



Market Rule Amendment Proposal

PART 1 – MARKET RULE INFORMATION

Identification No.:	MR-00439-R01		
Subject:	Transitional Capacity Auction		
Title:	Participant Authorization and Facility Registration		
Nature of Proposal:	<input checked="" type="checkbox"/> Alteration	<input checked="" type="checkbox"/> Deletion	<input checked="" type="checkbox"/> Addition
Chapter:	2, 7	Appendix:	
Sections:	Chapter 2, Sections 1.2, 2.1, 3.1, 5.1, 5B, 7.1, Chapter 2 – Appendices, Chapter 7, 2.5.4, 18.1-18.4, 19.1-19.3, 19.6 (new)		
Sub-sections proposed for amending:			

PART 2 – PROPOSAL HISTORY

Version	Reason for Issuing	Version Date
1.0	Draft for Stakeholder Review and Comment	May 15, 2019
2.0	Submitted for Technical Panel Review	June 18, 2019
3.0	Posted for Stakeholder Review and Comment	June 27, 2019
4.0	Submitted for Technical Panel Vote	August 6, 2019
Approved Amendment Publication Date:		
Approved Amendment Effective Date:		

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

Provide a brief description of the following:

- The reason for the proposed amendment and the impact on the *IESO-administered markets* if the amendment is not made.
- Alternative solutions considered.
- The proposed amendment, how the amendment addresses the above reason and impact of the proposed amendment on the *IESO-administered markets*.

Summary

The IESO proposes to amend the market rules to evolve the Demand Response Auction (DRA) into the Transitional Capacity Auction (TCA) to address capacity needs in Ontario until the Incremental Capacity Auction (ICA) has commenced in late 2022.

Over its four auctions, the DRA has proven successful in driving down capacity costs and increasing competition. Enhancing the IESO's approach to capacity auctions this year by opening participation to other resources is another step toward a more competitive electricity marketplace; it moves Ontario's electricity marketplace down the path of efficiency, competition, and transparency – the key principles of the market renewal efforts.

This proposal will be discussed as part of the Transitional Capacity Auction stakeholder engagement initiative before consideration by the Technical Panel.

Further information on the Transitional Capacity Auction stakeholder engagement is found [here](#).

Background

In order to participate in a TCA, existing market participants or new applicants must become authorized as a capacity auction participant. This participant type will allow organizations to become authorized with the IESO for the purpose of participating in a TCA and be bound by the applicable IESO market rules. There are additional authorization and facility registration requirements for the IESO physical market for those capacity auction participants that obtain a capacity obligation from a TCA. Participants that receive a capacity obligation in a TCA will be required to register their facilities with the IESO.

This proposal also includes the prudential support framework for the TCA which is largely based on the DRA framework.

Discussion

Most additions in this rule amendment proposal are defined term changes, for instance changing demand response to capacity or commitment to obligation. Newly created terms such as capacity auction participant and capacity market participant are described and defined in the definitions package (MR-00439-R00).

This market rule amendment proposal was first circulated to stakeholders and market participants who are participating in the Transitional Capacity Auction stakeholder engagement. No responses to feedback were received pertaining to this proposal.

More specifically, Sections 18.1 and 18.2 add some clarifications to existing language and Section 19.1

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

adds a generator as eligible to be a capacity auction participant that can secure a capacity obligation. Section 19.6 is a new section that provides for the eligibility requirements for capacity generator resources.

Specific changes to the market rules are listed below. There are five additional rule amendment packages that form the entirety of the proposed rule changes for the TCA.

PART 4 – PROPOSED AMENDMENT**Chapter 2****1.2 Participation**

1.2.2 No person shall be authorized by the *IESO* to participate in the *IESO-administered markets* or to cause or permit electricity to be conveyed into, through or out of the *IESO-controlled grid* unless the *IESO* is satisfied:

1.2.2.1 on the basis of the certification, tests, and inspections referred to in section 6.2, that the person satisfies the technical requirements referred to in that section applicable to all *market participants*;

1.2.2.2 that the person, if it applies to participate in the *real-time markets*, will either satisfy the *prudential support* requirements of Appendix 2.3 and any other financial requirements set forth in the *market rules* applicable to all *market participants* and the *IESO-administered market* in which the person wishes to participate, or in the case of a ~~*demand response capacity*~~ *market participant*, satisfy the ~~*demand response security capacity prudential support*~~ requirements in section ~~5A5B~~;

2. Classes of Market Participants

2.1.1 The following classes of persons may apply for authorization to participate in the *IESO-administered markets* or to cause or permit electricity to be conveyed into, through or out of the *IESO-controlled grid*:

2.1.1.1 *generators*;

2.1.1.2 *distributors*;

2.1.1.3 *wholesale sellers*;

- 2.1.1.4 *wholesale consumers;*
- 2.1.1.5 *retailers;*
- 2.1.1.6 *transmitters;*
- 2.1.1.7 *financial market participants;*
- 2.1.1.8 [Intentionally left blank – section deleted]
- 2.1.1.9 *demand response market participants;*~~and~~
- 2.1.1.10 ~~*demand response*~~[Intentionally left blank – section deleted]
- 2.1.1.11 *capacity market participants; and*
- 2.1.1.12 *capacity auction participants.*

