



Market Rule Amendment Proposal

PART 1 – MARKET RULE INFORMATION

Identification No.:	MR-00441-R02		
Subject:	Changes to Satisfy a Capacity Obligation		
Title:	Capacity Auction, June 2020		
Nature of Proposal:	<input checked="" type="checkbox"/> Alteration	<input checked="" type="checkbox"/> Deletion	<input checked="" type="checkbox"/> Addition
Chapter:	7	Appendix:	N/A
Sections:	19		
Sub-sections proposed for amending:	N/A		

PART 2 – PROPOSAL HISTORY

Version	Reason for Issuing	Version Date
1.0	Submitted for Technical Panel Review	January 28, 2020
2.0	Publish for Stakeholder Review and Comment	February 5, 2020
3.0	Submitted for Technical Panel Vote	February 25, 2020
4.0	Recommended by Technical Panel; Submitted for IESO Board Approval	March 3, 2020
5.0	Approved by IESO Board	March 23, 2020
Approved Amendment Publication Date:	March 26, 2020	
Approved Amendment Effective Date:	May 4, 2020	

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), and the Transitional Capacity Auction (TCA), into the Capacity Auction (CA) which will be a mechanism to address capacity needs in Ontario. The Capacity Auction will enable existing and available resources to participate, including system backed imports and storage, which will compete alongside demand response and non-committed generators to meet Ontario's capacity needs.

The amendment proposal has been discussed as part of the Capacity Auction stakeholder engagement initiative prior to consideration by the Technical Panel.

Further information on the Capacity Auction stakeholder engagement can be found [here](#) along with the [June 2020 Capacity Auction - Design Document](#) which includes the key decisions and rationale supporting these market rule amendments.

Background

Throughout Chapter 7, defined terms will be updated to reflect the new or revised definitions that have been added to Chapter 11 which relate specifically to the CA. These new definitions replace definitions that were specific to the DRA or the TCA.

Substantive additions have been made to Chapter 7. The introduction of the CA will see participation expanded to include capacity import resources and capacity storage resources. Eligibility, dispatch, outage notification, and testing requirements for these resource types have been included within section 19. These requirements for imports and storage are similar in nature to the requirements for other existing resource types.

Discussion

Chapter 7

Defined terms updated throughout the chapter to align with the amendments in MR-00441-R00.

19.1.2 – Expanded the participant types eligible to satisfy capacity obligations to include capacity import resources and capacity storage resources. The nomenclature for all resources eligible to satisfy capacity obligations has been updated to reflect the shift to resource level obligations and introduction of capacity auction resources.

Hourly Demand Response Resources & Capacity Dispatchable Load Resources:

19.2.1.3 – This section has been removed since the obligation already exists within the energy market. The existing connection assessment and approval process includes new or modified load facilities greater than 10 MW and is regardless of capacity auction participation.

19.2.2 – This amendment clarifies that refusal of participation pertains only to a future CA.

19.2.3 – This amendment clarifies that if a capacity market participant that is removed from participating as a capacity market participant for reasons pursuant to this section, that capacity market participant shall not receive an availability payment.

19.3.2 & 19.3.3 – These sections have been removed since there are existing provisions within the market rules that allow the IESO to take action against a dispatchable load facility negatively impacting the reliable operation of the ICG.

19.4.9A – Removed as these obligations are included in section 19.4.9. This duplicate section was only required due to the proposed implementation of the TCA.

Capacity Generation Resources:

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

19.7.9A (New) - The IESO shall provide a quick start facility notification at least one hour in advance of the dispatch hour of the test activation. The IESO has aligned capacity auction resource testing with the expected capabilities of the resources. Non-quick start facilities will continue to receive day-ahead notification of testing.

Expanded Participation – Capacity Import Resources & Capacity Storage Resources:

The eligibility and dispatch of the new capacity auction resources is based upon the June 2020 Capacity Auction Design presented and reviewed by the Capacity Auction stakeholder engagement. The obligations included in the market rules are consistent with the other capacity auction resources to the extent possible. The new sections to support these resources include the following:

19.8 (New) - Eligibility Requirements for Capacity Import Resources

19.9 (New) - Energy Market Participation for Capacity Import Resources

19.10 (New) - Eligibility Requirements for Capacity Storage Resources

19.11 (New) - Energy Market Participation for Capacity Storage Resources

Specific changes to the market rules are listed below. There are three additional rule amendment packages that form the entirety of the proposed market rule amendments for the June 2020 CA.

