

# ISO Rules

## Part 200 Markets

### Division 207 Demand Curve Parameters

#### Section 207.3 Shape of Demand Curve



External Consultation Draft  
October 22, 2018

#### Applicability

1 Section 207.3 applies to:

- (a) the **ISO**.

#### Requirements

##### Establish Preliminary Demand Curve

**2(1)** The **ISO** must, for each **base auction** and **rebalancing auction**, establish a preliminary downward-sloping convex demand curve with the following:

- (a) a horizontal section from 0 MW to the estimate of the net minimum procurement volume in subsection 3(1), at a price cap that is the greater of:
  - (i) 1.75 times the adjusted net-CONE in subsection 4; or
  - (ii) 0.5 times gross-CONE established in accordance with Section 207.2 of the **ISO rules**, *Calculation of Net-CONE* divided by the performance factor in subsection 4(iii);
- (b) a downward-sloping section from the estimate of the net minimum procurement volume in subsection 3(1) at the price cap in subsection 2(1)(a) to an inflection point set at a multiple of 0.875 times the adjusted net-CONE in subsection 4 below at a quantity 7% above the estimate of the net minimum procurement volume; and
- (c) a downward sloping section from the inflection point in subsection 2(1)(b) to a price floor of zero dollars at a quantity 18% above the estimate of the net minimum procurement volume.

**(3)** The **ISO** must publish the preliminary demand curve in the *Capacity Market Auction Guidelines* for the relevant **base auction** or **rebalancing auction**.

##### Net Minimum Procurement Volume

**3(1)** The **ISO** must, in establishing the preliminary demand curve under subsection 2(1), calculate an estimate of the net minimum procurement volume in accordance with the formula in subsection 3 using the most recent **uniform capacity values** calculated by the **ISO**.

**(2)** The **ISO** must, after **uniform capacity values** are assigned in accordance with Section 206.3 of the **ISO rules**, *Uniform Capacity Value Determination*, adjust the gross minimum procurement volume established for each **base auction** or **rebalancing auction** in accordance with Section 207.1 of the **ISO rules**, *Gross Minimum Procurement Volume* to a net minimum procurement volume in accordance with the following formula:

$$\text{Net minimum procurement volume}_t = \sum_i^n \text{uniform capacity value}_{\text{Actual}(i)}$$

where:

- (a)  $t$  is the obligation period for the **base auction** or **rebalancing auction** that the gross minimum procurement volume was established for;
- (b)  $i \dots n$  are all the assets modelled in the probabilistic model that established the gross minimum procurement volume for the **obligation period**; and

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- (c) *uniform capacity value*<sub>Actual(i)</sub> is the final **uniform capacity value** for such asset or the most recent estimate of the **uniform capacity value** for such asset.

#### Adjusted Net-CONE

**4** The **ISO** must, using the following formula, adjust the net-CONE established for each **obligation period** in accordance with Section 207.2 of the **ISO rules**, *Calculation of Net-CONE*:

$$\text{adjusted net-CONE}_t = \frac{\text{net-CONE}_t}{\text{performance factor}}$$

where:

- (a)  $t$  equals the **obligation period** for which the adjusted net-CONE value is being determined;
- (b)  $\text{net-CONE}_t$  is net-CONE value established in accordance with Section 207.2 of the **ISO rules**, *Calculation of Net-CONE* in \$/kW-year; and
- (c) *performance factor* is equal to 0.8.

#### Establish Final Demand Curve for Base Auction and Rebalancing Auction

**5(1)** The **ISO** must, for each **base auction** and **rebalancing auction**, establish a final downward-sloping convex demand curve with the following:

- (a) a horizontal section from 0 MW to the net minimum procurement volume in subsection 3(2), at a price cap that is the greater of:
- (i) 1.75 times the adjusted net-CONE in subsection 4; or
  - (ii) 0.5 times gross-CONE established in accordance with Section 207.2 of the **ISO rules**, *Calculation of Net-CONE* divided by the performance factor in subsection 4(iii);
- (b) a downward-sloping section from the net minimum procurement volume in subsection 3(2) at the price cap in subsection 5(1)(a) to an inflection point set at a multiple of 0.875 times the adjusted net-CONE in subsection 4 below at a quantity 7% above the net minimum procurement volume; and
- (c) a downward sloping section from the inflection point in subsection 5(1)(b) to a price floor of zero dollars at a quantity 18% above the net minimum procurement volume in subsection 3(2).

**(2)** The **ISO** must publish the final demand curve prior to the opening of the offering window for each **base auction** or **rebalancing auction**.

#### Applicable Auctions

**6** This Section 207.3 is in effect for the following auctions:

- (a) the **base auction** and **rebalancing auction** for the 2021/2022 **obligation period**;
- (b) the **base auction** and **rebalancing auction** for the 2022/2023 **obligation period**;
- (c) the **base auction** and **rebalancing auction** for the 2023/2024 **obligation period**; and
- (d) the **base auction** and **rebalancing auctions** for the 2024/2025 **obligation period**.

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#### Revision History

Date	Description
yyyy-mm-dd	Initial release