3. Application for Authorization

- 3.1.2 The application for authorization to participate shall be accompanied by:
 - 3.1.2.1 the non-refundable application fee established from time to time by the *IESO* to defray the costs of processing the application; and
 - 3.1.2.2 unless the *application for authorization to participate* is submitted in respect of an applicant that is applying for authorization to participate in the *IESO-administered markets* solely as a *financial market participant* or a ~~*demand response capacity*~~ *auction participant*, either:
 - a. the federal harmonized value-added tax system registration number issued to the applicant by the Canada Customs and Revenue Agency; or
 - b. where the applicant is resident in Canada and is, by virtue of *applicable law*, not liable to pay the federal harmonized value-added tax under Part IX of the *Excise Tax Act* (Canada), such documentation as may be prescribed in the *Excise Tax Act* (Canada) or described in the policies of the Canada Customs and Revenue Agency to support the exemption from such liability to pay.

5. Prudential Requirements

5.1 Purpose

- 5.1.1 This section 5 sets forth the nature and amount of *prudential support* that must be provided by *market participants* as a condition of participation in the *real-time markets* or of causing or permitting electricity to be conveyed into, through or out of the *IESO-controlled grid*, and the manner in which *market participants* must provide and maintain such *prudential support* on an on-going basis in order to protect the *IESO* and *market participants* from payment defaults. *Market participants* participating in the *IESO-administered markets* solely as a ~~*demand response-capacity*~~ market participant or ~~*demand-responsecapacity*~~ auction participant with a ~~*demand-response-capacity*~~ obligation shall be subject only to the ~~*demand-responsecapacity*~~ *prudential support* requirements in section 5B.

5B. ~~Demand Response Capacity~~ Prudential Requirements

5B.1 Purpose

- 5B.1.1 This section 5B sets forth the nature and amount of ~~*demand response-capacity*~~ *prudential support* that must be provided by *market participants* that are either ~~*demand-responsecapacity*~~ auction participants or ~~*demand-responsecapacity*~~ market participants as a condition of delivering on a ~~*demand response-capacity*~~ obligation, and the manner in which such *market participants* must provide and maintain ~~*demand-responsecapacity*~~ *prudential support* on an on-going basis, in order to protect the *IESO* and *market participants* from payment defaults.

5B.2 Market Participant Obligations

- 5B.2.1 Each *market participant* shall initially and continually satisfy the obligations set forth in this section 5B.2 with regard to the provision of ~~*demand-responsecapacity*~~ *prudential support* as a condition of delivering on a ~~*demand-response-capacity*~~ obligation.
- 5B.2.2 No *market participant* that is required to provide ~~*demand-responsecapacity*~~ *prudential support* shall participate in the *real-time markets* or cause or permit electricity to be conveyed into, through or out of the *IESO-controlled grid* unless that *market participant* satisfies the requirements of this section.

- 5B.2.3 Each *market participant* shall provide to the *IESO*, on an ongoing basis, such information as the *IESO* may reasonably require for the purpose of determining that *market participant's demand-responsecapacity prudential support obligation*.
- 5B.2.4 If ~~*demand-response-capacity prudential support*~~ previously provided to the *IESO* by a *market participant* is due to expire or terminate, and upon expiry or termination of the existing ~~*demand-responsecapacity prudential support*~~, the total ~~*demand-responsecapacity prudential support*~~ held by the *IESO* in respect of that *market participant* will be less than the *market participant's demand-responsecapacity prudential support obligation*, then at least ten *business days* prior to the time at which the existing security is due to expire or terminate, the *market participant* must provide to the *IESO* replacement ~~*demand-responsecapacity prudential support*~~ which will become effective no later than the expiry or termination of the existing collateral, such that the total ~~*demand-responsecapacity prudential support*~~ provided is at least equal to the *market participant's demand-responsecapacity prudential support obligation*.
- 5B.2.5 Where a *market participant's demand-responsecapacity prudential support obligation* has been reduced pursuant to section 5B.5 and the relevant credit rating is revised or the relevant payment history has changed, such as to result in an increase in the *market participant's demand-responsecapacity prudential support obligation*, then within five *business days*, the *market participant* must provide to the *IESO* additional ~~*demand-responsecapacity prudential support*~~ such that the total ~~*demand-responsecapacity prudential support*~~ provided is at least equal to the *market participant's demand-responsecapacity prudential support obligation* when calculated on the basis of the revised credit rating or payment history.
- 5B.2.6 Where any part of the ~~*demand-responsecapacity prudential support*~~ provided by a *market participant* otherwise ceases to be current or valid for any reason, the *market participant* must immediately so notify the *IESO* and provide to the *IESO*, within two *business days*, replacement ~~*demand-responsecapacity prudential support*~~ such that the total ~~*demand-responsecapacity prudential support*~~ provided is at least equal to the *market participant's demand-responsecapacity prudential support obligation*.
- 5B.2.7 If the *IESO* draws upon part or all of a *market participant's demand-responsecapacity prudential support* in accordance with section 6.3.3.2 of Chapter 3 and the remaining ~~*demand-responsecapacity prudential support*~~ held by the *IESO* in respect of that *market participant* is less than the *market participant's demand-responsecapacity prudential support obligation*, the *market participant* must, within five *business days* of receiving notice from the *IESO*, provide the *IESO* with additional ~~*demand-responsecapacity prudential support*~~ such that the total ~~*demand-responsecapacity prudential support*~~ provided is at least equal to the *market participant's demand-responsecapacity prudential support obligation*.

