

ISO Rules

Part 200 Markets

Division 207 Demand Curve Parameters

Section 207.3 Shape of Demand Curve



External Consultation Draft
August 31, 2018

Applicability

- 1 Section 207.3 applies to:
- the **ISO**.

Requirements

Establish Preliminary Demand Curve

2(1) The **ISO** must, for the purpose of establishing a preliminary demand curve in accordance with subsection 2(2), estimate the net minimum procurement volume in subsection 3 below based on the most recent **uniform capacity values** calculated by the **ISO** in accordance with Section 206.3 of the **ISO rules**, *Uniform Capacity Value Determination*.

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

- a horizontal section from 0 MW to the estimate of the net minimum procurement volume in subsection 2(1), at a price cap that is the greater of:
 - 1.75 times the adjusted net-CONE in subsection 4; or
 - 0.5 times gross-CONE established in accordance with Section 207.2 of the **ISO rules**, *Calculation of Net-CONE* divided by 0.8;
- a downward-sloping section from the estimate of the net minimum procurement volume in subsection 2(1) at the price cap in subsection 2(2)(a) to an inflection point set at a multiplier 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
- a downward sloping section from the inflection point in 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 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 using the following formula:

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

where:

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

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- (iii) $UCAP_{Actual(i)}$ is the final **uniform capacity value** determined in accordance with Section 206.3 of the **ISO rules**, *Uniform Capacity Value Determination* 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*:

$$Adjusted\ net-CONE_t = \frac{net-CONE_t}{0.8}$$

where;

- (i) t equals the **obligation period** for which the adjusted net-CONE value is being determined; and
- (ii) $net-CONE_t$ is net-CONE value established in accordance with Section 207.2 of the **ISO rules**, *Calculation of Net-CONE* in \$/kW-year.

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, at a price cap that is the greater of:
 - (i) 1.75 times the adjusted net-CONE in subsection 4; or
 - (j) 0.5 times gross-CONE established in accordance with Section 207.2 of the **ISO rules**, *Calculation of Net-CONE* divided by 0.8;
- (b) a downward-sloping section from the net minimum procurement volume in subsection 3 at the price cap in subsection 5(1)(a) to an inflection point set at a multiplier 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 5(1)(b) to a price floor of zero dollars at a quantity 18% above the net minimum procurement volume in subsection 3 below.

(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 207.2 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**.

Revision History

Date	Description
yyyy-mm-dd	Initial release