  $y_{ip}$ ;

$y_{ip}$  means the price corresponding to the inflection point on the final demand curve for the **base auction**, determined in subsection 2(1)(a); and

$n$  means the slope below the inflection point of the final demand curve established for the **base auction**.

- (f) calculate the average of the **capacity** referred to in subsections 2(1)(c) and 2(1)(d) using the formula:

$$w = (w_1 + w_2)/2 = (0.1/2m + 0.1/2.2n) \times y_{ip}$$

Where:

$w$  means the average of the **capacity** in MW referred to in subsections 2(1)(d) and 2(1)(e) and is the minimum amount of **capacity** in MW to be withheld above and below the inflection point to effect a 10% change in the clearing price;

$w_1$  means the value in MW calculated in subsection 2(1)(a);

$w_2$  means the value in MW calculated in subsection 2(1)(b);

$m$  means the slope above the inflection point of the final demand curve established for the **base auction**, calculated in accordance with subsection 2(1)(a)(ii);

$n$  means the slope of the final demand curve below the inflection point; and

$y_{ip}$  means the price corresponding to the inflection point on the final demand curve for the **base auction**, determined in subsection 2(1)(a);

- (g) calculate the minimum amount of **capacity** that a **person** must have under its offer control to withhold the amount of **capacity** calculated in subsection 2(1)(f) from the capacity market without sustaining any financial loss, using the following steps:

- (i) determine the amount of **capacity** under the offer control of a **person** that, if the amount calculated in 2(1)(f) is economically withheld from the capacity market, that

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**person** would earn revenue from the capacity market that is no less than the amount the **person** would earn absent of the withholding, using the formula:

$$1.1 \times p \times (q - w) \geq p \times q$$

Where:

$q$  means the amount of **capacity**, in MW referred to in subsection 2(1)(g), held by a **person** and its associates, as associate is described in the *Fair, Efficient, and Open Competition Regulation*;

$p$  means the market clearing price absent of the withholding; and

$w$  means the amount of **capacity** in MW referred to in subsection 2(1)(f);

- (ii) determine the minimum amount of **capacity** referred to in subsection 2(1)(g), using the formula:

$$q = 11 \times \{(0.1/2m + 0.1/2.2n) \times y_{ip}\}$$

Where:

$q$  means the minimum amount of **capacity**, in MW referred to in subsection 2(1)(g), held by a **person** and its associates, as associate is described in the *Fair, Efficient, and Open Competition Regulation*;

$m$  means the slope above the inflection point of the final demand curve established for the **base auction** in subsection 2(1)(b);

$n$  means the slope of the final demand curve below the inflection point; and

$y_{ip}$  means the price corresponding to the inflection point on the final demand curve established for the **base auction**.

(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)(g), where **capacity** is measured by **uniform capacity values**, excluding such **capacity** that is **new capacity** or incremental capacity.

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

- (a) publish the minimum amount of **capacity** identified in subsection 2(1)(g); and
- (b) notify a **person** that has been identified in subsection 2(2) as having market power.

#### Offer price cap

3 Subject to subsection 4, a **person** that has received a notification in accordance with subsection 2(3)(b) that they have market power must, with respect to an asset under the **offer control** of such **person**, except for **new capacity**, refurbished capacity, or incremental capacity, submit an **offer** in a **base auction** at or below an **offer price cap** as follows:

- (a) where the price cap for the **base auction** is set at a multiple of net-CONE in accordance with Section 207.3 of the **ISO rules**, *Shape of Demand Curve*, the **offer price cap** is an amount that is 80% of the net-CONE; or
- (b) where the price cap for the **base auction** is set at a multiple of gross-CONE in accordance with Section 207.3 of the **ISO rules**, *Shape of Demand Curve* the **offer price cap** is an amount that is 80% of the ratio between the multiple of gross-CONE and the multiple of

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net-CONE specified in Section 207.3 of the **ISO rules**, *Shape of Demand Curve* multiplied by gross-CONE.

#### Asset-specific offer price cap

**4(1)** A **person** that has received a notification in accordance with subsection 2(3)(b) as having market power may submit to the **ISO**, in the form and manner the **ISO** specifies, a request for an asset-specific offer price cap to offer **capacity** from an asset under the **offer control** of such **person**, except for **new capacity**, refurbished capacity or incremental capacity, above the **offer price cap** established in subsection 4.

**(2)** A **person** requesting an asset-specific price cap, in accordance with subsection 4(1), must submit to the **ISO** the following:

- (a) the asset to which the asset-specific price cap request applies;
- (b) avoidable costs of the asset for the **obligation period**;
- (c) any costs necessary for the **ISO** to calculate the energy and ancillary services offset in accordance with subsection 4(4)(a); and
- (d) an attestation from a corporate officer of the **legal owner** that has **offer control** over the asset that the information provided pursuant to subsections 4(2)(b) and 4(2)(c) are complete and accurate.

**(3)** The **ISO** may, with respect to the avoidable costs submitted pursuant to subsection 4(2)(b), exclude costs items that are unreasonable.

**(4)** The **ISO** must, when a request is made for an asset-specific price cap under subsection 4(1)(a):

- (a) calculate the energy and ancillary services offset, as applicable, using the methodology set out in Section 206.11 of the **ISO rules**, *Energy and Ancillary Services Offset for Assets* for the asset to which the request for the asset-specific offer price cap applies; and
- (b) subtract the energy and ancillary services offset referred to in subsection 4(4)(a) from the avoidable costs submitted pursuant to subsection 4(2)(b) that have not been excluded by the **ISO** pursuant to subsection 4(3).

**(5)** The **ISO** must, if it determines the amount calculated in subsection 4(4)(b) is greater than the **offer price cap** referred to in subsection 3, provide an asset-specific price cap equal to the amount determined in subsection 4(4)(b) to the **person** that submitted the asset-specific price cap request under subsection 4(1)(a).

**(6)** A **person** must, if the **person** has been provided an asset-specific offer price cap in accordance with subsection 4(5), submit an **offer** in the **base auction** at a price equal to or below the asset-specific **offer price cap** for the **capacity** from an asset referred to in subsection 4(2)(a).

**(7)** A **person** must, if the **person** does not receive an asset-specific price cap pursuant to subsection 4(5), submit an **offer** in the **base auction** at or below the **offer price cap** established in subsection 3 for the **capacity** from an asset referred to in subsection 4(2)(a).

#### Revision History

Date	Description
xxxx-xx-xx	Initial release.