

**Summer 2024 Contracts for Capacity
Governing Document**

**May 8, 2024**

**Revision History**

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This Governing Document establishes the standards governing the participation of any Demand response capacity that is the subject of a contract with ERCOT entered into pursuant to the May 8, 2024, Request for Proposal (RFP) seeking capacity for a portion of the 2024 Summer Peak Season (July, August, and September 2024). As described in the RFP, ERCOT expects to execute one or more Contracts for Capacity with Qualified Scheduling Entities (QSEs) providing at least 1 MW of capacity from certain Demand Response Capacity Sources. For the purposes of this document, DR capacity that operates under such a contract is referred to as a “Capacity Source,” any such contract is referred to as a “Contract for Capacity,” and the entire period of obligation under the Contract for Capacity is the “Contract Period.” The first day of the Contract Period could be as early as July 1, 2024, but no later than August 1, 2024. The last day of the Contract Period shall be September 30, 2024. Unless otherwise specifically indicated in this Governing Document, capitalized terms used in this document should be understood to have the meaning assigned in ERCOT Protocols Section 2.1, Definitions.

# GENERAL STANDARDS APPLICABLE TO ALL DEMAND RESPONSE CAPACITY SOURCES

## 1.1 Definitions

The following terms are defined as follows only for the purposes of this Governing Document:

**Contracted Month** – Any month or part thereof in which a Capacity Source is obligated under a Capacity Contract.

**Capacity Source –** A Capacity Source that will meet its Capacity Contract performance requirements by reducing Energy consumption in response to a deployment instruction.

**Interval Metering** – Meters measuring energy usage in 15-minute intervals and meeting the requirements applicable to the ERCOT system, including Interval Data Recorders (IDRs) and Advanced Meters, as defined in the Protocols, and other types of metering meeting the accuracy standards described in the Metering & Meter Data section of this document.

**Ramp Period** – Period of time beginning with ERCOT’s issuance of a dispatch instruction requesting deployment and ending at the time the full capacity from a Capacity Source is required to be delivered. If the Verbal Dispatch Instruction (VDI) is issued more than twenty minutes prior to the period of obligation, the Ramp Period will end at the beginning of the period of obligation. Otherwise, the Ramp Period for a Capacity Source shall start immediately when the VDI is issued and shall be no more than 20 minutes in duration.

**Site** – A Customer Premise that is either an individual Capacity Source or a member of an aggregated Capacity Source.

**Sustained Response Period** – The time period between the time the full capacity from a Capacity Source is required to be delivered and the time the Capacity Source is no longer required to deliver.

**Unique Meter ID** – A unique Identifier assigned to any Site that is within the service territory of a Non-Opt In Entity (NOIE) or is used for a Site without interval metering.

## General

1. Any QSE that is bound by a Contract for Capacity is obligated to follow the terms of this Governing Document.
2. Capacity Sources must be complete and available to operate by the first day of the Contract Period specified in the Contract for Capacity. The first day of the Contract Period could be as early as July 1, 2024, but no later than August 1, 2024.
3. For the purposes of this Governing Document, all references to “QSE” shall be understood to refer to the QSE designated by the Capacity Source.
4. ERCOT may deploy each Capacity Source up to 10 or 20 times during the Contract Period, depending on the Capacity Source category offered by the QSE and accepted by ERCOT, with the Sustained Response Period for each deployment lasting no more than four hours. ERCOT may not deploy a Capacity Source more than once per day.
5. Each Capacity Source must be available for deployment every day during the Contract Period during the period of 3:00-9:00 PM Central Prevailing Time (CPT) (6 hours). For the purposes of this document, the period during which the Capacity Source is obligated to deploy is referred to as the “Hours of Obligation” for the Capacity Source. A QSE may offer one or both categories described below but ERCOT will award at most only one category based on which category has the best cost/benefit from ERCOT’s perspective.
	1. Category A:
		1. Capacity Source must be available for deployment every day during the Contract Period during the period of 3:00-9:00 PM Central Prevailing Time (CPT) (6 hours).
		2. ERCOT may instruct the Capacity Source to deploy up to 10 times within the Contract Period.
	2. Category B:
		1. Capacity Source must be available for deployment every day during the Contract Period during the period of 3:00-9:00 PM Central Prevailing Time (CPT) (6 hours).
		2. ERCOT may instruct the Capacity Source to deploy up to 20 times within the Contract Period.
6. ERCOT may commit and/or Dispatch a Capacity Source at any time during the Capacity Source’s Hours of Obligation during a Contract Period for the purpose of utilizing the Capacity Source’s awarded capacity. However, such deployment may not exceed four hours per day and is limited to one deployment per day. ERCOT may deploy Capacity Sources for various reasons including to reduce loading on one or more transmission elements, when Physical Responsive Capability (PRC) is expected to, or does, fall below 2,500 MW and is not expected to be recovered above 2,500 MW within 30 minutes, or when frequency falls below 59.91 Hz for 15 consecutive minutes. At its discretion, ERCOT may deploy all Capacity Sources simultaneously or separately.
7. For all Capacity Sources, the Standby Payment is based on the total Hours of Obligation during the Contract Period for the specific Resource.