PART 4 – PROPOSED AMENDMENT**Chapter 7****19. Capacity Market Participants with Capacity Obligations****19.1 Purpose**

19.1.1 This section details how a capacity market participant must satisfy the delivery of a capacity obligation with a capacity auction resource.

19.1.2 Capacity auction resources eligible to satisfy a capacity obligation are A capacity market participant that receives a capacity obligation shall deliver into the IESO-administered market via resources registered as one of the following resources:

19.1.2.1 an hourly demand response resource;

19.1.2.2 a capacity dispatchable load resource;

19.1.2.3 a capacity generator generation resource;

19.1.2.4 a capacity import resource; or

19.1.2.5 a capacity storage resource.

19.1.3 ~~[Intentionally left blank – section deleted]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 Capacity Obligations

19.2.1 A capacity market participant is eligible to satisfy its capacity obligation with an hourly demand response resource provided that the capacity market participant:

19.2.1.1 demonstrates to the satisfaction of the IESO that it can provide the 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 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;

19.2.1.3 ~~[Intentionally left blank – section deleted]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 the participation of an hourly demand response resource ~~in a future capacity auction by a 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 or temporarily remove a capacity market participant's hourly demand response ~~resource~~ from ~~its market~~ participation as a capacity market participant if the resource's continued participation would negatively impact the reliable operation of the IESO-controlled grid. A capacity market participant that is removed pursuant to this section 19.2.3 shall not receive an availability payment in accordance with section 19.4.1 for the duration of the removal.~~The IESO may temporarily remove a 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 *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 Chapters 5, 6, 8, 10; and

19.2.4.3 Chapter 7 section 7.

19.2.4.4 [Intentionally left blank – section deleted]

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 ~~satisfy~~ fulfill a *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 Capacity Dispatchable Loads Resources with a Capacity Obligation

19.3.1 A *capacity market participant* is eligible to satisfy its *capacity obligation* ~~with~~ a *capacity dispatchable load resource*, provided that the *capacity market participant*:

19.3.1.1 demonstrates to the satisfaction of the *IESO* that it can provide the *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 *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 [Intentionally left blank – section deleted] The IESO may refuse participation of a dispatchable load's resource by a capacity market participant if the resource's participation would negatively impact the reliable operation of the IESO-controlled grid.~~

~~19.3.3 [Intentionally left blank – section deleted] The IESO may remove a 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 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.~~

19.4 Energy Market Participation for Hourly Demand Response Resources

19.4.1 A capacity market participant with a capacity obligation participating with an hourly demand response ~~resource~~ shall ~~receive~~ be eligible for an availability payment ~~during the obligation period~~, in accordance with ~~this section~~ and the applicable market manual. Availability payments may be offset by non-performance charges in accordance with section 4.7J of Chapter 9.

Standby and Activation Notices

19.4.2 If an hourly demand response ~~resource~~ has a day-ahead schedule of record or a pre-dispatch schedule less than the resource's total bid quantity, or if the applicable pre-dispatch shadow price for an hourly demand response ~~resource~~ is equal to or greater than the standby notice price threshold, determined by the IESO, for at least one hour during the dispatch day availability window, the IESO shall issue a standby notice to the applicable capacity market participant by 07:00 EST in accordance with the applicable market manual.

19.4.3 If the IESO does not issue a standby notice to a capacity market participant by 07:00 EST, the capacity market participant shall remove their bids for the hourly demand response ~~resource~~ as soon as practicable and before 9:00 EST. A capacity market participant that does not remove their bids for the hourly demand response ~~resource~~ before 9:00 EST shall comply with any corresponding activation notices issued by the IESO in accordance with section 19.4.5.

19.4.4 The IESO shall issue an activation notice to a capacity market participant ahead of the activation period, in accordance with the applicable market manual if a standby notice has been issued in accordance with section 19.4.2 or a capacity market participant has not removed their bids in accordance with section 19.4.3, and the applicable hourly demand response ~~resource~~ has a pre-dispatch schedule less than the resource's total bid quantity for at least one hour during the dispatch day availability window.

- 19.4.5 If a *capacity market participant* receives an activation notice pursuant to section 19.4.4, the *capacity market participant* shall comply with the activation notice, unless such a reduction would endanger the safety of any person, damage equipment, or violate any *applicable law*. In such circumstances, the *capacity market participant* shall notify the *IESO* as soon as practicable.
- 19.4.6 A *capacity market participant* may be subject to non-performance charges, and the *IESO* may take action pursuant to sections 19.2.2 and 19.2.3 if a *capacity market participant* does not comply with an activation notice pursuant to this section 19, in accordance with the applicable *market manual*. The *capacity market participant* may also be subject to compliance actions in accordance with section 6 of Chapter 3.
- 19.4.7 A *capacity market participant* that expects its *hourly demand response resource* to operate in a manner that differs ~~materially~~ from the activation notice issued to it in accordance with this section 19 shall notify the *IESO* as soon as possible and in accordance with the applicable *market manual*.
- 19.4.8 The *IESO* may disqualify from future participation in the *capacity auction* any *capacity market participant* that fails to reduce its consumption in order to satisfy its capacity obligation when called upon in accordance with this section 19.

