

Final Alignment Supplementary: Incremental Amendments

Incremental Amendments from Provisionally Approved baseline	
Title:	Chapter 0.2 and Appendices – Participation
Current Market Rules Baseline:	
This document shows only excerpts from sections that have been revised since the Technical Panel provisionally recommended/IESO Board provisionally approved version with tracked changes. For the full version of this and other chapters, refer to the market rule amendment proposal documents (MR-00481-R00-R12).	

Introduction

A.1 Chapter Scope and Operation

A.1.1 This Chapter is part of the *renewed market rules*, which pertain to:

A.1.1.1 the period prior to a *market transition* insofar as the provisions are relevant and applicable to the rights and obligations of the *IESO* and *market participants* relating to preparation for operation in the *IESO administered markets* following commencement of *market transition*; and

A.1.1.2 the period following commencement of *market transition* in respect of all the rights and obligations of the *IESO* and *market participants*.

A.1.2 All references herein to chapters or provisions of the *market rules* will be interpreted as, and deemed to be references to chapters and provisions of the *renewed market rules*.

A.1.3 Upon commencement of the *market transition*, the *legacy market rules* will be immediately revoked and only the *renewed market rules* will remain in force.

A.1.4 For certainty, the revocation of the *legacy market rules* upon commencement of *market transition* does not:

A.1.4.1 affect the previous operation of any *market rule* or *market manual* in effect before the *market transition*;

A.1.4.2 affect any right, privilege, obligation or liability that came into existence under the *market rules* or *market manuals* in effect prior to the *market transition*;

A.1.4.3 affect any breach, non-compliance, offense or violation committed under or relating to the *market rules* or *market manuals* in effect prior to the *market transition*, or any sanction or penalty incurred in connection with such breach, non-compliance, offense or violation

A.1.4.4 affect an investigation, proceeding or remedy in respect of,

(a) a right, privilege, obligation or liability described in subsection A.1.4.2, or

(b) a sanction or penalty described in subsection A.1.4.3.

A.1.5. An investigation, proceeding or remedy described in subsection A.1.4.3 may be commenced, continued or enforced, and any sanction or penalty may be imposed, as if the *legacy market rules* had not been revoked.

B.1 Exceptions

B.1.1 Notwithstanding section 5.5.1, for the purposes of facilitating the *market transition*, and for such time as may be required for the *IESO* to accumulate sufficient data to comply with section 5.5.1, the *IESO* may for the calculation of *actual exposure*, calculate a *market participant's actual exposure* for *physical transactions* using an average of the actual net *settlement amounts* for the three most recent *energy market billing periods*, in which that *market participant* has conducted *physical transactions* for *energy*.

1. Introduction

1.1 Introduction

1.1.1 This Chapter sets forth:

- 1.1.1.1 the procedures pursuant to which persons may apply to the *IESO* 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*;
- 1.1.1.2 the prudential, technical and other requirements which must be met by prospective *market participants* and by *market participants*;
- 1.1.1.3 the fees payable by prospective *market participants* and by *market participants*; and
- 1.1.1.4 the terms and conditions upon which a *market participant* may cease to be a *market participant*.

1.2 Participation

1.2.0 A person who has been issued a *licence* by the *OEB* pursuant to Part V of the *Ontario Energy Board Act, 1998*, is subject to all *market rules* relating to the activities authorized by such *licence* and all other applicable *market rules*.

- 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 *IESO-administered markets*, will satisfy the applicable *prudential support* requirements and any other financial requirements set forth in the *market rules*;
 - 1.2.2.3 that the person has executed a *participation agreement* and filed same with the *IESO*;
 - 1.2.2.4 that the person holds a *licence* permitting the person to engage in one or more of the activities described in section 57 of the *Ontario Energy Board Act, 1998*, unless:

- a. the person is exempt by regulation enacted pursuant to the Ontario Energy Board Act, 1998 from the obligation to hold such a *licence*; or
- b. the person is not engaging in an activity for which the person requires a *licence* pursuant to section 57 of the Ontario Energy Board Act, 1998; and

1.2.2.5 [Intentionally left blank – section deleted]

1.2.2.6 on the basis of the documentation referred to in section 3.1.2.2, that the person, if it applies for authorization as a *market participant* other than for authorization to participate solely as one or a combination of (i) a *virtual trader*, (ii) a *TR participant*; or (iii) a *capacity auction participant*:

- a. is registered for the federal harmonized value-added tax system under Part IX of the Excise Tax Act (Canada); or
- b. is resident in Canada and is, by virtue of *applicable law*, not liable to pay the federal harmonized value-added tax imposed under Part IX of the Excise Tax Act (Canada).

1.2.2.7 that the person ~~, if it applies for authorization to participate solely as one or a combination of:~~

~~a. an energy trader; or~~

~~b. a virtual trader~~

~~has disclosed to the IESO; all its market control entities pursuant to MR Ch.7 s.22.9.2.~~

~~1.2.2A — [Intentionally left blank — section deleted]~~

1.2.3 A person who has been 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* may participate in the market or trading activities to which the authorization to participate relates.

1.2.4 A person who is authorized ~~by prior to a market transition by~~ the *IESO* to conduct *physical transactions* under this section 1.2, shall be authorized to participate in the *real-time market* and the *day-ahead market*. For greater certainty, nothing in this provision shall be construed to permit a *market participant* to change its *facility* or *resource* registration, except as otherwise permitted by the *market rules*.

2. Classes of Market Participants

2.1.1 A person may apply for authorization to participate as one or more of the following classes of *market participants* 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 [Intentionally left blank—section deleted];~~

~~2.1.1.8 [Intentionally left blank—section deleted]~~

~~2.1.1.9 [Intentionally left blank—section deleted]~~

~~2.1.1.10 [Intentionally left blank—section deleted]~~

2.1.1.11 *capacity market participants;*

2.1.1.12 *capacity auction participants;*

2.1.1.13 *electricity storage participants;*

2.1.1.14 *virtual traders; and*

2.1.1.15 *TR participants.*

3. Authorization

3.1. 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 for authorization to participate*; and

3.1.3 The *IESO* shall, within ten *business days* of receiving an *application for authorization to participate* or within such longer period of time as may be agreed between the *IESO* and the applicant, advise the applicant of any further information or clarification which is required in support of its application if, in the *IESO's* opinion, the *application is: for authorization to participate is:*

3.1.3.1 incomplete; or

3.1.3.2 contains information with respect to which the *IESO* requires clarification.

3.1.4 If the further information or clarification which is requested by the *IESO* pursuant to section 3.1.3 is not provided to the *IESO's* satisfaction within fifteen *business days* of the request or within such longer period of time as may be agreed between the *IESO* and the applicant, the applicant will be deemed to have withdrawn the *application for authorization to participate*.

3.1.5 An applicant or *market participant* shall forthwith advise the *IESO* of any circumstances which result or are likely to result in a change in the information provided in the *application for authorization to participate* or in any updates thereto.

3.1.6 The *IESO* shall establish, maintain, update and *publish*:

3.1.6.1 a list of all *market participants* and a list of all *applications for authorization to participate* filed with the *IESO*;

3.1.6.2 a list of all *market participants* that will cease to be *market participants* and the time that each listed *market participant* will cease to be a *market participant*;

3.1.6.3 a list of all *market participants* that are the subject of a *suspension order* or a *termination order* and the time at which the rights of each listed *market participant* was suspended or terminated; and

3.1.6.4 a list of all *market participants* that are the subject of an order referred to in ~~section MR Ch.3 s.6.5.1 of Chapter 3~~, and the time at which such order became effective in respect of each listed *market participant*.

4. Orders Authorizing Participation

4.1. Authorization Orders

- 4.1.8 If the *IESO* is not satisfied that an applicant meets the requirements set out in section 1.2.2, the *IESO* shall, within twenty *business days* of receipt of the *application for authorization to participate* or of the further information or clarification requested under section 3.1.3, whichever is the later, or within such longer period of time as may be agreed between the *IESO* and the applicant, by order deny the applicant 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*.
- 4.1.9 A conditional order shall be deemed to constitute the order authorizing the applicant 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* as of the date the applicant receives notification from the *IESO* that the applicant has fulfilled all the conditions of the order.
- 4.1.10 A person to whom a *facility* is transferred in accordance with ~~section~~MR Ch.7 s. 2.5 ~~of Chapter 7~~, shall be deemed to be a *market participant* as of the commencement of the first *trading day* following completion of the transfer and shall expeditiously pursue and complete the conditions precedent to becoming fully authorized as required by this Chapter.
- 4.1.11 A person who wishes to dispute an order of the *IESO* made pursuant to section 3.1.5, 3.1.6, or 4.1.1 shall follow the dispute resolution procedures set forth in ~~section 2 of Chapter 3~~MR Ch.3 s.2.