5B.3 Calculation of ~~Demand Response~~Capacity Prudential Support Obligations

- 5B.3.1 The *IESO* shall determine, in accordance with the applicable *market manual*, for each *market participant*, a ~~demand response~~capacity prudential support obligation for each ~~commitment~~obligation period, based on a percentage of the highest monthly availability payment, less any allowable reductions pursuant to section 5B.5.
- 5B.3.2 The *IESO* shall review the ~~demand response~~capacity prudential support obligation of each market participant as follows:
- 5B.3.2.1 prior to the start of each ~~commitment~~obligation period;
 - 5B.3.2.2 within two *business days* after it receives notice of any changes to the status of a *market participant* as compared to such status that was in effect when the *market participant's* ~~demand response~~capacity prudential support was last calculated; or
 - 5B.3.2.3 as a result of either a change in or loss of a *market participant's* credit rating or good payment history reduction calculated in accordance with section 5B.5.
- 5B.3.3 The *IESO* may change the ~~demand response~~capacity prudential support obligation for a *market participant* at any time as a result of a review conducted pursuant to section 5B.3.2, and shall promptly notify the *market participant* of any such change. Any change to a *market participant's* ~~demand response~~capacity prudential support obligation shall apply with effect from such time, not being earlier than the time of notification of the change to the ~~demand~~market participant, as the *IESO* may specify in the notice. The *market participant* must supply the *IESO*, within five *business days* of the effective date of the change, any additional ~~demand response~~capacity prudential support that may be required as a result of an increase in the *market participant's* ~~demand response~~capacity prudential support obligation that results from such change.

5B.4 Obligation to Provide ~~Demand Response~~Capacity Prudential Support

- 5B.4.1 Each *market participant* must provide to the *IESO* and maintain ~~demand response~~capacity prudential support, the value of which is at least equal to the *market participant's* ~~demand response~~capacity prudential support obligation. The aggregate value of the ~~demand response~~capacity prudential support shall be equal to the value of the undrawn or unclaimed amounts of ~~demand response~~capacity prudential support provided by the *market participant*.

- 5B.4.2 A market participant's ~~demand-response capacity~~ prudential support obligation must be met through the provision to the IESO and the maintenance of ~~demand-response capacity~~ prudential support in the following form:
- 5B.4.2.1 a guarantee or irrevocable commercial letter of credit, which in both cases must be in a form acceptable to the IESO and provided by:
- a. a bank named in a Schedule to the *Bank Act*, S.C. 1991, c.46 with a minimum long-term credit rating of "A" from an IESO acceptable major bond rating agency as identified in the list referred to in section 5B.5.7; or
 - b. a credit union licensed by the Financial Services Commission of Ontario with a minimum long-term credit rating of "A" from an IESO acceptable major bond rating agency as identified in the list referred to in section 5B.5.7.
- 5B.4.3 The following provisions shall apply to a guarantee or irrevocable letter of credit provided in section 5B.4.2.1:
- 5B.4.3.1 the letter of credit shall provide that it is issued subject to either The Uniform Customs and Practice for Documentary Credits, 2007 Revision, ICC Publication No. 600 or The International Standby Practices 1998;
- 5B.4.3.2 the IESO shall be named as beneficiary in each letter of credit, each letter of credit shall be irrevocable, partial draws on any letter of credit shall not be prohibited and the letter of credit or the aggregate amount of all letters of credit shall be in the face amount of at least the amount specified by the IESO;
- 5B.4.3.3 the only conditions on the ability of the IESO to draw on the letter of credit shall be the occurrence of an *event of default* by or in respect of the *market participant* and a certificate of an officer of the IESO that the IESO is entitled to draw on the letter of credit, in accordance with the provisions of the *market rules* in the amount specified in the certificate as at the date of delivery of the certificate;
- 5B.4.3.4 the letter of credit shall either provide for automatic renewal (unless the issuing bank advises the IESO at least thirty days prior to the renewal date that the letter of credit will not be renewed) or be for a term of at least one (1) year. In either case it is the responsibility of the *market participant* to maintain the requisite amount of ~~demand-response capacity~~ prudential support. Where the IESO is advised that a letter

of credit is not to be renewed or the term of the letter of credit is to expire, the *market participant* shall arrange for and deliver alternative *demand-response capacity prudential support* within the time frame mandated by the *market rules* so as to enable the *market participant* to be in compliance with the *market rules*; and

5B.4.3.5 by including a letter of credit as part of its *demand-response capacity prudential support*, the *market participant* represents and warrants to the *IESO* that the issuance of the letter of credit is not prohibited in any other agreement, including without limitation, a negative pledge given by or in respect of the *market participant*.