## Remedies for Material Failure to Perform

If an Entity materially fails to perform its obligations under this Governing Document, including without limitation by failing to make available the amount of awarded capacity to ERCOT by the date required, by failing to meet the minimum availability requirements, as described in this document, or by failing to provide the awarded amount of response when Dispatched in the manner described in this Governing Document, ERCOT may take any or all of the following actions:

* Reduce payment in the manner described in the payment sections below;
* Foreclose any further participation by the Capacity Source by terminating the Contract for Capacity; or
* Refer the contracting QSE to the Public Utility Commission of Texas for enforcement action, which may include the assessment of administrative penalties.

## Force Majeure

Any failure to comply with the requirements of this Governing Document shall be excused if that failure is attributable to a Force Majeure Event, as that term is defined in the Protocols.

# ADDITIONAL STANDARDS FOR ALL DEMAND RESPONSE CAPACITY SOURCES

This section describes additional requirements for a Capacity Source and a QSE representing a Capacity Source. Eligible Capacity Sources include individual Sites (as Site is defined in Section 1.1 of this Governing Document) and aggregations of individual Sites served by a Transmission and/or Distribution Service Provider (TDSP) located in the ERCOT Region. Sites with onsite unregistered Distributed Generation, registered Settlement Only Generators (SOG), or unregistered energy storage, are eligible to participate in a Capacity Source so long as they meet the price-responsiveness criteria and other requirements described in Section 2.3, but such participation is limited to reductions in their premise-level Load. Injection to the grid from Settlement Only Generators, onsite unregistered Distributed Generators or unregistered energy storage will not be included as eligible capacity. Eligibility requirements for Site participation in a Capacity Source are detailed below in Section 2.3, Capacity Source Identification and Eligibility. A Capacity Source must be represented by a QSE for the purpose of a Contract for Capacity.

## General

1. A QSE representing a Capacity Source must:
	1. Have the capability to communicate with each Site in its Capacity Source in such a way as to allow the Capacity Source to meet its performance obligations in a deployment event,
	2. Have the capability of receiving and responding to a Verbal Dispatch Instruction (VDI) from ERCOT, and

c) Timely instruct each Capacity Source to deploy its contracted capacity.

1. ERCOT shall dispatch Capacity Sources during deployment events or unannounced tests using VDIs.
2. When deployed, a Capacity Source must curtail its consumption by an amount greater than or equal to its awarded capacity by the end of the Ramp Period. A Capacity Source must continue that level of curtailment until the earliest of the ERCOT recall instruction or the end of the Hours of Obligation on the day of deployment. The Sustained Response Period shall be no longer than 4 hours. Following a recall instruction or a recall based on the end of a Capacity Source’s Hours of Obligation, the Capacity Source must return to service prior to the beginning of the Hours of Obligation on the following day.