5. Prudential Requirements

5.2 Market Participant Obligations

- 5.2.1 Each *market participant* shall initially and continually satisfy the obligations set forth in this section 5.2 with regard to the provision of *prudential support* as a condition of ~~participating in the~~ (i) conducting *physical transactions* in the *real-time market* or (ii) conducting *physical transactions* or *virtual transactions* in the *day-ahead market* or (iii) ~~of~~ causing or permitting electricity to be conveyed into, through or out of the *IESO-controlled grid*.
- 5.2.2 Each *market participant* shall provide to the *IESO* and at all times maintain *prudential support* the value of which is not less than the *market participant's* applicable *prudential support obligations*. For this purpose, the aggregate value of the *prudential support* shall be equal to the value of the undrawn or unclaimed amounts of *prudential support* provided by the *market participant*.
- 5.2.3 No *market participant* that is required, pursuant to section 5.3.9, section 5C.5.1, or section 5D.5.1, as the case may be, to provide *prudential support* shall participate in the *real-time market* or the *day-ahead market* or cause or permit electricity to be conveyed into, through or out of the *IESO-controlled grid* unless that *market participant* satisfies the *prudential support* requirements of this section, section 5C, section 5D and Appendix MR Ch.2 App.2.3.
- 5.2.4 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 maximum net exposure* for *physical transactions* and *virtual transactions*.
- 5.2.5 If *prudential support* previously provided to the *IESO* by a *market participant* pursuant to section 5.7, section 5C.5, or section 5D.5 (the "*existing support*"), 5C.5, or 5D.5 is due to expire or terminate and, upon expiry or termination of the *existing support* the total *prudential support* held by the *IESO* in respect of that *market participant* will be less than the *market participant's* applicable *prudential support obligations* then, at least ten *business days* prior to the time at which the *existing support* is due to expire or terminate, the *market participant* must provide to the *IESO* a replacement *prudential support* which will become effective no later than the expiry or termination of the *existing support*, such that the total *prudential support* provided is equal to the *market participant's prudential support obligation*.

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- 5.2.7A Notwithstanding any other provision of the *market rules*, the *IESO* may exercise its rights in accordance with section MR Ch.3 s.6.3.3.2 of Chapter 3 and Appendix MR Ch.2 App.2.3 of this Chapter over any amount of *prudential*

support that has been provided by a *market participant* or a person providing *prudential support* on behalf of that *market participant* irrespective of whether the *prudential support* was provided for the purpose of satisfying a *prudential support obligation* for *physical transactions* or a *prudential support obligation* for *virtual transactions*.

- 5.2.8 If, as a result of the *IESO* exercising its rights over the *prudential support* provided by a *market participant* in accordance with ~~section MR Ch.3 s. 6.3.3.2 of Chapter 3~~ and ~~Appendix MR Ch.2 App. 2.3~~, the remaining *prudential support* held by the *IESO* in respect of that *market participant* is less than the *market participant's* applicable *prudential support obligations*, the *market participant* must, within five *business days* of receiving notice of the exercise by the *IESO* of such rights, provide the *IESO* with additional *prudential support* such that the total *prudential support* provided is equal to the *market participant's* applicable *prudential support obligations*.
- 5.2.9 A *market participant* to which a *margin call* has been issued pursuant to section 5.4.2, 5C.2.2, or 5D.3.2 shall respond to such *margin call* in accordance with section 5.6, 5C.4 or 5D.4, as the case may be.
- 5.2.10 For the purpose of section 5, a *retailer* shall be deemed to be an *energy trader*.

5.3 Calculation of Participant Trading Limit, Default Protection Amount and Maximum Net Exposure for Physical Transactions

Maximum Net Exposure

- 5.3.1 The *IESO* shall determine, for each *market participant* intending to conduct *physical transactions*, subject to section 5.6.5, a *maximum net exposure* for *physical transactions* as the sum of the *market participant's trading limit* for *physical transactions*, the *market participant's default protection amount* for *physical transactions* and amounts, if any, for which the *market participant* is liable under ~~section MR Ch.7 s.2.5.4 of Chapter 7~~.

Self-Assessed Trading Limit

- 5.3.2 Subject to section 5.3.3, each *market participant* intending to conduct *physical transactions* shall determine and submit to the *IESO*, using forms and procedures as may be established by the *IESO* in the applicable *market manual*, the amount of its *self-assessed trading limit*, even if that *self-assessed trading limit* is zero.

~~5.3.2.1~~ —[Intentionally left blank]

a.—[Intentionally left blank]

b.—[Intentionally left blank]

5.3.2.2—[Intentionally left blank]

a.—[Intentionally left blank]

b.—[Intentionally left blank]

5.3.2A—[Intentionally left blank]

5.3.2A.1—[Intentionally left blank]

a.—[Intentionally left blank]

b.—[Intentionally left blank]

5.3.2A.2—[Intentionally left blank]

a.—[Intentionally left blank]

b.—[Intentionally left blank]

5.3.2A.3—[Intentionally left blank]

5.3.3 The *self-assessed trading limit* submitted by a *market participant* under section 5.3.2 shall be applicable for the remainder of the current and all future *energy market billing periods* until a revised *self-assessed trading limit* is submitted by that *market participant* to the *IESO* in accordance with the provisions of section 5.3.2. If a *market participant* submits a *self-assessed trading limit* pursuant to section 5.3.2, that *self-assessed trading limit* shall, subject to section 5.3.3A, supersede any previous *self-assessed trading limit*, and the previous *self-assessed trading limit* shall not be applicable to any such future *energy market billing periods*.

5.3.3A A *market participant's* revised *self-assessed trading limit* submitted in accordance with section 5.3.3 shall take effect once the *IESO* confirms receipt of any additional *prudential support*, as ~~required by the *IESO*~~would be required based on the *market participant's* revised *self-assessed trading limit* pursuant to the *market rules*.

Minimum Trading Limit

5.3.4 Subject to section 5.6.5, the *IESO* shall establish a *minimum trading limit* for *physical transactions* for each *market participant* intending to conduct *physical transactions* as follows:

5.3.4.1 the *minimum trading limit* for *physical transactions* for a *market participant* that is not an *energy trader*, shall be equal to the *IESO's*

estimate of the *market participant's net settlement amounts*, excluding estimated *settlement amounts* associated with *virtual transactions* and *transmission rights*, assuming seven days of participation by way of *physical transactions* and assuming all *energy* injected or withdrawn is transacted through *physical transactions*. The *IESO* may use a greater number, up to and including 49 days, of participation in *physical transactions* for the determination of a *market participant's minimum trading limit* for *physical transactions* if that *market participant* that is not an *energy trader* was subject to more than one *margin call* per *energy market billing period* in respect of *physical transactions*, provided that any such *margin call* is not the result of a price spike;

a.—[Intentionally left blank]

b.—[Intentionally left blank]

c.—[Intentionally left blank]

- 5.3.4.2 the *minimum trading limit* for *physical transactions* for an *energy trader* that has conducted *physical transactions* for *energy* for at least three previous *energy market billing periods* shall be equal to 25% of the *IESO's* estimate of the *market participant's net settlement amounts* for the upcoming *energy market billing period* associated with *physical transactions*. In estimating this net *settlement amount*, the *IESO* shall, subject to section 5.3.4.3, use an average of the actual net *settlement amounts* for the three most recent *energy market billing periods* in which that *market participant* has conducted *physical transactions* for *energy*. The *IESO* may use a greater percentage, up to and including 100%, of the estimated *market participant's net settlement amounts* for the determination of a *market participant's minimum trading limit* for *physical transactions* if that *market participant* was subject to more than one *margin call* in respect of *physical transactions* per *energy market billing period*, provided that any such *margin call* is not caused by a price spike; and

a.—[Intentionally left blank]

b.—[Intentionally left blank]

- 5.3.4.3 the *minimum trading limit* for *physical transactions* for an *energy trader* who has not conducted *physical transactions* for *energy* for at least three previous *billing periods*, shall be equal to the greater of:
- a. i.—25% of the absolute value of the *market participant's* estimate of its net *settlement amount* for the upcoming *energy market billing period*. Such a *market participant* shall provide to the *IESO*, an estimate of its net *settlement amount* for the upcoming *energy market billing period*. The *IESO* may adjust the *market*

participant's minimum trading limit at any time if that *market participant's actual net settlement amounts* for the current *billing period* are projected to differ significantly from the estimate provided; or

b. ~~ii.~~ \$25,000.

5.3.4A—[Intentionally left blank]

5.3.4A.1—[Intentionally left blank]

a.—[Intentionally left blank]

b.—[Intentionally left blank]

5.3.4A.2—[Intentionally left blank]

5.3.4B—[Intentionally left blank]

5.3.4B.1—[Intentionally left blank]

a.—[Intentionally left blank]

b.—[Intentionally left blank]

c.—[Intentionally left blank]

i.—[Intentionally left blank]

ii.—[Intentionally left blank]

d.—[Intentionally left blank]

e.—[Intentionally left blank]

i.—[Intentionally left blank]

ii.—[Intentionally left blank]

5.3.4B.2—[Intentionally left blank]

a.—[Intentionally left blank]

b.—[Intentionally left blank]

c.—[Intentionally left blank]

i.—[Intentionally left blank]

ii.—[Intentionally left blank]

d.—[Intentionally left blank]

e.—[Intentionally left blank]

i. ~~[Intentionally left blank]~~

ii. ~~[Intentionally left blank]~~

5.3.4C ~~[Intentionally left blank]~~

Establishing Market Participant Trading Limit

5.3.6 If a *market participant* does not provide a *self-assessed trading limit* as specified in section 5.3.2, the *IESO* shall use the greater of the following two amounts for that *market participant's trading limit* for *physical transactions* for the remainder of the current or upcoming *energy market billing period*:

5.3.6.1 the *market participant's minimum trading limit* for that *energy market billing period* as determined pursuant to section 5.3.4; or

5.3.6.2 the *market participant's trading limit* for *physical transactions* in effect for the current *energy market billing period*.