5B.4.4 For the purpose of section 5B.4.2.1, the *IESO* shall establish, maintain, and publish a list of organizations eligible to provide the *demand-response capacity prudential support* referred to in section 5B.4.2.1 and shall establish for each such eligible *demand-response capacity prudential support* provider, an aggregate limit of the *demand-response capacity prudential support* that may be provided by that *demand-response capacity prudential support* provider to *market participants*. If aggregate limits are reached for any of these eligible organizations, *market participants* will be required to obtain *demand-response capacity prudential support* from other eligible organizations that are still within their respective *demand-response capacity prudential support* limits.

5B.4.5 In the event that the *demand-response capacity prudential support* provided by a *market participant* is a greater amount than required by the *market rules*, the *IESO* shall, upon written request by the *market participant*, return to the *market participant* an amount equal to the difference between the value of *demand-response capacity prudential support* held by the *IESO* and the *demand-response capacity prudential support obligation* of the *market participant* at that time. The *IESO* shall return such amount within five *business days* of the receipt of the request for the return of the amount from the *market participant*. In all circumstances, the *IESO* shall return *demand-response capacity prudential support* only after all payments and charges for the final month of a *commitment period* have been settled.

5B.4.6 The minimum terms and conditions that shall be included in the *demand-response capacity prudential support* in accordance with section 5B.4.2.1 shall be as follows:

5B.4.6.1 *demand-response capacity prudential support* shall be obligations in writing;

5B.4.6.2 *demand-response capacity* prudential support shall constitute valid and binding unsubordinated obligations to pay to the *IESO* amounts in accordance with its terms which relate to the obligations of the relevant *market participant* under the *market rules*; and

5B.4.6.3 *demand-response capacity* prudential support shall permit drawings or claims by the *IESO* on demand to a stated certain amount, including partial drawings or claims.

5B.4.7 Upon the occurrence of an *event of default*, the *IESO* shall be entitled to exercise its rights and remedies as set out in the *market rules*, or provided for at law or in equity. Without limiting the generality of the foregoing, such rights and remedies shall, in respect of the *demand-response capacity* prudential support provided by the *market participant*, include setting-off and applying any and all *demand-response capacity* prudential support held against the indebtedness, obligations and liabilities of the *market participant* to the *IESO* in respect of the participation by the *market participant* in the *real-time markets*, including the costs, charges, expenses and fees described in section 5B.4.9.

5B.4.8 Each of the remedies available to the *IESO* under the *market rules* or at law or in equity is intended to be a separate remedy and in no way is a limitation on or substitution for any one or more of the other remedies otherwise available to the *IESO*. The rights and remedies expressly specified in the *market rules* or at law or in equity are cumulative and not exclusive. The *IESO* may in its sole discretion exercise any and all rights, powers, remedies and recourses available under the *market rules* or under any document comprising the *demand-response capacity* prudential support provided by the *market participant* or any other remedy available to the *IESO* howsoever arising, and whether at law or in equity, and such rights, powers and remedies and recourses may be exercised concurrently or individually without the necessity of any election.

5B.4.9 The *market participant* agrees to pay to the *IESO* forthwith on demand all reasonable costs, charges, expenses and fees (including, without limiting the generality of the foregoing, legal fees on a solicitor and client basis) of or incurred by or on behalf of the *IESO* in the realization, recovery or enforcement of the *demand-response capacity* prudential support provided by the *market participant* and enforcement of the rights and remedies of the *IESO* under the *market rules* or at law or in equity in respect of the participation by the *market participant* in the *real-time markets*.

5B.5 Reductions in **Demand-Response Capacity** Prudential Support Obligations

5B.5.1 Subject to section 5B.5.2, the *IESO* may reduce the *demand-response capacity* prudential support obligation of a rated *market participant*, other than a

distributor, by an amount equal to the monetary value prescribed by the table below, resulting from a credit rating from a major bond rating agency identified in the list referred to in section 5B.5.7 issued and in effect in respect of the *demand response capacity* market participant.

Credit Rating Category using Standard and Poor's Rating Terminology	Allowable Reduction in Prudential Support
AA- and above or equivalent	100% of the <i>demand response capacity</i> prudential support obligation before allowable reductions
A-, A, A+ or equivalent	Greater of 90% of the <i>demand response capacity</i> prudential support obligation before allowable reductions or \$37,500,000
BBB-, BBB, BBB+ or equivalent	Greater of 65% of the <i>demand response capacity</i> prudential support obligation before allowable reductions or \$15,000,000
BB-, BB, BB+ or equivalent	Greater of 30% of the <i>demand response capacity</i> prudential support obligation before allowable reductions or \$4,500,000
Below BB- or equivalent	0

5B.5.1A Subject to section 5B.5.2, the *IESO* may reduce the *demand response capacity* prudential support obligation of a rated *distributor* by an amount equal to the monetary value prescribed by the table below, resulting from a credit rating from a major bond rating agency identified in the list referred to in section 5B.5.7 issued and in effect in respect of the *demand response capacity* market participant.

