

9 Settlement and Financial Security 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 issue monthly statements to the capacity market participant with settlements for the previous settlement period. These will be separate from the energy market statement and separate from the invoices for cost allocation settlement.
- 9.1.2 These statements will include:
- (a) monthly capacity payment amount;
 - (b) delivery and/or availability payment adjustments incurred in the settlement period;
 - (c) outstanding payment adjustment balances;
 - (d) for the month following the end of the obligation period, the annual payment adjustment for availability;
 - (e) uplift payments; and
 - (f) 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 market participant after the start of the obligation period. New capacity assets that have not reached commercial operation before the start of the settlement period will not be paid the monthly capacity payment in that settlement period. The monthly capacity payment for that settlement period will be held by the AESO until all penalties for the delivery year are assessed and thereafter will be applied towards the payment adjustment balance before any net payment owed to the capacity market participant is provided.

Calculating capacity payments

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

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

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.

- 9.2.3 Any capacity asset volumes required to satisfy the capacity purchase volume determined through unconstrained market clearing that are priced above the market clearing price will receive uplift payments equal to the difference between their offer price and the market clearing price.

9.3 Calculating capacity payment adjustments

- 9.3.1 Payment adjustments for availability (unavailability and over-availability) and for delivery (non-delivery and over-delivery) will be determined in accordance with Section 8, *Supply Obligations and Performance Assessments*. The AESO will not assess capacity payment adjustments against the energy market or ancillary services market. The AESO will apply payment adjustments up to 100 per cent of the capacity market payment for each asset on any one settlement period, the remainder of which will be carried forward to the subsequent settlement period and will continue until the balance of the payment adjustment is paid.

Obligation price per MW

- 9.3.2 To determine the delivery payment adjustment rate and the availability payment adjustment rate the obligation price per MW for each asset must be calculated.
- 9.3.3 The asset obligation price per MW will be calculated by the AESO as follows:
Asset obligation price per MW equals the annual capacity payment (capacity payment multiplied by 12) divided by the total capacity obligation, both of which are determined after all auctions for the obligation period have been completed.

Payment adjustment for availability

- 9.3.4 The AESO will:
- (a) calculate the availability payment adjustment in accordance with Section 8, *Supply Obligations and Performance Assessments*; and
 - (b) apply the availability payment adjustment to the payment adjustment balance.
- 9.3.5 In the event that there are residual funds remaining after all unavailability payment adjustments and over-availability payment adjustments for an obligation period have been applied, or in the event that there are no capacity committed assets that are eligible to receive over-availability payment adjustments for an obligation period, such residual funds will be applied by the AESO against the costs incurred by the AESO to procure capacity from capacity suppliers.

Payment adjustment for delivery

- 9.3.6 The AESO will:
- (a) for every delivery event that occurred, conduct a delivery assessment of that event in accordance with Section 8, *Supply Obligations and Performance Assessments*; and,
 - (b) calculate the delivery payment adjustment for the same settlement period for which the non-delivery event occurred; and
 - (c) apply the delivery payment adjustment to the payment adjustment balance.
- 9.3.7 In the event that there are residual funds remaining after all non-delivery payment adjustments and over-delivery payment adjustments for an settlement period have been applied, or in the event that there are no capacity committed assets that are eligible to receive over-delivery payment adjustments for an obligation period, such residual funds will be applied by the AESO against the costs incurred by the AESO to procure capacity from capacity suppliers.

9.4 Capacity cost allocation settlements

- 9.4.1 Capacity costs will be allocated to consumers (load) through a tariff mechanism.

9.4.2 The AESO will:

- (a) calculate the capacity cost allocation using a formula that has not yet been determined (additional details will be developed by the AESO and subject to further consultation);
- (b) calculate the capacity cost allocation as soon as reasonably practicable after each capacity market settlement period; and
- (c) issue statements 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 Financial security requirements for capacity assets

9.6.1 ISO rule section 103.3(2)(1) regarding financial security requirements will apply to the capacity market participant.

9.6.2 The AESO will establish the following additional financial security requirements applicable to the capacity market participant:

- (a) no security requirement during the obligation period provided that, for the following obligation period, the asset maintains an obligation and is eligible for a capacity payment; and
- (b) if the asset does not have an obligation in the following obligation period then the AESO may request security against the estimated outstanding payment adjustment balance owing.

9.7 Measurement, verification and tracking of capacity assets

9.7.1 The AESO will:

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

9.7.2 The capacity market participant must:

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