5.3.6.3 ~~[Intentionally left blank]~~

5.3.6.4 ~~[Intentionally left blank]~~

5.3.6.5 ~~[Intentionally left blank]~~

5.3.6A ~~[Intentionally left blank]~~

5.3.7 [Intentionally left blank – section deleted]

Adjusting Trading Limit and Default Protection Amount for Physical Bilateral Contracts

5.3.8B If the conditions of 5.3.8A are met, the *IESO* shall determine the *market participant's minimum trading limit* and *default protection amount*, in respect of *physical transactions*, assuming all *energy* injected or withdrawn is transacted through ~~the day-ahead market or real-time market~~ *physical transactions* net of *energy* quantities associated with those *physical bilateral contracts*.

Price Bases Used for Determining Minimum Trading Limit and Default Protection Amount

5.3.10A When calculating the *minimum trading limit* and the *default protection amount* for *market participants* other than *energy traders* in sections 5.3.4, 5.3.8 and 5.3.8B respectively, the *IESO* shall establish and use as its price basis the price basis established in accordance with the following:

5.3.10A.1 for a *market participant* that is associated with a *generation resource*, *electricity storage resource*, *dispatchable load*, or *price responsive load*, the greater of (i) the hourly locational marginal price in the day-ahead market or (ii) the hourly average locational marginal price in the real-time market; or price basis will be determined as the value that is the percentile set out in the applicable *market manual* of the following values ranked from lowest to highest:

- a. in respect of each delivery point and settlement hour over the preceding three-year period, the greater of the locational marginal price in the day-ahead market and the hourly average locational marginal price in the real-time market;

5.3.10A.2 for a *market participant* that is associated with a *non-dispatchable load*, the greater of (i) the Ontario zonal price the day-ahead market or (ii) the hourly average Ontario zonal price in the real-time market; price basis will be determined as the value that is the percentile set out in the applicable *market manual* of the following values ranked from lowest to highest:

- a. in respect of each delivery point and settlement hour over the preceding three-year period, the greater of the Ontario zonal price in the day-ahead market and the hourly average Ontario zonal price in the real-time market;

5.3.10A.3 notwithstanding the foregoing, until the requisite amount of historical data is available, the price basis shall be determined by the IESO using the same methodology as described in sections 5.3.10A.1 and 5.3.10A.2 except using shadow prices from the day-ahead commitment process and the real-time market as necessary to ensure the requisite amount of data is included in the determination of the price basis; or

5.3.10A.4 notwithstanding the foregoing, if the OEB publishes prices, the IESO may use such published prices as the price basis.

5.3.10B The IESO may from time to time, but no less frequent than annually, review each price basis established in accordance with section 5.3.10A. If during such review the IESO determines that reassessing the price basis in accordance with section 5.3.10A would result in an increase or decrease by 15% or more, the IESO shall reassess and establish a new price basis in accordance with section

~~5.3.10A. The IESO shall annually review each price basis referred to in section 5.3.10A. The IESO shall modify the applicable price basis if it has increased or decreased by 15% or more from the price basis used by the IESO.~~

~~5.3.10C — The IESO may, in determining the price basis in accordance with section 5.3.10A, use any applicable prices published by the OEB.~~

Reviewing and Modifying Trading Limits, Default Protection Amount and Maximum Net Exposure

5.3.11 The IESO may review the *minimum trading limit* for *physical transactions* where applicable, and the *trading limit*, ~~default protection amount~~*default protection amount* and *maximum net exposure* for *physical transactions*, of each *market participant* in circumstances that include:

5.4 Monitoring of Actual Exposure and Trading Limit for Physical Transactions

5.4.1 If at any time the *actual exposure* for *physical transactions* of a *market participant* that is not also a *virtual trader*, is equal to or exceeds 70% and is less than 100% of the *market participant's trading limit*, the IESO shall inform the *market participant* of that fact unless the *market participant* has opted for the *no margin call option* pursuant to section 5.6.4. The *market participant* may, but is not required to, make a cash payment to be applied to reduce its *actual exposure* or take other action to prevent its *actual exposure* from reaching its *trading limit*. No interest shall be paid on any such payment.

~~5.4.1.1 — [Intentionally left blank]~~

~~5.4.1.2 — [Intentionally left blank]~~

5.4.2 If at any time the *actual exposure* for *physical transactions* of a *market participant* that is not also a *virtual trader*, equals or exceeds the *market participant's trading limit* for *physical transactions*, the IESO shall issue to the *market participant* a *margin call* unless the *market participant* has opted for the *no margin call option* pursuant to section 5.6.4.

~~5.4.2.1 — [Intentionally left blank]~~

~~5.4.2.2 — [Intentionally left blank]~~

~~5.4.3 — [Intentionally left blank]~~

5.5 Calculation of Actual Exposure for Physical Transactions

5.5.1 For the purposes of section 5.4, a *market participant's actual exposure* for *physical transactions* shall be a dollar amount determined by the *IESO* each *business day* shall be equal to and as further described in ~~accordance with~~ the applicable *market manual* ~~and shall be equal to~~:

5.5.1.1 the aggregate of:

- a. all amounts payable by the *market participant* in respect of *physical transactions* for *billing periods* prior to the current *billing period* which remain unpaid by the *market participant*, whether or not the applicable market participant payment date ~~thereof~~ has yet been reached; and
- b. the *IESO's* reasonable estimate of the aggregate hourly and non-hourly *settlement amounts* payable by the *market participant* in respect of *physical transactions* which have already occurred in the current *billing period*;

5.5.1.2 less the aggregate of:

- a. all amounts payable to the *market participant* in respect of *physical transactions* for *billing periods* prior to the current *billing period* which remain unpaid, whether or not the IESO payment date ~~payment date~~ thereof has yet been reached; and
- b. the *IESO's* reasonable estimate of the aggregate hourly and non-hourly *settlement amounts* payable to the *market participant* in respect of *physical transactions* which have already occurred in the current *billing period*.

5.6 Margin Call Requirements and the No Margin Call Option for Physical Transactions

5.6.1 A *market participant* that is not also a *virtual trader* must satisfy a *margin call* in respect of *physical transactions* within the time prescribed in section 5.6.2 by paying a portion of the amount payable or which will become payable in respect of the previous or current *energy market billing period*, in accordance with Chapter MR Ch.9, in an amount sufficient to reduce the *market participant's actual exposure* to no more than the dollar equivalent of 75% of the *market participant's trading limit*. No interest shall be paid on such payments.

5.6.1.1 —[Intentionally left blank]

~~5.6.1.2~~ [Intentionally left blank]

- 5.6.2 The time within which a *margin call* in respect of *physical transactions* must be satisfied under section 5.6.1 shall be by 4:00 pm on the second *business day* following the date of the *margin call*.
- 5.6.3 For the purposes of the *market rules*, a payment made pursuant to section 5.6.1 shall be applied first to the amount outstanding for *physical transactions* with respect to the earliest *energy market billing period* under the *market rules* and, if the amount outstanding under the *market rules* in respect of that *billing period* is less than the amount of the payment, then the excess shall be applied to the next earliest *energy market billing period* ~~for *physical transactions*~~ in respect of which there is an amount outstanding under the *market rules* and so on until there is no excess.
- 5.6.4 Subject to section 5.6.7, a *market participant* shall not be subject to the *margin call* requirements of sections 5.6.1 and 5.6.2, subject to *IESO* approval, if it elects to use the *no margin call option* using forms and procedures as may be established by the *IESO* in the applicable *market manual*.

- 5.6.7 A *market participant* authorized to conduct *physical transactions* shall not be eligible to use the *no margin call option* if it is also authorized to conduct ~~both *physical transactions* and~~ *virtual transactions*.

5.7 Obligation to Provide Prudential Support for Physical Transactions

- 5.7.2A A *market participant* who has previously provided *prudential support* for *physical transactions* in accordance with subsections 5.7.2.2 or 5.7.2.4, who thereafter intends to become authorized as a *virtual trader* in accordance with subsection 2.1.1.14 ~~of Chapter 2~~, shall provide the *IESO* with replacement *prudential support* for *physical transactions*. ~~Such replacement *prudential support* for *physical transactions* shall be dated no earlier than January 1, 2023.~~

5.8 Reductions in Prudential Support Obligations for Physical Transactions

- 5.8.2 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 5.8.7 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 prudential support obligation*.

~~5.8.2A [Intentionally left blank—section deleted.]~~

- 5.8.3 Subject to section 5.8.6, the *prudential support obligation* for *physical transactions* of a *market participant* may be reduced relative to the *market participant’s maximum net exposure for physical transactions* ~~or, where applicable, relative to the otherwise applicable prudential support obligation calculated in accordance with section 5.3.4B~~, by an amount equal to the monetary value ascribed, in accordance with section 5.8.4 or 5.8.5, to the *market participant’s* historical good payment history in Ontario, which shall be assessed by the *IESO* on the basis of:

- 5.8.3.1 evidence provided by the *market participant* as to the continuous purchase of electricity by the *market participant* prior to the effective date of the *IESO-administered markets* during which time no call for collateral was issued to that *market participant* to protect the supplier from the risk of a payment default by that *market participant*;
- 5.8.3.2 verification of the evidence referred to in section 5.8.3.1 by the *IESO*; and
- 5.8.3.3 the *market participant’s* payment history in the *IESO-administered markets* provided that the *market participant’s* payment history includes no *event of default*.