Non-performance Events for Hourly Demand Response Resources

- 19.4.9 In the event of a ~~material~~ reduction in the *demand response capacity* of an *hourly demand response resource*, associated with a *capacity obligation* acquired through a ~~transitional~~ *capacity auction*, the *capacity market participant* shall notify the *IESO* as per the procedures and criteria specified in the applicable *market manual*.
- ~~19.4.9A [Intentionally left blank – section deleted] In the event of a material reduction in the demand response capacity of an hourly demand response resource, associated with a capacity obligation acquired through a demand response auction, the demand response market participant shall notify the IESO as per the procedures and criteria specified in the applicable market manual.~~
- 19.4.10 A *capacity market participant* shall reduce its *bid* to take into account and reflect the maximum *demand response capacity* that it reasonably expects it can provide in accordance with section 3.5.6 and due to any non-performance event related to an *hourly demand response resource* in an *obligation period*.

Activation Testing for Hourly Demand Response Resources

- 19.4.11 The *IESO* may, in accordance with the applicable *market manual*, direct a *capacity market participant* with a *capacity obligation* to perform activation testing for each *hourly demand response resource* up to a maximum of two test activations per *obligation period* to verify that a *capacity obligation* can be

~~satisfied for a duration specified in the applicable market manual~~ is deliverable by the *capacity market participant*.

- 19.4.12 If a *capacity market participant* fails activation testing performed pursuant to section 19.4.11, the *capacity market participant* shall be subject to non-performance charges in accordance with the applicable *market manual*. Failure during activation testing shall be considered a breach of the *market rules* and may result in sanctions in accordance with section 6.2 of Chapter 3.
- 19.4.13 The *IESO* shall provide a *capacity market participant* day-ahead notification of test activations pursuant to section 19.4.11 and the test activation shall occur within the *availability window* of an *obligation period*.
- 19.4.14 The test activation shall occur in accordance with the *hourly demand response resource* activation process specified in this section 19.4.
- 19.4.15 The *hourly demand response resource* shall be entitled to compensation for valid test activations conducted during a *commitment period* pursuant to this section 19.4 and in accordance with the applicable *market manuals*.

Activation of Hourly Demand Response Resources leading up to or during an Emergency Operating State

- 19.4.16 A ~~*capacity demand response*~~ market participant satisfying a ~~*demand response*~~ *capacity obligation* using an *hourly demand response resource* shall be entitled to compensation for an activation leading up to or during an *emergency operating state* pursuant to section 2.3 of Chapter 5, and in accordance with the applicable *market manuals*

19.5 Energy Market Participation for Capacity Dispatchable Loads Resources ~~with Capacity Obligations~~

- 19.5.1 A *capacity market participant* with a *capacity obligation* participating ~~with~~ a *capacity dispatchable load resource* shall ~~receive~~ be eligible for an availability payment ~~during the obligation period~~, in accordance with ~~this section and~~ the applicable *market manual*. Availability payments may be offset by non-performance charges in accordance with section 4.7J of Chapter 9.

Dispatch of Capacity Dispatchable Load Resources

- 19.5.2 The *IESO* shall schedule a *capacity dispatchable load resource* ~~with a capacity obligation~~ in the *real-time market* and issue a *dispatch instruction* ~~to a dispatchable load with a capacity obligation~~ in accordance with Chapter 7.
- 19.5.3 A *capacity dispatchable load resource* ~~with a capacity obligation~~ shall comply with *IESO dispatch instructions* in accordance with Chapter 7.

19.5.4 The *IESO* may disqualify from future participation in the *transitional capacity auction* any *capacity market participant* that fails to reduce its consumption in order to satisfy its capacity obligation when called upon in accordance with this section 19.

Outage Notification Requirements for Capacity Dispatchable Load Resources with a Capacity Obligation

19.5.5 Each *capacity dispatchable load resource with a capacity obligation* shall comply with the *outage* notification requirements of Chapter 5.

19.5.6 A *capacity dispatchable load resource with a capacity obligation* shall reduce its *bid* to take into account and reflect the maximum *demand response capacity* that it reasonably expects it can consume in accordance with section 3.5.6 due to any outage.