## Standby Payments for Demand Response Capacity Sources

1. On a monthly basis, a QSE representing a Capacity Source that is subject to a Contract for Capacity will be paid a standby payment equal to the Capacity Source’s awarded capacity multiplied by the awarded standby price multiplied by the total number of Hours of Obligation in the month of the Contract Period, subject to adjustments for availability, event performance, and test performance, as described below. Any QSE representing a Capacity Source that utilizes generation to offset co-located Customer load will not be compensated for fuel costs.
2. The total of the Standby payments for Capacity Sources will be allocated monthly to QSEs representing Loads, based on the hourly load ratio share (HLRS) for each Hour of Obligation of the Contract Month .
3. The payment and allocation will be done using a Miscellaneous Invoice after the final settlement has occurred for the last Operating Day of each calendar month in the Contract Period.

## Capacity Source Identification and Eligibility

1. A Capacity Source may be a single Site or an aggregation of multiple Sites.
2. A QSE submitting an offer in response to the RFP for a Capacity Source must provide the information required in the Demand Response Capacity Source Offer Submission Form for each participating Site that will make up the Capacity Source. The required information includes:
3. An accurate Site name, street address, and ZIP Code is required for each submitted Site;
4. For each Site in a NOIE area, an accurate Substation code; and
5. For each Site in the Capacity Source, the Site’s portion of the contract capacity. (The sum of the Site portions of the contract capacity must be equal to the Capacity Source’s Contract Capacity.)
6. The completed Demand Response Capacity Source Offer Submission Form must include one or more of the following meter identifiers for each submitted Site:
7. An Electric Service Identifier (ESI ID) number for any Site where an ESI ID is present, including:
8. All Sites situated in competitive choice areas of the ERCOT Region;
9. A NOIE Settlement metering point if the meter at that point is dedicated to the Site that will be in the Capacity Source; or
10. A non-Settlement ESI ID within a NOIE footprint.
11. A Unique Meter ID for Sites within a NOIE service territory that are not metered by a dedicated Settlement metering point ESI ID or a non-Settlement ESI ID, provided that Unique Meter IDs must be distinct and must remain consistent throughout the Contract Period. Unique Meter IDs for Sites in NOIE service territories should be formatted according to the instructions in the “Participation by Sites in NOIE Territories” subsection below.
12. A Unique Meter ID for Sites that do not have a TDSP-installed Advanced Metering System or Interval Data Recorder (AMS/IDR) and for which the QSE or other entity is submitting interval data pursuant to paragraph 2.5.3, Meter Data for Capacity Sources Other Than a Registered TDSP.
13. The Site must have been energized and have a meter with interval recording capability since May 1, 2023. If these requirements are not met, the offer for that Capacity Source will be rejected.
14. By submitting an Offer Submission Form for a Capacity Source, the QSE affirms that it has obtained written authorization from each Customer whose Load is included in the Capacity Source to offer the Customer’s Demand response capacity for this purpose.
	1. Performance of Capacity Sources during actual deployment events or unannounced tests will be determined using one of the baseline methods described in the document titled ‘Demand Response Baseline Methodologies’ available at the following URL: <https://www.ercot.com/services/programs/load>.
	2. ERCOT will determine which of the baselining methods described produces the most accurate estimates for each Site by applying the methods to historical non-event days.
	3. The baseline for the Capacity Source is determined by aggregating the baselines across the participating Sites. If, at the aggregate level, ERCOT determines that the historical baseline accuracy (mean absolute difference) is greater than 20% of the offered capacity, the offer will be rejected.
	4. If, based on historical data, the amount of capacity offered indicates that an availability failure is highly likely, the offer will be rejected.
15. A Site is not eligible to participate in a Capacity Source if the Site or some portion of the Site load is currently participating in one of the following:
	1. Emergency Response Service (ERS) with an obligation in ERS Time Periods 3, 4, 5 or 7.
	2. Any TDU Load Management Program.
16. The capability of a Site may be offered into only one Capacity Source. If ERCOT determines that the same Site has been offered in more than one Capacity Source, ERCOT will consider the Site to be ineligible for a Capacity Source offer other than the one that is received first.
17. For non-residential Sites, ERCOT will perform an analysis to determine whether a Site has shown evidence of responding to real-time prices over a time period beginning on January 1, 2023. Sites that reduced load on more than 25% of the high price days (i.e., days when prices were more than $200 for 4 or more consecutive intervals) and with an average load reduction greater than 5% on those days are deemed to be price responsive and are ineligible to participate in a Capacity Source.
18. For non-residential Sites, ERCOT will perform an analysis to determine whether a Site has reduced Load on actual 4- Coincident Peak (4-CP) days and/or on other summer days for which ERCOT has determined that significant levels of Load reduction to avoid 4-CP charges has occurred during 2023. Sites that reduced load on more than 25% of those days and with an average load reduction greater than 5% on those days are deemed to be 4-CP responders and are ineligible to participate in a Capacity Source.
19. A Site in a Capacity Source is not allowed to carry any Ancillary Service Responsibility as an NCLR for any day for which it is contracted to participate as a Capacity Source.
20. Any Site whose Load is associated with a Dynamically Scheduled Resource (DSR) may not be offered as part of a Capacity Source. ERCOT may reject any offer that includes such a Site. Following an executed Contract for Capacity, if ERCOT determines that any participating Site is associated with a DSR, the awarded capacity associated with that Site will be treated as removed from the Capacity Source on the date the determination was made. A Capacity Source’s obligation during a deployment event or test will not change as a result of any such Site removal.
21. For Capacity Source offers that are submitted in advance of the offer deadline, ERCOT will endeavor to send notices of Site ineligibility and allow submission of a revised offer. As of the deadline date for offers, all Capacity Sources that contain one or more ineligible Sites will be rejected.