-
- 5.8.6 The following restrictions shall apply to the provision of reductions in a *market participant’s prudential support obligation* for *physical transactions* as provided for under sections 5.8.1, 5.8.1A, and 5.8.3:

- 5.8.6.1 subject to the last paragraph of section 5.8.5, a *market participant* shall not be entitled to a reduction in its *prudential support obligation* pursuant to section 5.8.3 using the payment history of an *affiliate*;
- 5.8.6.2 a *market participant* that has a credit rating from a major bond rating agency identified in the list referred to in section 5.8.7 shall not be entitled to a reduction in its *prudential support obligation* under section 5.8.3; and

5.8.6.3 an *energy trader* shall not receive a reduction to its *prudential support obligation* for *physical transactions* pursuant to section 5.8.1 until the *energy trader* has conducted transactions for *energy* in the *IESO-administered markets* for at least three previous *energy market* *billing periods*.

5.8.8 The *IESO* shall reduce the *prudential support obligation* for *physical transactions* of a *distributor* by an amount equal to 60% of the *distributor's* collection of *prudential support*, in the forms specified in section 5.7.2.1, 5.7.2.2, 5.7.2.3, or 5.7.2.4, from the *distributor's* customers. In order to qualify for this reduction in *prudential support obligation*, the *distributor* shall provide the *IESO* with an affidavit attesting to the amount of *prudential support* of the types specified in this section which the *distributor* has collected from its customers attached to which by way of exhibits shall be copies of bank statements showing any cash deposits and any applicable letters of credit, guarantees, or Government of Canada T-bills held as *prudential support*. The *IESO* shall first deduct the *distributor's* collection of *prudential support* from the *distributor's* customers before applying any other *prudential support obligation* deductions in respect of *physical transactions*.

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5B. Capacity Prudential Requirements

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 *capacity prudential support* as a condition of delivering on a *capacity obligation*.

5B.2.2 No *market participant* that is required to provide *capacity prudential support* shall participate in the day ahead market or real-time ~~markets-market~~ 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.

- 5B.2.7 If the *IESO* draws upon part or all of a *market participant's capacity prudential support* in accordance with ~~section MR Ch.3 s.6.3.3.2 of Chapter 3~~ and the remaining *capacity prudential support* held by the *IESO* in respect of that *market participant* is less than the *market participant's capacity prudential support obligation*, the *market participant* must, within five *business days* of receiving notice from the *IESO*, provide the *IESO* with additional *capacity prudential support* such that the total *capacity prudential support* provided is at least equal to the *market participant's capacity prudential support obligation*.

5B.3 Calculation of Capacity Prudential Support Obligations

- 5B.3.1 The *IESO* shall determine, in accordance with the applicable *market manual*, for each *market participant*, a *capacity prudential support obligation* for each *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~~*IESO* shall review the ~~capacity prudential support obligation~~*capacity prudential support obligation* of each ~~market participant~~*market participant* as follows:
- 5B.3.2.1 prior to the start of each *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 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.4 Obligation to Provide Capacity Prudential Support

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

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 *capacity prudential support* provided by the *market participant*, include setting-off and applying any and all *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 day-ahead market or the real-time ~~markets~~market, including the costs, charges, expenses and fees described in section 5B.4.9.

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 *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 day-ahead market or the real-time ~~markets~~market.

5C. Virtual Transactions

5C.1 Calculation of Participant Trading Limit, Default Protection Amount and Maximum Net Exposure for Virtual Transactions

Maximum Daily Trading Limit

5C.1.4 A *virtual trader's* revised *maximum daily trading limit* submitted in accordance with section 5C.1.3 shall take effect once the *IESO* confirms receipt of any additional *prudential support*, as required by the ~~IESO~~ would be required based on the *virtual trader's* revised *maximum daily trading limit* pursuant to the *market rules*.

Establishing Default Protection Amounts for Virtual Transactions

5C.1.7 The IESO shall, for each energy market billing period, establish a *default protection amount* for *virtual transactions* for each *virtual trader* equal to the IESO's estimate of the *virtual trader's net settlement amounts*, assuming seven days of participation in the *day-ahead market*.

Price Delta Used for Determining Minimum Trading Limit and Default Protection Amount

5C.1.9 For purposes of calculating the *minimum trading limit* for *virtual transactions* and the *default protection amount* for *virtual transactions*, the IESO shall calculate/determine the price delta (ΔDAP_{VT} , $ARTP_{VT}$) as follows:

5C.1.9.1 The price delta (ΔDAP_{VT} , $ARTP_{VT}$) will be ~~the absolute value of the difference between the day-ahead virtual zonal energy price (DAP_{VT}) and the hourly average real-time virtual zonal energy price, and consider up to the 97th percentile based on the IESO's repository of three years of historical data from all applicable virtual transaction zonal trading entities within the IESO-administered markets, subject to subsection 5C.1.9.2~~ determined as the value that is the percentile set out in the applicable market manual of the following values ranked from lowest to highest:

a. In respect of all virtual transaction zones, the absolute value of the difference between the day-ahead market virtual zonal price and the hourly average real-time market virtual zonal price of the same settlement hours for all settlement hours within the immediately preceding three-year period;

5C.1.9.2 Until three years of historical data is available, the price delta (ΔDAP_{VT} , $ARTP_{VT}$) shall be estimated by the IESO based on relevant proxies and deemed to mean the "interim price delta" (ΔDAP_{VTI} , $ARTP_{VTI}$). The interim price delta may consider, but will not be limited to the following:

- a. shadow prices from the day-ahead commitment process and the *real-time market*;
- b. price delta information from *day-ahead markets* and *real-time markets* in neighbouring jurisdiction electricity systems;
- c. temporal weightings of the data used to calculate the day-ahead and real-time price deltas (ΔDAP_{VT} , $ARTP_{VT}$).

Reviewing and Modifying Trading Limits, Default Protection Amount and Maximum Net Exposure

5C.1.12 The *IESO* may review the *minimum trading limit*, *trading limit*, *default protection amount* and *maximum net exposure*, for *virtual transactions*, of each *virtual trader* in circumstances that include:

5C.1.12.1 prior to the start of each *energy market billing period*;

5C.1.12.2 within two *business days* after a *virtual trader's actual exposure* for *virtual transactions* exceeds the *virtual trader's trading limit* for *virtual transactions*;

5C.1.12.3 within two *business days* after it receives notice of any changes to the status of a *virtual trader* as compared to such status that was in effect when the *virtual trader's maximum net exposure* for *virtual transactions* was last calculated if the *IESO* determines that the change in such status would have a material impact on the *virtual trader's maximum net exposure* for *virtual transactions*;

5C.1.12.4 when the *IESO* has adjusted a *virtual trader's minimum trading limit*, if the *virtual trader* was subject to more than one *margin call* per *energy market billing period*, pursuant to section 5C.1.4; and

5C.1.12.5 when the *IESO* has adjusted the price delta under section 5C.1.9.

5C.1.12.6 when a *virtual trader* submits a revised *maximum daily trading limit* in accordance with section 5C.1.3.

5C.2 Monitoring of Actual Exposure and Trading Limit for Virtual Transactions

5C.2.1 If at any time the *actual exposure* for *virtual transactions* of a *virtual trader* that is not authorized to conduct *physical transactions*, is equal to or exceeds 70% and is less than 100% of the *virtual trader's trading limit* for *virtual transactions*, the *IESO* shall inform the *virtual trader* of that fact. The *virtual trader* may, but is not required to, make a cash payment to be applied to reduce its *actual exposure* or take other action to prevent its *actual exposure* from reaching its *trading limit*. No interest shall be paid on any such payment.

5C.2.2 If at any time the *actual exposure* for *virtual transactions* of a *virtual trader* that is not authorized to conduct *physical transactions*, equals or exceeds the *virtual trader's trading limit* for *virtual transactions*, the *IESO* shall issue to the *virtual trader* a *margin call* in respect of *virtual transactions*. Upon issuance of a *margin*

call, the *IESO* shall reject subsequent *virtual trader bids* and *offers* for *virtual transactions* until the *virtual trader* satisfies the *margin call* in accordance with section 5C.4.1;

~~5C.2.3 The *IESO* shall reject a *virtual trader's bids* and *offers* in respect of a *virtual transaction*, in the circumstances provided by in sections 2.6.7.5 and 2.6.7.6 of Chapter 7A.~~

5C.3 Calculation of Actual Exposure for Virtual Transactions

5C.3.1 For the purposes of sections 5C.2 and 5D.2.2, a *virtual trader's actual exposure* for *virtual transactions* shall be a dollar amount determined by the *IESO* each *business day*, in accordance with the applicable *market manual*, and shall be equal to:

5C.3.1.1 the aggregate of:

- a. all amounts payable by the *virtual trader* in respect of *virtual transactions* for *billing periods* prior to the current *billing period* which remain unpaid by the *virtual trader*, whether or not the market participant payment date thereof has yet been reached; and
- b. the *IESO's* reasonable estimate of the aggregate hourly and non-hourly *settlement amounts* payable by the *virtual trader* in respect of *virtual transactions* which have already occurred in the current *billing period*;

5C.3.1.2 less the aggregate of:

- a. all amounts payable to the *virtual trader* in respect of *virtual transactions* for *billing periods* prior to the current *billing period* which remain unpaid, whether or not the IESO payment date thereof has yet been reached; and
- b. the *IESO's* reasonable estimate of the aggregate hourly and non-hourly *settlement amounts* payable to the *virtual trader* in respect of *virtual transactions* which have already occurred in the current *billing period*.