Activation Testing for Capacity Dispatchable Load Resources

19.5.7 The *IESO* may, in accordance with the applicable *market manual*, direct a *capacity dispatchable load resource with a capacity obligation* to perform activation testing for each resource up to a maximum of two activation tests per *obligation period* to verify that a *capacity obligation* can be satisfied for a duration specified in the applicable market manual is deliverable by the *capacity market participant*.

19.5.8 If a *capacity market participant* fails activation testing performed pursuant to section 19.5.7, the *capacity market participant* shall be subject to non-performance charges in accordance with the applicable *market manual*. Failure during activation testing shall be considered a breach of the *market rules* and may result in sanctions in accordance with section 6.2 of Chapter 3.

19.5.9 The *IESO* shall provide a *capacity dispatchable load resource with a capacity obligation* day-ahead notification of test activation and the test activation shall occur within the *availability window* of an *obligation period*.

19.5.10 The test activation shall occur in accordance with the *dispatch instructions* for a *dispatchable load facility* specified in this section 19.5.

19.5.11 The *capacity dispatchable load resource facility* shall not be entitled to compensation for any costs related to any valid test activation conducted during an *obligation period* pursuant to this section 19.5.

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 its 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.

19.7 Energy Market Participation for *Capacity Generation Resources*

- 19.7.1 A *capacity market participant* satisfying its *capacity obligation* with a *capacity generation resource* shall ~~receive~~be eligible for an availability payment during the obligation period, in accordance with this section and the applicable *market manual*. Availability payments may be offset by non-performance charges in accordance with section 4.7J of Chapter 9.

Dispatch of Resources

- 19.7.2 The *IESO* shall schedule a *capacity generation resource* in the *energy market*, and issue *dispatch instructions* in accordance with Chapter 7.
- 19.7.3 A *capacity generation resource* shall comply with *IESO dispatch instructions* in accordance with Chapter 7.
- 19.7.4 The *IESO* may disqualify from future participation in the ~~transitional~~ *capacity auction* any *capacity market participant* that fails to inject energy in order to satisfy its capacity obligation when called upon in accordance with this section 19.

Outage Notification Requirements for *Capacity Generation Resources* ~~with a Capacity Obligation~~

- 19.7.5 Each *capacity generation resource* shall comply with the *outage* notification requirements of Chapter 5.
- 19.7.6 A *capacity generation resource* shall reduce its *offer* to reflect the maximum capacity that it reasonably expects it can inject in accordance with section 3.5.6 due to any outage.

Activation Testing for Capacity Generation Resources

- 19.7.7 The *IESO* may, in accordance with the applicable *market manual*, direct a *capacity market participant* to perform activation testing for each *capacity generation resource* up to a maximum of two activation tests per *obligation period* to verify that a *capacity obligation* can be satisfied for a duration specified in the applicable market manual by the *capacity market participant*.
- 19.7.8 If a *capacity market participant* fails an activation test performed pursuant to section 19.7.7, the *capacity market participant* shall be subject to non-performance charges in accordance with the applicable *market manual*. Failure during activation testing shall be considered a breach of the *market rules* and may result in sanctions in accordance with section 6.2 of Chapter 3.
- 19.7.9 The *IESO* shall provide a *capacity generation resource* that is not a quick start facility day-ahead notification of the test activation and the test activation shall occur within the *availability window* of an *obligation period*.
- 19.7.9A The *IESO* shall provide a *capacity generation resource* that is a *quick start facility* notification at least one hour in advance of the dispatch hour of the test activation and the test activation shall occur within the *availability window* of an *obligation period*.
- 19.7.10 The test activation shall occur in accordance with the *dispatch instructions* specified in this section 19.7.

19.8 Eligibility Requirements for Capacity Import Resources

- 19.8.1 A *capacity market participant* is eligible to satisfy its *capacity obligation* with a *capacity import resource* provided that the *capacity market participant*:
- 19.8.1.1 demonstrates to the satisfaction of the *IESO* that it can provide the *capacity obligation*, as specified in the applicable *market manual*;
- 19.8.1.2 is authorized as a *market participant* eligible to import *energy*;
- 19.8.1.3 is registered as a *boundary entity* pursuant to section 2.2.7; and

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

19.9 Energy Market Participation for Capacity Import Resources

19.9.1 A *capacity market participant* satisfying its *capacity obligation* with a *capacity import resource* shall receive an *availability payment* during the *obligation period*, in accordance with this section and the applicable *market manual*. *Availability payments* may be offset by *non-performance charges* in accordance with section 4.7J of Chapter 9.