## Offer Submission

1. Each QSE offering a Capacity Source shall submit its offer using the Offer Submission Form which includes a tab for Demand Response Capacity Source Site Information.
2. For each Capacity Source, the offering QSE shall declare the offered standby price, which shall represent the total expected payment per MW for successfully fulfilling the terms of the Contract for Capacity in accordance with the requirements of the RFP and this document.
3. Each QSE offering a Capacity Source with one or more Sites located in a NOIE service territory must provide a fully executed NOIE authorization form demonstrating the NOIE’s consent to a non-NOIE entity offering and representing the Site’s participation in the Capacity Source. The NOIE authorization form is included in the RFP.

## Metering & Meter Data

Each Capacity Source and each Site within a Capacity Source that consists of an aggregation of Sites must have dedicated 15-minute premise-level Interval Metering, subject to approval by ERCOT.

###  Meter Data Submitted to ERCOT by TDSPs in Competitive Choice Areas

For ESI IDs situated in competitive choice areas of the ERCOT Region, meter data is stored in the ERCOT systems and will be accessed by ERCOT using the ESI ID number provided in the Offer Submission Form.

###  Meter Data for Capacity Sources in NOIE Territories

1. QSEs offering Capacity Sources that include Sites located in a territory served by a NOIE are responsible for arranging with the NOIE TDSP to provide ERCOT with 12 months of premise-level interval meter data. If a Site was energized within the last 12 months, and has interval data starting before May 1, 2023, the 12-month requirement will not apply. As a condition for offering a Capacity Source, an entity must identify each NOIE TDSP in whose service territory any Site within the Capacity Source is located and confirm that it has received written authorization from that TDSP to provide all meter data that may be required to verify DR capability, availability, and performance. ERCOT must receive interval data from a NOIE TDSP for purposes of baseline analysis on or before the due date for offer submission.
2. ERCOT must receive interval data from a NOIE TDSP for performance evaluation on a monthly basis within 35 days of the end of each calendar month or within 35 days of a test or event deployment.
3. The interval data must be provided to ERCOT in one of the file formats defined in ERCOT’s “Interval Data File Format Descriptions” document, which is available at the following URL: <https://www.ercot.com/files/docs/2015/12/08/interval_data_file_format_descriptions.doc>.
4. If ERCOT has not received the required meter data for a Site from the NOIE TDSP in time to perform the required baseline analysis, the offer for the Capacity Source containing that Site will be rejected.