5C.3.2 The *IESO* shall *publish* daily, a price delta for the purposes of calculating the daily cumulative *actual exposure* for *virtual transactions*. ~~This price delta will be the absolute value of the difference between the day-ahead virtual zonal energy~~

price (DAP_{vt}) and the hourly average real-time virtual zonal *energy* price, and consider up to the 97th percentile observed for the 30 calendar days prior to the given *trading day* of the current year, and 30 calendar days prior and after the same *trading day* and month for the prior 24 months for each of the virtual zones. This price delta will be determined as the value that is the percentile set out in the applicable *market manual* of the following values ranked from lowest to highest:

5C.3.2.1 In respect of each *virtual transaction zone*, the absolute value of the difference between the *day-ahead market virtual zonal price* and the hourly average *real-time market virtual zonal price* of the same *settlement hours* for all *settlement hours* within the following days:

- a. the 30 days immediately prior to *trading day* for which the price delta is being *published*;
- b. the *trading day* that is exactly 1 year prior to the *trading day* for which the price delta is being *published*;
- c. the 30 days immediately prior to and the 30 days immediately following the *trading day* referred to in subsection b;
- d. the *trading day* that is exactly 2 years prior to the *trading day* for which the price delta is being *published*; and
- e. the 30 days immediately prior to and the 30 days immediately following the *trading day* referred to in subsection d.

5C.3.3 Notwithstanding section 5C.3.2, until the requisite amount of historical data is available, the price delta shall be determined by the *IESO* using the same methodology as described in section 5C.3.2 except using shadow prices from the day-ahead commitment process and the *real-time market* as necessary to ensure the requisite amount of data is included in the determination of the price delta.

5C.4. Margin Call Requirements for Virtual Transactions

5C.4.1 A *virtual trader* that is not also authorized to conduct *physical transactions* must satisfy a *margin call* in respect of *virtual transactions* within the time prescribed in section 5C.4.3 by paying a portion of the amount payable or which will become payable in respect of the previous or current *energy market billing period*, in accordance with ~~Chapter-MR Ch.~~ 9, in an amount sufficient to reduce the *virtual trader's actual exposure* for *virtual transactions* to no more than the dollar equivalent of 75% of the *virtual trader's trading limit* for *virtual transactions*. No interest shall be paid on such payments.

5D. Prudential Support for Market Participants Authorized to Conduct Both Physical Transactions and Virtual Transactions

5D.2 Calculation of Consolidated Actual Exposure and Consolidated Trading Limit

5D.2.2 The consolidated *trading limit* of a *market participant* shall be the sum of the *market participant's trading limit* for *physical transactions* in accordance with section 5.3 and the *trading limit* for *virtual transactions* in accordance with section 5C.1.5.

5D.3 Monitoring of Consolidated Actual Exposure and Consolidated Trading Limit

5D.3.1 If at any time the consolidated *actual exposure* of a *market participant* is equal to or exceeds 70% and is less than 100% of the *market participant's consolidated trading limit*, the *IESO* shall inform the *market participant* of that fact. The *market participant* may, but is not required to, make a cash payment to be applied to reduce its consolidated *actual exposure* or take other action to prevent its consolidated *actual exposure* from reaching its consolidated *trading limit*. No interest shall be paid on any such payment.

5D.3.2 If at any time the consolidated *actual exposure* of a *market participant* equals or exceeds the *market participant's consolidated trading limit*, the *IESO* shall issue to the *market participant* a consolidated *margin call*. Upon issuance of a consolidated *margin call*, the *IESO* shall reject subsequent *market participant bids* and *offers* for *virtual transactions* until the *market participant* satisfies the consolidated *margin call* in accordance with section 5D.4.1.

~~5D.3.3 The *IESO* shall reject a *market participant's bids* and *offers* in respect of a *virtual transaction*, in the circumstances provided by in sections 2.6.7.5 and 2.6.7.6 of Chapter 7A.~~

5D.4 Consolidated Margin Call Requirements

5D.4.1 A *market participant* must satisfy a consolidated *margin call* within the time prescribed in section 5D.4.2 by paying a portion of the amount payable or which will become payable in respect of the previous or current *energy market billing period*, in accordance with ~~Chapter~~MR Ch. 9, in an amount sufficient to reduce the *market participant's consolidated actual exposure* to no more than the dollar

equivalent of 75% of the *market participant's consolidated trading limit*. No interest shall be paid on such payments.

6. Technical Requirements

6.1 Technical Requirements

6.1.1 Each *market participant, embedded generator, embedded electricity storage participant* and *embedded load consumer* shall, in addition to ensuring that its *facilities* and equipment meet all other applicable technical requirements set forth in these *market rules* ensure that its *facilities*:

6.1.1.1 meet the applicable technical requirements of Appendix 2.2; and

6.1.1.2 are capable of meeting the performance standards referred to in ~~section~~MR Ch.4 ss. 7.3.1.4, 7.3A.1.4, 7.4.1.2, 7.5.1.2 or 7.6.1.2, as the case may be, ~~of Chapter 4.~~

6.2 Certification, Testing and Inspection for Authorization

6.2.1 Each person referred to in section 6.1.1 that applies for authorization as a *market participant* shall, as a condition of obtaining authorization as a *market participant* pursuant to section 3 or 4.1.1, certify to the *IESO* that its *participant workstation* complies with all applicable technical requirements set forth in ~~Appendix~~MR Ch.2 App.2.2.

6.2.2 Each person referred to in section 6.1.1 that applies for authorization as a *market participant* shall, as a condition of obtaining authorization as a *market participant* pursuant to section 3 or 4.1.1, successfully complete such testing and permit such inspection as the *IESO* may require for the purposes of testing or inspecting whether the person's *participant workstation* meets all applicable technical requirements set forth in ~~Appendix~~MR Ch.2 App.2.2.

6.3 Certification, Testing and Inspection for Registration of Facilities

6.3.1 Each *market participant* shall, as a condition of obtaining the registration of its *facility* and any associated *resource* or for using a *boundary entity resource* pursuant to ~~section~~MR Ch. 7 s. 2.2 ~~of Chapter 7~~ or as a condition of obtaining approval to aggregate *resources*:

- 6.3.1.1 provide the certifications referred to in ~~sections MR Ch.7 ss.2.2.3.3 and 2.2.3.4 or in sections 2MR Ch.7 ss.2.3.2.4 and 2.3.2.5 of Chapter 7~~, as the case may be; and
- 6.3.1.2 successfully complete the testing and permit the inspection referred to in ~~section MR Ch.7 ss. 2.2.3.5 or 2.3.2.6 of Chapter 7~~, as the case may be.

7. Payment Default Procedure

- 7.1.1 The *events of default* relating to payment and either *prudential support*, *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~~ MR Ch.3 s.6.3.

8. Default Levy

8.1 Power to Impose Default Levy

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- 8.1.3 [Intentionally left blank – section deleted]

- 8.1.4 The provisions of this section 8 apply only to a default in payment by a *defaulting market participant* in the *real-time market* or the *day-ahead market*. Default in payment by a *defaulting market participant* in the *TR market* shall be addressed in accordance with the provisions of ~~section 4 of Chapter 8~~ MR Ch.8 s.3.

8.2 Notice of First Default Levy

- 8.2.1 Where a *market participant* has failed to either remit or cause to be remitted to the *IESO settlement clearing account* the full amount due by that *market participant* by the close of banking business (of the bank at which the *IESO settlement clearing account* is held) on a *market participant payment date*:
 - 8.2.1.1 [Intentionally left blank]
 - 8.2.1.2 [Intentionally left blank]
 - 8.2.1.3 the *IESO* may take such steps as may be permitted by ~~section 6.14 of Chapter 9~~ MR Ch.9 s.6.16.

8.2.3 A first *notice of default levy* shall be issued to each *non-defaulting market participant* that participated in the *real-time market* or the *day-ahead market* to which the default in payment by the *defaulting market participant* relates during the *billing period* to which such default relates and shall identify:

8.2.3.1 the name of the defaulting *market participant*;

8.2.3.2 [Intentionally left blank];

8.2.3.3 the *defaulting market participant's default amount*, calculated in accordance with section 8.3.1;

8.2.3.4 the amount of the first *default levy* calculated in accordance with section 8.3.2; and

8.2.3.5 [Intentionally left blank];

8.2.3.6 [Intentionally left blank];

8.2.3.7 the *non-defaulting market participant's* share of the first *default levy*, calculated in accordance with section 8.6.1; and.

~~8.2.3.8 [Intentionally left blank].~~

8.3 Calculation of Default Amount and First Default Levy

8.3.1 For the purposes of section 8.2.3.3, the *market participant's default amount* shall be the aggregate of:

8.3.1.1 the net *invoice* amount payable by the *defaulting market participant* for the *billing period* in respect of which payment has not been received within the time specified in section 8.2.2, exclusive of any amounts payable on account of financial penalties or damages; and

8.3.1.2 any *default interest* payable in respect of the amount referred to in section 8.3.1.1 that has accrued since the *market participant payment date* referred to in section 8.2.1 in accordance with ~~section MR Ch.9 s.6.14~~section 6.3 of Chapter 9.

8.4 Notice of Second Default Levy

8.4.1 Unless the amount of the first *default levy* is equal to the *defaulting market participant's default amount* the *IESO* shall, issue a second *notice of default levy*

or further successive ~~default levy~~*default levy* notices in accordance with section 8.4.2.