Credit Rating Category using Standard and Poor's Rating Terminology	Allowable Reduction in Prudential Support
AA- and above or equivalent	100% of the <i>demand response capacity</i> prudential support obligation before allowable reductions
A-, A, A+ or equivalent	Greater of 95% of the <i>demand response capacity</i> prudential support obligation before allowable reductions or \$45,000,000
BBB-, BBB, BBB+ or equivalent	Greater of 80% of the <i>demand response capacity</i> prudential support obligation before allowable reductions or \$22,500,000
BB-, BB, BB+ or equivalent	Greater of 55% of the <i>demand response capacity</i> prudential support obligation before allowable reductions or \$7,500,000

Below BB- or equivalent	0
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5B.5.2 Any recommendation to move a *market participant* to “credit watch negative” by any of the major bond rating agencies identified in the list referred to in section 5B.5.7, shall be deemed to automatically result in a one-notch reduction in terms of the credit rating (for example, from BBB+ to BBB) of that *market participant* for the purpose of determining the *market participant’s demand response capacity prudential support obligation*.

5B.5.3 Where a *market participant’s demand response capacity prudential support obligation* reflects a reduction by reason of the *market participant’s* credit rating from a major bond agency identified in the list referred to in section 5B.5.7, the *market participant* shall advise the *IESO* in writing immediately upon the *market participant* becoming aware of either a change in or loss of the then current credit rating or the decision of the bond rating agency to place the *market participant* on “credit watch status” or equivalent.

5B.5.4 Subject to section 5B.5.6, the *IESO* may reduce the *market participant’s demand response capacity prudential support obligation* in accordance with sections 5B.5.5 or 5B.5.5A based on the *market participant’s* historical good payment history in the *IESO-administered markets*, provided that the *market participant’s* payment history includes no *event of default*.

5B.5.5 The *IESO* shall determine the dollar amount of any allowable reduction in the *demand response capacity prudential support obligation* of an unrated *market participant*, other than a *distributor*, by an amount equal to the monetary value prescribed, by the table below:

Good Payment History Categories for Non-Distributors	Allowable Reduction in Prudential Support
≥6 years	Lesser of 50% of the <i>demand response capacity prudential support obligation</i> before allowable reductions or \$12,000,000
≥5 years, <6 years	Lesser of 30% of the <i>demand response capacity prudential support obligation</i> before allowable reductions or \$7,500,000
≥4, <5 years	Lesser of 25% of the <i>demand response capacity prudential support obligation</i> before allowable reductions or \$6,000,000
≥3, <4 years	Lesser of 20% of the <i>demand response capacity prudential support obligation</i> before allowable reductions or \$4,500,000

≥2, <3 years	Lesser of 15% of the <i>demand-responsecapacity</i> prudential support obligation before allowable reductions or \$3,000,000
<2 years	0

5B.5.5A The *IESO* shall determine the dollar amount of any allowable reduction in the *demand-responsecapacity* prudential support obligation of an unrated distributor by an amount equal to the monetary value prescribed, by the table below:

Good Payment History Categories for Distributors	Allowable Reduction in Prudential Support
≥6 years	Lesser of 80% of the <i>demand-responsecapacity</i> prudential support obligation before allowable reductions or \$14,000,000
≥5 years, <6 years	Lesser of 65% of the <i>demand-responsecapacity</i> prudential support obligation before allowable reductions or \$9,000,000
≥4, <5 years	Lesser of 45% of the <i>demand-responsecapacity</i> prudential support obligation before allowable reductions or \$7,500,000
≥3, <4 years	Lesser of 35% of the <i>demand-responsecapacity</i> prudential support obligation before allowable reductions or \$6,000,000
≥2, <3 years	Lesser of 25% of the <i>demand-responsecapacity</i> prudential support obligation before allowable reductions or \$4,500,000
<2 years	0

5B.5.6 The following restrictions shall apply to the provision of reductions in a market participant's *demand-responsecapacity* prudential support obligation as provided for under sections 5B.5.1, 5B.5.1A, and 5B.5.4:

5B.5.6.1 a market participant shall not be entitled to a reduction in its *demand-responsecapacity* prudential support obligation pursuant to section 5B.5.4 using the payment history of an affiliate;

5B.5.6.2 a market participant that has a credit rating from a major bond rating agency identified in the list referred to in section 5B.5.7 shall not be entitled to a reduction in its *demand-responsecapacity* prudential support obligation under section 5B.5.4; and

7. Payment Default Procedure

- 7.1.1 The *events of default* relating to payment and either *prudential support*, ~~*demand response security, or demand response or capacity*~~ *prudential support*, as well as the rights and obligations of the *IESO* and *market participants* upon the occurrence of such *event of default*, are specified in section 6.3 of Chapter 3.

