

# 9 Settlement and Credit Requirements

*This section addresses the processes and mechanisms for settling the capacity market and financial security requirements for market participants.*

## 9.1 Capacity market statements

- 9.1.1 The AESO will send out monthly statements to the capacity supplier with settlements for the previous statement period. These will be separate from the energy market statement and separate from cost allocation invoices.
- 9.1.2 These statements will include:
- (a) monthly capacity payment amount;
  - (b) performance payment adjustments incurred in the statement period;
  - (c) outstanding payment adjustment balances;
  - (d) for the month following the end of the obligation period, the annual payment adjustment for availability; and
  - (e) the net capacity payment.

## 9.2 Settlements applicable to capacity assets

### **Capacity payments**

- 9.2.1 The AESO will make capacity payments to the capacity supplier after the start of the obligation period.

### **Calculating capacity payments**

- 9.2.2 The capacity payment will be calculated by the AESO as follows:

$$\text{Capacity Payment} = \{ [O_b * P_b] - [(O_b - O_{r1}) * P_{r1}] - [(O_{r1} - O_{r2}) * P_{r2}] \} / \# \text{ months in term}$$

Where, for the obligation period:

- $O_b$  equals obligation volume of the capacity asset after the base auction;
- $P_b$  equals the clearing price of the base auction;
- $O_{r1}$  equals the obligation volume of the capacity asset after the first rebalancing auction;
- $P_{r1}$  equals the clearing price of the first rebalancing auction;
- $O_{r2}$  equals the obligation volume of the capacity asset after the second rebalancing auction; and
- $P_{r2}$  equals the clearing price of the second rebalancing auction.

## 9.3 Calculating capacity payment adjustments

Payment adjustments for availability (unavailability and over-availability) and for performance (non-performance and over-performance) will be determined in accordance with section 8.

To minimize the credit risk, the AESO settlement will only apply payment adjustments up to 100 per cent of the capacity market payment on any one statement until the balance of payment adjustment is paid.

### ***Obligation price per MW***

- 9.3.1 To determine the performance payment adjustment rate and the availability payment adjustment rate the obligation price per MW for each asset must be calculated.
- 9.3.2 The asset obligation price per MW will be calculated by the AESO as follows:  
Asset obligation price per MW equals the capacity payment divided by the obligation, both of which are determined after all auctions for the obligation period have been completed.

### ***Payment adjustment for availability***

- 9.3.3 The AESO will:
- (a) calculate the availability payment adjustment in accordance with Section 8;
  - (b) apply the availability payment adjustment to the payment adjustment balance.
- 9.3.4 If the amount of the total over-availability payment is less than the amount of the total unavailability payment, then the remaining unavailability payment adjustment will be allocated to consumers.

### ***Payment adjustment for performance***

- 9.3.5 The AESO will:
- (a) for every performance event that occurred, perform a performance assessment of that event in accordance with Section 8;
  - (b) calculate the performance payment adjustment for the same statement period for which the non-performance event occurred;
  - (c) apply the performance payment adjustment to the payment adjustment balance.
- 9.3.6 If the amount of the total over-performance payment is less than the amount of the total non-performance payment, then the remaining non-performance payment adjustment will be allocated to consumers.

## **9.4 Capacity cost allocation settlements**

- 9.4.1 Capacity cost allocation payment will be collected from consumers (load) through the ISO tariff.
- 9.4.2 The AESO will:
- (a) calculate the capacity cost allocation using a formula that has not yet been determined;
  - (b) calculate the capacity cost allocation as soon as reasonably practicable after the end of each capacity market statement period;
  - (c) issue an invoice to the applicable consumers based on the capacity cost allocation settlement results.

## **9.5 Net settlement instructions (NSI)**

- 9.5.1 Net settlement instructions will not be facilitated within the capacity market.

## **9.6 Credit requirements for capacity assets**

- 9.6.1 **The existing ISO rules regarding credit requirements will apply to the capacity supplier.**
- 9.6.2 The AESO will establish security requirements applicable to the capacity supplier. **Such security requirements are still being determined.**

## 9.7 Measurement, verification and tracking of capacity assets

### 9.7.1 The AESO will:

- (a) measure and verify the capabilities and performance of all capacity assets throughout the obligation period against their obligation volume;
- (b) develop a platform to track capacity supply and demand data to support several functions in the capacity market. The capacity supplier can use the platform to track their qualification status, UCAP ratings, auction results including the capacity obligation volumes and associated prices for each obligation period.

### 9.7.2 The capacity supplier must:

- (a) provide data required by the AESO which is sufficient to measure the performance and availability of the capacity asset;
- (b) for each of its assets, have the ability to measure production on a sub-hourly basis and provide that data to the AESO via SCADA.