8.5 Calculation of Residual Default Amount and Second Default Levy

8.5.1 For the purposes of section 8.4.2.3, the *defaulting market participant's* residual *default amount* shall be:

- 8.5.1.1 the aggregate of:
- a. the net *invoice* amount payable by the *defaulting market participant* for the *billing period* in respect of which payment has not been received as of the date of issuance of the second *notice of default levy*, exclusive of any amounts payable on account of financial penalties or damages; and
 - b. any *default interest* payable in respect of the amount referred to in section 8.5.1.1(a) that has accrued since the date of issuance of the first *notice of default levy* in accordance with ~~section MR Ch.9 s.6.14~~*16.3 of Chapter 9*;

8.6 Apportionment and Invoicing of Default Levy

8.6.1 For the purposes of sections 8.2.3.7 and 8.4.2.8, the amount of a *default levy* shall be apportioned amongst all *non-defaulting market participants* to whom a *notice of default levy* has been issued in accordance with sections 8.2.3 or 8.4.2 by allocating to each *non-defaulting market participant* a share of the *default levy* calculated as follows:

8.6.1.1 in the case of a *default levy* imposed in respect of a default in the *real-time market* or the *day-ahead market*, the share allocated to each *non-defaulting market participant* shall be determined on the basis of the following formula:

[<i>default amount</i> x (absolute value of the <i>non-defaulting market participant's</i> net <i>invoice</i> amount, exclusive of any amounts payable on account of financial penalties or damages, in the <i>real-time market</i> or <i>and</i>	divided by	net transaction dollar amount
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the <i>day-ahead market</i> for the <i>billing period</i> to which the default in payment by the <i>defaulting market participant</i> relates)]		
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Where the *net transaction dollar amount* is:

Σ the absolute value, in dollars, of each <i>market participant's net invoice amount</i> , for the <i>real-time market or the day-ahead energy</i> <i>market billing period</i> to which the default in payment by the <i>defaulting market participant</i> relates	Minus minus	the absolute value, in dollars, of the <i>defaulting market participant's net invoice amount</i> for such <i>real-time market or the day-ahead energy</i> <i>market billing period</i> ;
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~~or~~

~~8.6.1.2~~ — [Intentionally left blank — section deleted]

8.6.2 Subject to section 8.6.3, a *non-defaulting market participant's* share of a *default levy* shall be included in or with the first *invoice* scheduled to be issued to the *non-defaulting market participant* pursuant to ~~Chapter~~MR Ch.9 following the expiry of the time noted in section 8.2.4 or 8.4.3, as the case may be, in respect of each *IESO-administered market* to which the *default levy* relates.

8.7 Allocation of Default Levy

8.7.1 The *IESO* shall allocate amounts received from *non-defaulting market participants* in respect of a *default levy*:

- 8.7.1.1 first, to repay any short-term funds borrowed by the *IESO* pursuant to ~~section 6.14.4 of Chapter 9~~MR Ch.9 s.6.16.5 on account of the *defaulting market participant's* default in payment; and
- 8.7.1.2 [Intentionally left blank]
- 8.7.1.3 second, to the payment of amounts owed by the *defaulting market participant* to the *IESO* on account of the *IESO administration charge*.

8.8 Other Recovery of Default Amounts

- 8.8.1 Notwithstanding the imposition of a *default levy*, the *IESO* shall take all reasonable steps to recover from the *defaulting market participant*, including by means of the realization of any *prudential support* held in respect of a *defaulting market participant* that has not been realized as at the date of calculation of a second *default levy*, all amounts owing to the *IESO* under the *market rules*. The *IESO* may, but shall not be obliged to, follow the dispute resolution process set forth in ~~section 2 of Chapter 3~~ MR Ch.3 s.2 for the purpose of obtaining such recovery.
- 8.8.2 Subject to section 8.8.3, any full or partial recovery made by the *IESO* pursuant to section 8.8.1 shall be distributed to each *non-defaulting market participant* that remitted payment to the *IESO* on account of a *default levy* on a prorated basis according to, and in an amount that does not exceed, the amount so remitted by the *non-defaulting market participant*. Where the *non-defaulting market participant* is, at the relevant time, still a *market participant*, any such amount shall appear as a credit on the next *invoice* scheduled to be issued to that *non-defaulting market participant* under ~~Chapter~~ MR Ch.9. Where the *non-defaulting market participant* is no longer a *market participant* at the relevant time, any such amount shall be paid to the former *non-defaulting market participant* in such manner as the *IESO* determines appropriate.
-

9. Withdrawal by a Market Participant

- 9.1.1 Provided that the *market participant* has requested that the *IESO* de-register or transfer any applicable *facilities* pursuant to ~~section~~ MR Ch.7 ss. 2.4 or 2.5 of Chapter 7, a *market participant* shall notify the *IESO* in writing if it wishes to cease to be a *market participant*. The notice shall specify the date of the *trading day* upon which the *market participant* intends to cease 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*. The *trading day* specified shall not be earlier than the *trading day* on which:
- 9.1.1.1 the last of the *market participant's* applicable *facilities* is to be de-registered by the *IESO* and, where applicable, *disconnected* from the *IESO-controlled grid*, determined in accordance with ~~section~~ MR Ch.7 s.2.4 of Chapter 7; or

- 9.1.1.2 the registration of the last of the *market participant's* applicable *facilities* is to be transferred by the *IESO*, determined in accordance with ~~section MR Ch.7 s. 2.5 of Chapter 7~~.
-

9.1.4 A *market participant* which has given a notice under section 9.1.1 shall cease to be a *market participant* on the date:

- 9.1.4.1 specified in the notice referred to in section 9.1.1;
- 9.1.4.2 on which the last of the *market participant's* applicable *facilities* is de-registered by the *IESO* and, where applicable, *disconnected* from the *IESO-controlled grid* pursuant to ~~section MR Ch.7 s. 2.4 of Chapter 7~~;
- 9.1.4.3 on which the registration for the last of the *market participant's* applicable *facilities* has been transferred by the *IESO* pursuant to ~~section MR Ch.7 s 2.5 of Chapter 7~~;
- 9.1.4.4 on which all payments due to be paid by it or to it under the *market rules* have been made; or
- 9.1.4.5 the *market participant* has no further liability under ~~section MR Ch.7 s 2.5.4 of Chapter 7~~, whichever is the latest. Any *boundary entity resource* registered to be used by such *market participant* shall no longer be used by that *market participant* as of such date.

9.1.5 A person who ceases to be a *market participant* shall remain subject to and liable for all of its obligations and liabilities as a *market participant* including, but not limited to, a liability under section 8 and an *adjustment period allocation* debit under ~~Chapter MR Ch.9, sections 6 ss.6.8.2b and 11.2, 6.9.4.2, or 6.8.5.3b 10.4.4(a)~~ resulting from an event that occurred while such person was a *market participant*, which were incurred or arose under the *market rules* prior to or on the *trading day* on which it ceases to be a *market participant* regardless of the date on which any claim relating thereto may be made.

~~9.1.6 [Intentionally left blank]~~

~~11.0 [Intentionally left blank — section~~

~~deleted~~

~~11.1 — [Intentionally left blank — section deleted]~~

~~11.1.1 — [Intentionally left blank — section deleted]~~

~~a. — [Intentionally left blank — section deleted]~~

~~b. — [Intentionally left blank — section deleted]~~

~~11.1.2 — [Intentionally left blank — section deleted]~~

~~11.1.3 — [Intentionally left blank — section deleted]~~

~~11.1.4 — [Intentionally left blank — section deleted]~~

~~11.1.5 — [Intentionally left blank — section deleted]~~

~~11.1.6 — [Intentionally left blank — section deleted]~~

~~11.2 — [Intentionally left blank — section deleted]~~

~~11.2.1 — [Intentionally left blank — section deleted]~~

~~11.2.1.1 — [Intentionally left blank — section deleted]~~

~~11.2.1.2 — [Intentionally left blank — section deleted]~~

~~11.3 — [Intentionally left blank — section deleted]~~

~~11.3.1 — [Intentionally left blank — section deleted]~~

~~11.4 — [Intentionally left blank — section deleted]~~

~~11.4.1 — [Intentionally left blank — section deleted]~~

~~11.4.2 — [Intentionally left blank — section deleted]~~

~~11.4.2.1 — [Intentionally left blank — section deleted]~~

~~11.4.2.2 — [Intentionally left blank — section deleted]~~

~~11.4.2.3 — [Intentionally left blank — section deleted]~~

~~11.4.3 — [Intentionally left blank — section deleted]~~

~~11.4.3.1 [Intentionally left blank — section deleted]~~

~~11.4.3.2 [Intentionally left blank — section deleted]~~

~~11.5 [Intentionally left blank — section deleted]~~

~~11.5.1 [Intentionally left blank — section deleted]~~

~~11.5.1.1 [Intentionally left blank — section deleted]~~

~~11.5.1.2 [Intentionally left blank — section deleted]~~

~~11.5.1.3 [Intentionally left blank — section deleted]~~

~~11.5.2 [Intentionally left blank — section deleted]~~

~~11.5.2.1 [Intentionally left blank — section deleted]~~

~~11.5.2.2 [Intentionally left blank — section deleted]~~

~~11.5.2.3 [Intentionally left blank — section deleted]~~

~~11.5.3 [Intentionally left blank — section deleted]~~

~~11.5.3.1 [Intentionally left blank — section deleted]~~

~~11.5.3.2 [Intentionally left blank — section deleted]~~

Market Rules

Chapter 2

Participation - Appendices

Appendix 2.2 – Technical Requirements: Voice Communication, Monitoring and Control, Workstations and Re-Classification of Facilities

1.1 Voice Communications

1.1.1 Each *generator* that participates in the *IESO-administered markets* or that causes or permits electricity to be conveyed into, through or out of the *IESO-controlled grid* shall, subject to section 1.1.11, provide and maintain the following voice communication facilities for purposes of communicating with the *IESO*:

1.1.1.1 one *high priority path facility* and one *normal priority path facility* at the *dispatch centre, control ~~center~~centre* and *authority centre* for each of its *generation facilities* provided that either:

- a. the *IESO* has determined that a *high priority path facility* and a *normal priority path facility* are required to enable the *IESO* to maintain *reliable* operation of the *IESO-controlled grid*; or
- b. one of the applicable *generation facilities* is a *major generation facility*; or
- c. the aggregate rated size of applicable *generation facilities* is 100 MVA or greater; or
- d. any one of the applicable *generation facilities* is a *certified black start facility*;

1.1.1.2 subject to section 1.1.1.1, one *normal priority path facility* at the *dispatch centre, control ~~center~~centre* and *authority ~~center~~centre* for each of its *generation facilities* provided that the aggregate rated size of applicable *generation facilities* is less than 100 MVA;

1.1.3 Each *distributor* whose ~~distribution system~~ *distribution system* is *connected* to the *IESO-controlled grid* and that has control of any step-down transformer secondary breakers or low voltage feeder breakers for its loads shall, subject to

section 1.1.11, provide and maintain the following voice communication facilities for purposes of communicating with the *IESO*:

1.1.3.1 one *high priority path facility* and one *normal priority path facility* at each location that controls such breakers if the *connection facilities connecting* such ~~distributor's~~*distributor's* *distribution system* to the *IESO-controlled grid* have ratings that in aggregate equal or exceed 200 MVA; and

1.1.3.2 one *normal priority path facility* at each location that controls such breakers if the *connection facilities connecting* such ~~distributor's~~*distributor's* *distribution system* to the *IESO-controlled grid* have ratings that in aggregate are less than 200 MVA.

1.1.4 Each *transmitter* whose *transmission system* or part thereof forms part of or is *connected* to the *IESO-controlled grid* shall, subject to section 1.1.11, provide and maintain the following voice communication facilities for purposes of communicating with the *IESO*:

1.1.4.1 one *high priority path facility* and one *normal priority path facility* at the dispatch or ~~control-center~~*control centre* for each such *transmission system*;

1.1.4.2 one *high priority path facility* and one *normal priority path facility* at the *authority* ~~center~~*centre* for each such *transmission system*;

1.1.5 Each *connected wholesale customer* that has control of any step-down transformer secondary breakers or low voltage feeder breakers for its loads shall, subject to section 1.1.11, provide and maintain the following voice communication facilities for purposes of communicating with the *IESO*:

1.1.5.1 one *high priority path facility* and one *normal priority path facility* at each location that controls such breakers for each of its *load facilities* that is *connected* to the *IESO-controlled grid* and that includes a *load facility* rated at 200 MVA or higher or that ~~comprises~~*is comprised of* ~~sets of~~ *load facilities* ~~equipment~~ the ratings of which in the aggregate equals or exceeds 200 MVA; and

1.1.5.2 one *normal priority path facility* at each location that controls such breakers for each of its *load facilities* that is *connected* to the *IESO-controlled grid* and that is rated at less than 200 MVA.

1.1.6 Each ~~embedded load consumer~~*embedded load consumer* whose ~~embedded~~*embedded* *load facility*.

- 1.1.6.1 includes a *load facility* that is rated at 20 MVA or higher or is comprised of sets of ~~load facilities~~equipment the ratings of which in the aggregate equals or exceeds 20 MVA; and
- 1.1.6.2 has been designated by the *IESO* for the purposes of this section 1.1.6 as requiring voice communication facilities in order to enable the *IESO* to maintain the *reliability* of the *IESO-controlled grid*,

shall provide and maintain one *normal priority path facility* for each such *embedded load facility* for the purposes of communicating with the *IESO*.

~~1.1.6A — [Intentionally left blank — section deleted]~~

1.1.7 Each *high priority path facility* referred to in this section 1.1 shall provide unimpeded voice communications between the *IESO* and the *facility* to which the *high priority path facility* relates and shall:

- 1.1.7.1 meet the applicable specifications and other requirements set forth in the *participant technical reference manual*;
- 1.1.7.2 have a receiving apparatus that is independent of any *normal priority path facility*;

1.1.8 Each *normal priority path facility* referred to in this section 1.1 shall comply with each of the following elements as may, except with respect to section 1.1.8.5, be commercially available:

- 1.1.8.1 meet the applicable specifications and other requirements set forth in the *participant technical reference manual*;
- 1.1.8.2 have a receiving apparatus that is independent of any *high priority path facility*;

1.1.12 Each *electricity storage participant* that participates in the *IESO-administered markets* or that causes or permits electricity to be conveyed into, through or out of the *IESO-controlled grid* shall, subject to section 1.1.11, provide and maintain the following voice communication facilities for purposes of communicating with the *IESO*:

- 1.1.12.1 one ~~*high priority path facility*~~*high priority path facility* and one ~~*normal priority path facility*~~*normal priority path facility* at the ~~*dispatch centre*~~*dispatch centre*, ~~*control centre*~~*control centre* and ~~*authority*~~

~~centre~~authority centre for each of its electricity storage facilities~~electricity storage facilities~~ provided that either:

- a. the *IESO* has determined that a *high priority path facility* and a *normal priority path facility* are required to enable the *IESO* to maintain *reliable* operation of the *IESO-controlled grid*; or
- b. one of the applicable *electricity storage facilities* is a *major electricity storage facility*; or
- c. the aggregate of the *electricity storage facility sizes* of the applicable *electricity storage facilities* is 100 MVA or greater.

1.1.12.2 subject to section 1.1.12.1, one ~~normal priority path facility~~normal priority-path facility at the ~~dispatch centre~~dispatch-centre, ~~control centre~~control-centre and ~~authority-center~~authority centre for each of its *electricity storage facilities* provided that the aggregate of the *electricity storage facility size ratings* of the applicable *electricity storage facilities* is less than 100 MVA;

1.1.12.3 one ~~high priority path facility~~high-priority-path-facility and one ~~normal priority path facility~~normal-priority-path-facility for each of its *major electricity storage facilities* that are attended electricity storage stations;

1.1.12.4 one commercially available telephone for each of:

- a. its *major electricity storage facilities*, *significant electricity storage facilities* and *minor electricity storage facilities* that are *unattended*; and
- b. its *self-scheduling electricity storage facilities* with an *electricity storage facility size* of less than 10 MW,

the telephone number of which shall be provided by the *electricity storage participant* to the *IESO*;

1.1.12.5 one ~~normal priority path facility~~normal-priority-path-facility for each of its *significant electricity storage facilities* and *minor electricity storage facilities* that is attended.

1.1.13 Each *embedded electricity storage participant* that is not a *market participant* or whose *embedded electricity storage facility* is not associated with any *resources* shall, subject to section 1.1.11, provide and maintain the voice communication facilities referred to in sections 1.1.12.1 to 1.1.12.6, as may be applicable, in respect of each of its *embedded electricity storage facilities* that:

1.1.13.1 includes an *electricity storage unit* with a rated *electricity storage unit size* of 20 MVA or higher or that comprises multiple *electricity storage units*, the aggregated *electricity storage unit size* ratings of which equals or exceeds 20 MVA; and

1.1.13.2 has been designated by the *IESO* for the purposes of this section 1.1.13 as requiring such voice communication facilities in order to enable the *IESO* to maintain the ~~reliability~~ reliability of the *IESO-controlled grid*.

1.2 Technical Requirements for Monitoring and Control

1.2.1 Each *generator* shall, for the purposes of submitting to the energy management system referred to in ~~section MR Ch.5 s.12 of Chapter 5~~ the monitoring and control information required to be provided by a *generator* to the *IESO* pursuant to the provisions of ~~Chapters MR Ch.4 and MR Ch.5~~:

1.2.2 Each *connected wholesale customer* shall, for the purposes of submitting to the energy management system referred to in ~~section 12 of Chapter 5~~ the MR Ch.5 s.12 the monitoring and control information required to be provided by a *connected wholesale customer* to the *IESO* pursuant to the provisions of ~~Chapters MR Ch.4 and MR Ch.5~~:

1.2.3 Each *transmitter* shall, for the purposes of submitting to the energy management system referred to in ~~section 12 of Chapter 5~~ the MR Ch.5 s.12 the monitoring and control information required to be provided by a *transmitter* to the *IESO* pursuant to the provisions of ~~Chapters MR Ch.4 and MR Ch.5~~:

1.2.4 Each *distributor* shall, for the purposes of submitting to the energy management system referred to in ~~section 12 of Chapter 5~~ the MR Ch.5 s.12 the monitoring and control information required to be provided by a *distributor* to the *IESO* pursuant to the provisions of ~~Chapters MR Ch.4 and MR Ch.5~~:

1.2.5 Each *embedded load consumer* shall, for the purposes of submitting to the energy management system referred to in ~~section 12 of Chapter 5~~ the MR Ch.5 s.12 the monitoring and control information required to be provided by the *embedded load consumer* to the *IESO* pursuant to the provisions of ~~Chapters MR Ch.4 and MR Ch.5~~:

1.2.5.1 provide, maintain and connect to:

- a. where directed by the *IESO* if *transmitter* or *distributor* data is not adequate, each of its applicable *load facilities* that includes *load equipment* rated individually or in the aggregate at 20 MVA or higher that is associated exclusively with a *non-dispatchable load* or *price responsive load*; and
- b. each of its applicable *load facilities associated with a dispatchable load facilities*

monitoring and control devices that meet the specifications and other requirements set forth in the *participant technical reference manual*; and

1.2.7 Each *electricity storage participant* shall, for the purposes of submitting to the energy management system referred to in ~~section 12 of Chapter 5 the~~ MR Ch.5 s.12 the monitoring and control information required to be provided by an *electricity storage participant* to the *IESO* pursuant to the provisions of ~~Chapters MR Ch.4 and MR Ch.5:~~

1.3 Dispatch Workstations

1.3.1 Each *market participant* other than ~~a boundary entity, or those that are exclusively registered to participate as an energy trader, virtual trader, TR participant,~~ a *capacity auction participant* with a *capacity obligation* through an *hourly demand response resource*, or any combination of the foregoing, 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~~ associated with a dispatchable resource, 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 MR Ch.7 or Chapter MR Ch.8~~, other than the submission, receipt of confirmation of and validation of *dispatch data*, *TR bids* in the *TR market* and *physical bilateral contract data*,

provide, install and maintain a *dispatch workstation* that meets the specifications and other requirements set forth in the *participant technical reference manual* and that is configured to support communication with the real-time communication network channel or channels provided by the *IESO* in the manner described in the *participant technical reference manual*.