Chapter 2 - Appendices

1.3 Dispatch Workstations

- 1.3.1 Each market participant other than a boundary entity, ~~a demand response auction participant, or a demand response market participant participating in either the capacity-based demand response program or with a demand response~~ or a capacity auction participant with a capacity obligation through an hourly demand response resource shall, for the purposes of:
- 1.3.1.1 the provision to the *IESO* of real-time information required by the *IESO* to direct the operations of the *IESO-controlled grid*;
 - 1.3.1.2 if the person is or will be subject to dispatch by the *IESO*, the receipt of *dispatch instructions*; and
 - 1.3.1.3 the exchange with the *IESO* of other information required to be submitted or received pursuant to Chapter 7 or Chapter 8, other than the submission, receipt of confirmation of and validation of *dispatch data, TR bids or TR offers* in the *TR market* and *physical bilateral contract data*,

1.4 Participant Workstations

- 1.4.1 Subject to section 1.6, each *market participant* ~~other than a demand response market participant participating only in the capacity-based demand response program~~ shall, for the purposes of conducting secure communications or transactions with the *IESO* using *IESO-supplied* or approved software, provide, install and maintain a *participant workstation* that meets the specifications, definitions and other requirements set forth in the *participant technical reference manual*.

Chapter 7

2.5 Transfer of Registration of Facilities

- 2.5.4 Upon completion of the transfer of the *registered facility*, the proposed transferee will have to post with the *IESO prudential support* ~~or demand response and capacity prudential support~~, as applicable, equal to the proposed transferee's *prudential support obligation* ~~or demand response and capacity prudential support obligation~~. Until the proposed transferee has done so, the transferring *market participant* shall continue to be liable for the obligations of the proposed transferee in the *IESO-administered markets*. Such obligations shall include, without limitation, the cost of electricity withdrawn from the *IESO-controlled grid* by the proposed transferee and related charges as determined by the *IESO* in accordance with Chapter 9. The *prudential support obligation* and/or demand response capacity prudential support obligation as applicable of the transferring *market participant* shall include all such amounts whether or not the transferring *market participant* has complied with the provisions of this section 2.5.

18. ~~Demand Response~~ Capacity Auctions

18.1 Purpose of ~~Demand Response~~ Capacity Auctions

- 18.1.1 The ~~demand response capacity auctions will acquire~~ will procure demand response auction capacity through a competitive auction.
- 18.1.2 The *IESO* shall specify and *publish* a *target capacity* amount to be ~~procured~~ acquired in each ~~demand response capacity~~ capacity auction, as specified in the applicable *market manual*.

18.2 Participation in ~~Demand Response~~ Capacity Auctions

- 18.2.1 No person may participate in a ~~demand response capacity~~ capacity auction nor receive a ~~demand response capacity~~ capacity obligation unless that person has:
- 18.2.1.1 been authorized by the *IESO* as a ~~demand response capacity~~ capacity auction participant in accordance with section 3 of Chapter 2; and in accordance with the applicable market manual;
- 18.2.1.2 submitted and ~~has been approved by the~~ received *IESO* approval for a qualified capacity, using forms and procedures as may be established

by the *IESO* in the applicable *market manual*, ~~the amount of demand response capacity that the demand response auction participant is willing to provide~~; and

18.2.1.3 no less than five *business days* prior to the date on which a ~~demand response capacity~~ auction is to be conducted, provided to the *IESO* a ~~demand response capacity~~ auction deposit, in one or both of the forms set forth in section 18.4.

18.2.2 The following provisions of the *market rules* shall not apply to a ~~demand response capacity~~ auction participant that is authorized by the *IESO* to participate only in a ~~capacity auction as an hourly~~ demand response ~~auction resource~~:

18.2.2.1 Chapters 4, 5, and 6;

18.2.2.2 Chapter 7 other than this section 18; and

18.2.2.3 Chapters 8 and 10.

18.2.3 A ~~demand response capacity~~ auction participant who obtains a ~~demand response capacity~~ obligation shall apply to become authorized by the *IESO* as a ~~demand response capacity~~ market participant in accordance with section 3 of Chapter 2.

18.3 Calculation of ~~Demand Response Capacity~~ Auction Deposits

18.3.1 Upon receipt of a ~~demand response auction participant's demand response~~ qualified capacity ~~under~~ in accordance with section 18.2.1.2, the *IESO* shall determine for each ~~demand response capacity~~ auction participant, a ~~demand response capacity~~ auction deposit for a ~~demand response capacity~~ auction as specified in the applicable *market manual*.

18.3.2 The *IESO* shall review the ~~demand response capacity~~ auction deposit of a ~~demand response capacity~~ transferee upon receipt of a request for a ~~demand response capacity~~ obligation transfer in accordance with section 18.9.1. As a result of a transfer request, the *IESO* may increase the ~~demand response capacity~~ auction deposit of a ~~demand response capacity~~ transferee and the *IESO* shall notify the ~~demand response capacity~~ transferee of any such increase.