###  Meter Data for Capacity Sources Other Than a Registered TDSP

1. Entities providing meter data from a source other than a registered TDSP are required to submit such data according to the following:
	1. If a QSE provides premise-level sub-meter data for a Site that is also an interval-metered ESI ID within the ERCOT system, ERCOT will use the ESI ID data from its system.
	2. The data must be provided in one of the formats described at the following URL: <https://www.ercot.com/services/programs/load/eils/documents>.
	3. The data must be submitted on a monthly basis and is due at ERCOT no later than 35 days after the last day of a calendar month.
	4. The data must be submitted to ERCOT no later than 35 days after a deployment event or ERCOT unannounced test.
2. Within 35 days after the end of the Contract Period the QSE must submit an affidavit signed by a licensed Professional Engineer affirming that all submitted data meets the following:
	1. The metering used to produce the data adheres to accuracy standards consistent with PUC Subst. Rule § 25.142, Submetering and ERCOT Section 10.9.2, TDSP or DSP Metered Entities, and
	2. The data has been subjected to Validation, Editing and Estimation (VEE) consistent with the requirements in the Protocols, Section 10.11.3, TSP or DSP Settlement Meters.
3. In the absence of a signed affidavit, ERCOT will treat the Capacity Source containing the Site as having not been available and not to have responded during all tests and events during the Contract Period.

## Availability Measurement & Verification

1. Capacity Source availability will be evaluated on a monthly basis.
2. After each month of the Contract Period, and before providing payment under the Contract for Capacity, ERCOT shall provide each QSE representing a Capacity Source with an availability report for each Capacity Source represented by that entity.

###  Capacity Source Monthly Availability Calculations

1. ERCOT will calculate a Monthly Availability Factor for each Capacity Source as follows:
	1. ERCOT will consider the Capacity Source to have been available for any 15-minute interval during its Hours of Obligation in which the Capacity Source’s effective Actual Premise Load was greater than 95% of the Capacity Source’s effective awarded obligation; otherwise, the Capacity Source will be considered unavailable for that 15-minute interval.
	2. The effective actual MW Load in an interval for a Capacity Source shall be the aggregated sum across all Sites of the product of -1, the Site Shift Factor, and the Site metered MW;
	3. The effective contracted capacity in an interval for an aggregated Capacity Source shall be the aggregated sum across all Sites of the product of -1, the Site Shift Factor, and the Site’s portion of the contract capacity as specified on the Offer Submission Form.
	4. The Monthly Availability Factor will be calculated as the ratio of the number of 15-minute intervals the Capacity Source was available during its Hours of Obligation during the Contracted Month divided by the total number of obligated 15-minute intervals during its Hours of Obligation in the Contracted Month.
	5. The Capacity Source’s standby payment will be adjusted for availability as follows:

|  |  |
| --- | --- |
| Calculated Monthly Availability Factor (AF) | Adjusted Availability Factor |
| If Monthly AF is greater than or equal to 95% | 100% |
| If Monthly AF is less than 95% but greater than or equal to 85% | Calculated Monthly Availability Factor |
| If Monthly AF is less than 85% | Square of the Calculated Monthly Availability Factor  |

1. The following intervals will be excluded in ERCOT’s calculations of a Capacity Source’s availability factor:
	1. Any 15-minute interval during which a Capacity Source was deployed inclusive of the Ramp Period during a deployment event or an ERCOT test;
	2. Any 15-minute intervals on the day of an ERCOT deployment or test during the period of time allowed for returning to service as specified in paragraph 3 of Section 2.1, General; and
	3. Any 15-minute interval that one or more Sites within a Capacity Source were disabled or unverifiable due to events on the TDSP side of the meter affecting the supply, delivery, or measurement of electricity to the Load. Offering Entities must provide verification of such events from the TDSP or Meter Reading Entity (MRE) for that month.
2. If a Capacity Source has been deployed for the maximum agreed to number of events, the Availability Factor calculation will treat the Capacity Source as being available for the intervals in the remaining Hours of Obligation in the Contract Period.