1.3.2 The *dispatch workstation* referred to in section 1.3.1 shall be located at:

1.3.2.1 the ~~facility~~ *facility* to which the *dispatch workstation* relates; or

1.3.2.2 the ~~authority center~~ *authority centre* for the ~~facility~~ *facility* to which the *dispatch workstation* relates so as to permit a response to *dispatch instructions* within the time prescribed by the *participant technical reference manual*.

1.4 Participant Workstations

1.4.2 Each *participant workstation* required to be installed and maintained pursuant to section 1.4.1 shall:

1.4.2.1 where the *market participant* is exchanging the information referred to in section 1.4.1 by means of the internet, be configured to support internet communication in the manner described in the *participant technical reference manual* and, if a *TR participant*, to support communication with the communication protocol referred to in ~~Appendix MR Ch.8 App.8.2 of Chapter 8~~; and

1.4.2.2 where the *market participant* is exchanging the information referred to in section 1.4.1 by means of the private network dedicated communication links, be configured to support communication between the *participant workstation* and the *IESO* in the manner described in the *participant technical reference manual* and, if a *TR participant*, to support communication with the communication protocol referred to in ~~Appendix MR Ch.8 App.8.2 of Chapter 8~~.

1.5 Re-classification of Facilities

1.5.1 The *IESO* may, for the purposes of this Appendix 2.2 and of ~~section 12 of Chapter 5~~ MR Ch.5 s.12:

1.5.1A The *IESO* may, for the purposes of this Appendix 2.2 and of ~~section 12 of Chapter 5~~MR Ch.5 s.12:

1.5.2 The *IESO* may, for the purposes of this Appendix 2.2 and of ~~section 12 of Chapter 5~~MR Ch.5 s.12:

1.5.2A The *IESO* may, for the purposes of this Appendix 2.2 and of ~~section 12 of Chapter 5~~MR Ch.5 s.12:

1.5.3 A person whose *facility* has been re-classified pursuant to section 1.5.1, 1.5.1A, 1.5.2 or 1.5.2A shall ensure that its *facilities* and equipment meet the requirements set forth in this Appendix 2.2 and in ~~section 12 of Chapter 5~~applicableMR Ch.5 s.12applicable to the class of *facility* in which its *facility* has been re-classified.

Appendix 2.3 – Prudential Support

1. Additional Provisions Regarding Prudential Support

1.1 Determination of Prudential Support Obligations

Prior to participating in the *real-time market* or the *day-ahead market*, the *IESO* shall deliver to each *market participant* a schedule, in the form set forth in the applicable *market manual*, setting out the determination by the *IESO* of that *market participant's prudential support obligations*, which shall be completed by the *IESO* on the basis of the determinations referred to in ~~Section 5 of Chapter 2:MR Ch. 2 ss.5, 5C and 5D.~~ Such schedule shall be effective until amended and replaced in accordance with this Appendix.

1.3 Reduction of Prudential Support Obligation for Physical Transactions for Credit Rating

Where the *market participant's prudential support obligation* for *physical transactions* reflects a reduction by reason of the *market participant's* credit rating from a major bond rating agency identified in the list of such agencies ~~published~~*published* by the *IESO*, the *market participant* covenants and agrees to 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. Where, as a result of either any such change or loss in the then current rating or the placing of the *market participant* on "credit watch status", the *market participant* is no longer entitled under the *market rules* to the same reduction by way of credit rating, the *IESO* shall deliver to the *market participant* an amended schedule setting out the *market participant's* revised *prudential support obligation* for *physical transactions*.

1.4 Prudential Support for Physical Transactions by way of a Third-Party Guarantee

Prudential support for physical transactions in the form of a guarantee provided by a third party pursuant to ~~section MR Ch.2 s.5.7.2.2 or 5.7.2.4 of Chapter 2~~ shall provide for payment by the guarantor to the *IESO* on demand up to the amount stated in the guarantee. The only conditions on the ability of the *IESO* to draw on the guarantee shall be the delivery of copies of an unpaid ~~invoice~~ invoice previously issued to the *market participant* and a certificate of an officer of the *IESO* that a specified amount is owing by the *market 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. Where the *market participant's prudential support* includes a guarantee provided by a third party that has a credit rating from a major bond rating agency identified in the list of such agencies ~~published~~ published by the *IESO*, the *market participant* covenants and agrees to advise the *IESO* in writing immediately upon the *market participant* becoming aware of a change in or loss of the then current credit rating issued to the guarantor. Where as a result of the loss of such credit rating, the *market participant* is no longer entitled to meet its *prudential support obligation for physical transactions* in whole or in part through the provision of such a guarantee, the ~~market participant~~ market participant must provide alternative *prudential support* within the time frame mandated in ~~section 5.2 of Chapter MR Ch.2 s.5.2.~~

1.5 Reduction of Prudential Support Obligation for Physical Transactions for Payment History

Where the *market participant's prudential support obligation for physical transactions* reflects a reduction by reason of evidence of the *market participant's* good payment history determined in accordance with ~~sections MR Ch.2 s.5.8.4 or 5.8.5 of Chapter 2~~ and, for any reason, the *market participant* is no longer entitled under the *market rules* to the same amount of reduction by way of good payment history, the *IESO* shall deliver to the *market participant* an amended schedule setting out the *market participant's* revised ~~prudential support obligation~~ prudential support obligation.

1.6 Prudential Support by way of Letter of Credit

Where a portion of the *market participant's prudential support* is in the form of a letter of credit pursuant to ~~sections MR Ch. 2 s.5.7.2.1 or 5C.5.2.1 of Chapter 2,~~ the following provisions shall apply:

1.7 Prudential Support by way of Cash or Treasury Bills

Where any portion of the *market participant's prudential support* for *physical transactions* is in the form of treasury bills pursuant to ~~section-MR Ch.2 s.5.7.2.3 of Chapter 2~~, the provision of such *prudential support* shall be reflected in a written instrument that is acceptable at the sole discretion of the *IESO* and the following provisions shall apply:

-
- 1.7.3 any interest income paid by the treasury bill shall be apportioned to the benefit of the *market participant's prudential support* for *physical transactions*.

The *IESO* shall have no obligation to pay interest on the cash proceeds from the maturity of a treasury bill, or on any cash deposit held by the *IESO* in accordance with ~~section-MR Ch.2 s.5.7.2.5 of Chapter 2~~.

1.9 Dispute Resolution

If the *market participant* disagrees with the determination by the *IESO* of any of the amounts of *prudential support obligations* set out on a schedule and such dispute cannot be resolved by the *market participant* and the *IESO*, then the *market participant* shall submit the matter to dispute resolution under ~~section-2 of Chapter 3-MR Ch.3 s.2~~. Notwithstanding the initiation of the dispute resolution process, the *market participant* shall provide such additional *prudential support* as may be required in order to continue participating in the *real-time market* or *day-ahead market* based on the determination by the *IESO* until the matter has been resolved.

2. Pledge of Prudential Support in the form of Cash or Treasury Bills

2.1 Pledge

-
- 2.1.1 subject to ~~section-MR Ch.1 s.13 of Chapter 1~~, all indebtedness, obligations and liabilities of any kind, now or hereafter existing, direct or indirect, absolute or contingent, joint or several, of the *market participant* to the *IESO* in respect of

the *market participant's* participation in the *real-time market* and the *day-ahead market*; and

- 2.1.2 all reasonable costs, charges, expenses and fees (including, without limiting the generality of the foregoing, reasonable legal fees on a ~~solicitor and clients~~substantial indemnity basis) incurred by or on behalf of the *IESO*, in the enforcement of its rights under the *market rules* in respect of the participation by the *market participant* in the *real-time market* and the *day-ahead market*.

3. Exercise of Rights and Remedies to Prudential Support

3.3 Application of Prudential Support against Actual Exposure

Except as may be otherwise provided in the *market rules*, all moneys received in respect of the realization of the *prudential support* provided by the *market participant* may, notwithstanding any appropriation by the *market participant* or any other person, be appropriated to such parts of the *market participant's actual exposure* ~~or its other obligations~~or its other obligations, any interest thereon owing pursuant to the *market rules* or the costs, charges, expenses and fees referred to in section 3.4 and in such order as the *IESO* sees fit, and the *IESO* shall have the right to change any appropriation at any time.

3.4 Payment of Expenses

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 clients~~substantial indemnity basis) of or incurred by or on behalf of the *IESO* in the realization, recovery or enforcement of the *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 market* and the *day-ahead market*.