18.3.3 Where the amount of a ~~demand response capacity~~ auction deposit provided by a ~~demand response capacity~~ auction participant exceeds the amount required by the *IESO*, the *IESO* shall return the excess amount to the ~~demand response capacity~~ auction participant within five business days of such a request from the ~~demand response capacity~~ auction participant. Otherwise, that amount shall be held by the *IESO* and shall form part of that ~~demand response capacity~~ auction participant's ~~demand response capacity~~ auction deposit for its participation in a subsequent ~~demand response capacity~~ auction.

18.4 **Demand-Response Capacity Auction Deposits**

- 18.4.1 A *demand-response capacity auction deposit* shall be in one or both of the following forms:
- 18.4.1.1 an irrevocable commercial letter of credit provided by a bank named in a Schedule to the *Bank Act*, S.C. 1991, c. 46; or
 - 18.4.1.2 a cash deposit made with the *IESO* by or on behalf of the *demand response capacity auction participant*.
- 18.4.2 Where all or part of a *demand-response capacity auction deposit* is in the form of a standby letter of credit, the following provisions shall apply:
- 18.4.2.1 the letter of credit shall provide that it is issued subject to either The Uniform Customs and Practice for Documentary Credits, 1993 Revision, ICE Publication No. 500 or The International Standby Practices 1998;
 - 18.4.2.2 the *IESO* shall be named as beneficiary in the letter of credit, the letter of credit shall be irrevocable and partial draws on the letter of credit shall not be prohibited;
 - 18.4.2.3 the only condition on the ability of the *IESO* to draw on the letter of credit shall be the delivery of a certificate ~~of~~by an officer of the *IESO* that a specified amount is owing by the *demand-response capacity auction participant* to the *IESO* and that, in accordance with the provisions of the *market rules*, the *IESO* is entitled to payment of that specified amount as of the date of delivery of the certificate;
 - 18.4.2.4 the letter of credit shall either provide for automatic renewal (unless the issuing bank advises the *IESO* at least thirty days prior to the renewal date that the letter of credit will not be renewed) or be for a term of at least one (1) year. Where the *IESO* is advised that a letter of credit is not to be renewed or the term of the letter of credit is to expire, the *demand-response capacity auction participant* shall arrange for and deliver additional *demand-response capacity auction deposits* if the *demand-response capacity auction participant* intends to continue to participate in a *demand-response capacity auction*. If such additional *demand-response capacity auction deposits* are not received by the *IESO* ten (10) *business days* before the expiry of a letter of credit, the *IESO* shall be entitled as of that time to payment of the full face amount of the letter of credit which amount, once drawn by the *IESO*, shall be treated as a *demand-response capacity auction deposit* in the form of cash; and
 - 18.4.2.5 by including a letter of credit as part of a *demand-response capacity auction deposit*, the *demand-response capacity auction participant*

represents and warrants to the IESO that the issuance of the letter of credit is not prohibited in any other agreement, including without limitation, a negative pledge given by or in respect of the ~~demand response capacity~~ auction participant.

18.4.3 Notwithstanding any other provision of these *market rules*, a person that applies for authorization to participate in the ~~demand response capacity~~ auction and that has not applied for authorization to participate, or is not participating, in any other IESO-administered market shall not be required to comply with any requirements for authorization other than those set forth in sections 18.2.1.1 to 18.2.1.3.

18.4.4 In the event a ~~demand response capacity~~ auction participant has not satisfied the applicable eligibility requirements specified in sections 19.2 ~~and~~ 19.3, or 19.6 of Chapter 7 and has not elected to buy-out the ~~demand response capacity obligation~~ in accordance with section 4.7J.3 of Chapter 9, the ~~demand response capacity~~ auction participant, shall, at the IESO's sole discretion, forfeit its ~~demand response capacity~~ auction deposit.

19. ~~Demand Response Capacity~~ Market Participants with ~~Demand Response Capacity~~ Obligations

19.1 Purpose

19.1.1 This section details the delivery of a ~~demand response capacity obligation~~.

19.1.2 A ~~demand response capacity~~ market participant ~~who~~that receives a ~~demand response capacity obligation~~ shall deliver into the IESO-administered market via resources registered as one of the following resources:

19.1.2.1 ~~hourly demand response;~~~~or~~

19.1.2.2 ~~a dispatchable load;~~

19.1.2.3 generator.

19.1.3 generator authorization types participating in a capacity auction must participate using capacity auction eligible generation resources.