Dispatch of Capacity Import Resources

19.9.2 The *IESO* shall schedule a *capacity import resource* in the *energy market*, and issue *dispatch instructions* in accordance with Chapter 7.

19.9.3 A *capacity import resource* shall comply with *IESO dispatch instructions* in accordance with Chapter 7.

19.9.4 The *IESO* may disqualify from future participation in the *capacity auction* any *capacity market participant* that fails to schedule *energy* with the appropriate *scheduling entity* in order to satisfy its *capacity obligation* when called upon in accordance with this section 19.

Outage Notification Requirements for Capacity Import Resources

19.9.5 A *capacity import resource* shall reduce or remove its *offer* to reflect the maximum capacity that it reasonably expects it can provide in accordance with section 3.5.6.

Activation Testing for Capacity Import Resources

19.9.6 The *IESO* may, in accordance with the applicable *market manual*, direct a *capacity market participant* to perform activation testing for each *capacity import resource* up to a maximum of two activation tests per *obligation period* to verify that a *capacity obligation* can be satisfied for a duration specified in the applicable *market manual* by the *capacity market participant*.

19.9.7 If a *capacity market participant* fails an activation test performed pursuant to section 19.9.6, the *capacity market participant* shall be subject to *non-performance charges* in accordance with the applicable *market manual*. Failure during activation testing shall be considered a breach of the *market rules* and may result in sanctions in accordance with section 6.2 of Chapter 3.

19.9.8 The *IESO* shall provide a *capacity import resource* notification at least two hours in advance of the dispatch hour of the test activation and the test activation shall occur within the *availability window* of an *obligation period*.

19.9.9 The test activation shall occur in accordance with the *dispatch instructions* specified in this section 19.9.

19.10 Eligibility Requirements for Capacity Storage Resources

19.10.1 A *capacity market participant* is eligible to satisfy its *capacity obligation* with a *capacity storage resource* provided that the *capacity market participant*:

19.10.1.1 demonstrates to the satisfaction of the *IESO* that it can satisfy the *capacity obligation*, as specified in the applicable *market manual*. *Capacity storage resources* must satisfy *capacity obligations* with injections of *energy* into the *IESO-controlled grid*;

19.10.1.2 is a registered *market participant* authorized as an electricity storage participant in accordance with the applicable *market manual*;

19.10.1.3 registers its *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*;

19.10.1.4 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*;

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

19.11 Energy Market Participation for Capacity Storage Resources

19.11.1 A *capacity market participant* satisfying its *capacity obligation* with a *capacity storage resource* shall receive an *availability payment* during the *obligation period*, in accordance with this section and the applicable *market manual*. *Availability payments* may be offset by non-performance charges in accordance with section 4.7J of Chapter 9.

Dispatch of Capacity Storage Resources

19.11.2 The IESO shall schedule a capacity storage resource as it would a generation facility in the energy market, and issue dispatch instructions in accordance with Chapter 7.

19.11.3 A capacity storage resource that is participating as a generation facility shall comply with IESO dispatch instructions in accordance with Chapter 7.

19.11.4 The IESO may disqualify from future participation in the capacity auction any capacity market participant that fails to inject energy in order to satisfy its capacity obligation when called upon in accordance with this section 19.

Outage Notification Requirements for Capacity Storage Resources

19.11.5 Each capacity storage resource shall comply with the outage notification requirements of a generation facility as outlined in Chapter 5.

19.11.6 A capacity storage resource shall reduce its offer to reflect the maximum capacity that it reasonably expects it can inject in accordance with section 3.5.6.

Activation Testing for Capacity Storage Resources

19.11.7 The IESO may, in accordance with the applicable market manual, direct a capacity market participant to perform activation testing for each capacity storage resource up to a maximum of two activation tests per obligation period to verify that a capacity obligation can be satisfied for a duration specified in the applicable market manual by the capacity market participant.

19.11.8 If a capacity market participant fails an activation test performed pursuant to section 19.11.7, the capacity market participant shall be subject to non-performance charges in accordance with the applicable market manual. Failure during activation testing shall be considered a breach of the market rules and may result in sanctions in accordance with section 6.2 of Chapter 3.

19.11.9 The IESO shall provide a capacity storage resource notification at least one hour in advance of the dispatch hour of the test activation and the test activation shall occur within the availability window of an obligation period.

19.11.10 The test activation shall occur in accordance with the dispatch instructions specified in this section 19.11.

PART 5 – IESO BOARD DECISION RATIONALE

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