## Event Performance Measurement & Verification

1. Following the end of each month of the Contract Period, but before payment, ERCOT will provide each entity representing a Capacity Source with an event performance report containing the results of ERCOT’s evaluation of the event(s) for each Capacity Source for that month.
2. ERCOT will calculate a Capacity Source’s interval performance factors for intervals during an ERCOT test or an event deployment using the following formulas:

**MIPF*i* = Max(Min(((Effective Base\_MWh*i* - Effective Actual\_MWh*i*) / (IntFrac*i* \* Effective Award MWh)),1),0)**

The above variables are defined as follows:

|  |  |  |
| --- | --- | --- |
| **Variable** | **Unit** | **Description** |
| **MIPF*i*** | None | Interval performance factor for that interval. |
| IntFraci | None | Interval fraction for that Capacity Source for that interval. |
| Effective\_Base\_MWhi | MWh | The aggregated sum of the product of -1, the Site’s Shift Factor and the Site’s baseline MWh values estimated by ERCOT across all Sites in the Capacity Source for that interval. |
| Effective\_ Actual\_MWhi | MWh | The aggregated sum of the product of -1, the Site’s Shift Factor and the Site-specific metered actual MWh values across all Sites in the Capacity Source for that interval. |
| Effective\_ Award MWh | MWh | The aggregated sum of the product of -1, the Site’s Shift Factor and the Site-specific Obligation expressed in units of MWh across all Sites in the Capacity Source for that interval.  |
| I | None | A Settlement Interval. |

As used in the preceding formula, IntFraci corresponds to the fraction of time for that interval for which the Sustained Response Period is in effect and is computed as follows:

**IntFrac*i*= (CEndT*i* – CBegT*i*) / 15**

The above variables are defined as follows:

|  |  |  |
| --- | --- | --- |
| Variable | Unit | Description |
| IntFraci | None | Interval fraction for that Capacity Source for that interval. |
| CBegTi | Minutes | If the deployment begins after the start of that interval, the time in minutes from the beginning of that interval to the beginning of deployment; otherwise, it is zero. |
| CEndTi | Minutes | If the deployment ends during that interval, the time in minutes from the beginning of that interval to the end of the deployment; otherwise, it is 15. |
| I | None | A Settlement Interval. |

1. For each ERCOT test or deployment of a Capacity Source, ERCOT shall calculate an event performance factor as the time-weighted arithmetic average of the Capacity Source’s interval performance factors, as calculated above, for the intervals included in the Sustained Response Period of the test/event. The event performance factor calculation will begin with the first partial or full interval i and will end with the last full interval in the Sustained Response Period of the deployment.
2. If the Sustained Response Period of a test or deployment period does not include at least one full interval, performance for the test or deployment will not be determined.
3. For a Capacity Source, the deployment will end at the earliest of the time of the ERCOT recall instruction, the end of the four-hour maximum deployment duration, or the end of the Hours of Obligation on the day of the deployment.t. Event performance factors are expressed as a number between 0 and 1. ERCOT will assign final factors to three decimal points using standard rounding procedures. For example, a factor of 0.94950 will round to 0.950; a factor of 0.94949 will round to 0.949.
4. A Capacity Source that achieves an event performance factor of 0.95 or greater for a test or event and an interval performance factor of 0.95 or greater for the first full interval of the test or event will be deemed to have successfully met its deployment obligations for that test/event.
5. If a Capacity Source achieves an event performance factor of less than 0.95 for the test or event, or for the first full interval of a test or event, the interval performance factors for that event will be multiplied by an adjustment factor such that the adjusted event performance factor for the test or event will be equal to the square of the original event performance factor.
6. If, during a Contracted Month, ERCOT has deployed a Capacity Source at least once for either an ERCOT test or an event deployment, the event performance factor for the Contracted Month shall be the time-weighted average of the interval performance factor values for all tests and events in the Contracted Month. The interval performance factors used for this calculation shall reflect any squaring applied pursuant to the preceding paragraph. If during a Contracted Month, ERCOT has not deployed a Capacity Source for either an event or a test, the event performance factor for that month shall be deemed to be one.

If a Capacity Source has been deployed for the maximum agreed to number of events, the event performance factor will be set to one for all additional deployments.

## Testing

1. ERCOT may conduct a test of any Capacity Source at any time during the Capacity Source’s Hours of Obligation during the Contract Period with at least 48 hours’ notice and will limit testing to no more than once per Contracted Month unless the Capacity Source requests a retest.
2. ERCOT will not conduct a test of a Capacity Source during any month in which an event deployment has already occurred.
3. ERCOT shall limit the duration of deployments of any single test to a maximum of one hour.