19.2 Eligibility Requirements for Hourly Demand Response Resources with ~~Demand Response~~ Capacity Obligations

- 19.2.1 A ~~demand response capacity~~ market participant is eligible to ~~participate as satisfy its capacity obligation with~~ an hourly demand response resource provided that the ~~demand response capacity~~ market participant:
- 19.2.1.1 demonstrates to the satisfaction of the *IESO* that it can provide the ~~demand response~~ capacity obligation, as specified in the applicable market manual;
 - 19.2.1.2 registers its facilities and demand response contributors as applicable, to the satisfaction of the *IESO*, in accordance with the applicable market manual. The ~~demand response capacity~~ market participant shall not modify, vary or amend in any material respect any of the features or specifications of any resource facility without first requesting *IESO* authorization and approval in accordance with the applicable market manual;
 - 19.2.1.3 satisfies the connection assessment requirements in accordance with section 6 of Chapter 4, if required by the *IESO*, in accordance with the applicable market manual;
 - 19.2.1.4 has provided prudential support ~~and capacity prudential support~~ in accordance with section 5 of Chapter 2.
- 19.2.2 The *IESO* may refuse participation of an hourly demand response resource by a ~~demand response capacity~~ market participant if the resource's participation would negatively impact the reliable operation of the *IESO*-controlled grid.
- 19.2.3 The *IESO* may remove a ~~demand response capacity~~ market participant's hourly demand response resource from market participation if the resource's continued participation would negatively impact the reliable operation of the *IESO*-controlled grid. The *IESO* may temporarily remove a ~~demand response capacity~~ market participant's hourly demand response resource from market participation if the conditions on the *IESO*-controlled grid are such that the resource's participation would negatively impact the reliable operation of the *IESO*-controlled grid.
- 19.2.4 The following provisions of the market rules shall not apply to a ~~demand~~ ~~response capacity~~ market participant that is authorized by the *IESO* to participate only with an hourly demand response resource and is not a wholesale consumer that is a non-dispatchable load:
- 19.2.4.1 Chapter 2, sections 5A and 8;
 - 19.2.4.2 ~~Chapter~~ Chapters 5, ~~other than section 1.2.1 to 1.2.3, 2.3, 2.4,~~

~~5.6, 8, 10;~~ and ~~5.9;~~

19.2.4.3 Chapter 7 section 7;~~and,~~

~~19.2.4.4 — Chapters 6, 8, 10.~~

19.2.5 A *wholesale consumer* that is a *non-dispatchable load* may participate as a demand response contributor to an hourly demand response resource to fulfill a ~~demand response~~ capacity obligation, provided that the *non-dispatchable load* meets all the applicable eligibility requirements of this section 19.2, and the requirements in the *market rules* that are applicable to a *wholesale consumer* that is a *non-dispatchable load*.

19.3 Eligibility Requirements for Dispatchable Loads with a ~~Demand Response~~ Capacity Obligation

19.3.1 A ~~demand response capacity~~ market participant is eligible to ~~participate~~ satisfy its capacity obligation as a *dispatchable load* ~~in satisfying its demand response capacity obligation,~~ provided that the ~~demand response capacity~~ market participant:

19.3.1.1 demonstrates to the satisfaction of the *IESO* that it can provide the ~~demand response~~ capacity obligation, as specified in the applicable *market manual*;

19.3.1.2 is authorized as a *wholesale consumer*;

19.3.1.3 registers its *facilities* in accordance with the registration requirements for *wholesale consumers* that are *dispatchable loads*. The ~~demand response capacity~~ market participant shall not modify, vary or amend in any material respect any of the features or specifications of any resource without first requesting *IESO* authorization and approval in accordance with the applicable *market manual*;

19.3.1.4 satisfies the *connection assessment* requirements in accordance with section 6 of Chapter 4, if required by the *IESO* in accordance with the applicable *market manual*;

19.3.1.5 has provided *prudential support* and capacity prudential support in accordance with section 5 of Chapter 2.

19.3.2 The *IESO* may refuse participation of a *dispatchable load's* resource by a ~~demand response capacity~~ market participant if the resource's participation would negatively impact the *reliable* operation of the *IESO-controlled grid*.

19.3.3 The *IESO* may remove a ~~demand response capacity~~ market participant's *dispatchable load* resource if the resource's continued participation would

negatively impact the *reliable* operation of the *IESO-controlled grid*. The *IESO* may temporarily remove a *demand-response capacity* market participant's *dispatchable load* resource if the conditions on the *IESO-controlled grid* are such that the resource's participation would negatively impact the *reliable* operation of the *IESO-controlled grid*.

19.6 Eligibility Requirements for Capacity Generation Resources

19.6.1 A capacity market participant is eligible to satisfy its capacity obligation as a capacity generation resource, provided that the capacity market participant:

19.6.1.1 demonstrates to the satisfaction of the IESO that it can provide the capacity obligation, as specified in the applicable market manual;

19.6.1.2 is authorized as a generator;

19.6.1.3 registers facilities in accordance with the registration requirements applicable to generation facilities. The capacity market participant shall not modify, vary or amend in any material respect any of the features or specifications of any facility without first requesting IESO authorization and approval in accordance with the applicable market manual;

19.6.1.4 satisfies the connection assessment requirements in accordance with section 6 of Chapter 4, if required by the IESO in accordance with the applicable market manual;

19.6.1.5 has provided prudential support and capacity prudential support in accordance with section 5 of Chapter 2.

PART 5 – IESO BOARD DECISION RATIONALE

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