

# ISO Rules

## Part 100 General

### Division 103 Administration

#### Section 103.11 Capacity Market Financial Security Requirements



External Consultation Draft  
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#### Applicability

- 1 Section 103.11 applies to:
- (a) a **capacity market participant**; and
  - (b) the **ISO**.

#### Requirements

##### Provision of Financial Security

- 2 A **capacity market participant** must provide to the **ISO**, or cause its guarantor to provide to the **ISO**, any **financial security** which it is required to provide, or requested by the **ISO** to provide, pursuant to this section 103.11.

##### Financial Security – Payment Adjustment Balance Limit

- 3(1) The **ISO** may, if, at any time prior to or during an **obligation period**, the **ISO** is of the opinion that the payment adjustment balance, as determined in accordance with Section 103.9 of the **ISO rules**, *Capacity Market Financial Settlement*, in respect of any asset, may, at any time, exceed a limit calculated as follows:

$PAB\ limit = \text{the capacity payment, calculated in accordance with Section 103.10 of the ISO rules, Capacity Payment Calculation for such obligation period} * 12 * 1.3$

calculate an adjustment to the amount of **financial security** which the **capacity market participant** may be required to provide to the **ISO** in respect of such **obligation period** as follows:

$adjusted\ security\ requirement = \text{security requirement less the total amount of financial security currently held by the ISO in respect of such asset pursuant to this subsection 3(1)}$

where:

$security\ requirement = \text{the greater of:}$

- (i) the estimated payment adjustment balance less the *PAB limit*; and
- (ii) \$0.

- (2) The **ISO** may, if the amount of the adjusted security requirement determined pursuant to subsection 3(1) is a positive number, request the applicable **capacity market participant** to provide **financial security** to the **ISO** in the amount of the adjusted security requirement on or prior to the date specified in any notice to the **capacity market participant** from the **ISO**, which date shall in all events be not less than 5 **business days** following the delivery of such notice.

##### Financial Security – Change to Capacity Payment

- 4(1) The **ISO** may, if there is any estimated change in the amount of the capacity payment, calculated in accordance with Section 103.10 of the **ISO rules**, *Capacity Payment Calculation* for an asset for any **obligation period**, calculate and must calculate upon any request of the applicable **capacity market participant** an adjustment to the amount of **financial security** which the **capacity market participant** may be required to provide to the **ISO** in respect of such **obligation period** as follows:

# ISO Rules

## Part 100 General

### Division 103 Administration

#### Section 103.11 Capacity Market Financial Security Requirements



*adjusted security requirement* = security requirement less the total amount of **financial security** currently held by the **ISO** in respect of such asset pursuant to this subsection 4(1)

where:

*security requirement* = the greater of:

- (i) the estimated payment adjustment balance less the PAB limit; and
- (ii) \$0; and

*PAB limit* = the capacity payment, calculated in accordance with Section 103.10 of the **ISO rules**, *Capacity Payment Calculation* for such **obligation period** (which shall be \$0 if such asset is not subject to a **capacity commitment** for such **obligation period**) \* 12 \* 1.3.

(2) The **ISO** may, if the amount of the adjusted security requirement determined pursuant to subsection 4(1) is a positive number, request the applicable **capacity market participant** to provide **financial security** to the **ISO** in the amount of the adjusted security requirement on or prior to the date specified in any notice to the **capacity market participant** from the **ISO**, which date shall in all events be not less than 5 **business days** following the delivery of such notice.

(3) The **ISO** may, if requested by the **capacity market participant**, if the amount of the adjusted security requirement determined pursuant to subsection 4(1) in respect of an **obligation period** is a negative number, reduce the amount of **financial security** of the **capacity market participant** as of the commencement of such **obligation period** by the adjusted security requirement.

#### Financial Security – New Capacity, Refurbished Capacity, and Incremental Capacity

5(1) A **capacity market participant** must, prior to participating in a **base auction** or **rebalancing auction** and within the timelines prescribed in the *Capacity Market Auction Guidelines*, provide **financial security** to the **ISO** for the security requirement amounts determined pursuant to this subsection 5 and subsection 6, as applicable, in respect of an asset with:

- (a) **new capacity**;
- (b) refurbished capacity, or
- (c) incremental capacity,

that is not energized and commissioned at the time of the **base auction** or **rebalancing auction**.

(2) The **ISO** must calculate the security requirement for the volume of **uniform capacity value** from an asset with **new capacity** that a **capacity market participant** must offer in a **base auction** or **rebalancing auction** as follows:

$$\text{security requirement} = (\text{gross-CONE} * 1 / \text{CRF}) * 5\% * \text{uniform capacity value}$$

where gross-CONE is from the demand curve for the applicable **base auction** or **rebalancing auction** as established in accordance with Section 207.3 of the **ISO rules**, *Shape of Demand Curve*;

CRF is the capital recovery factor specified in subsection 5(3); and

**uniform capacity value** is the volume of **uniform capacity value** the **capacity market participant** must offer for the applicable **base auction** or **rebalancing auction**.

(3) The **ISO** must calculate the capital recovery factor as:

$$\text{CRF} = \frac{i(1+i)^n}{\{(1+i)^n\}-1}$$

# ISO Rules

## Part 100 General

### Division 103 Administration

#### Section 103.11 Capacity Market Financial Security Requirements



where  $i$  is the discount rate used in the gross-CONE determination as per Section 207.3 of the **ISO rules**, *Shape of Demand Curve*; and

$n$  is a 20 year plant life.

- (4) The **ISO** must calculate the security requirement for the volume of **uniform capacity value** from an asset with refurbished **capacity** that a **capacity market participant** must **offer** in a **base auction** or **rebalancing auction** as follows:

$$\text{security requirement} = \text{unit rate} * \text{escalation rate} * 5\% * \text{uniform capacity value}$$

where the unit rate is \$200/kW;

escalation rate is the current capital cost escalation rate as determined by the **ISO**; and

**uniform capacity value** is the volume of **uniform capacity value** the **capacity market participant** must **offer** for the applicable **base auction** or **rebalancing auction**.

- (5) The **ISO** must calculate the security requirement for the volume of **uniform capacity value** from incremental **capacity** that a **capacity market participant** must **offer** in a **base auction** or **rebalancing auction** as follows:

$$\text{security requirement} = \text{unit rate} * \text{escalation rate} * 5\% * \text{uniform capacity value}$$

where the unit rate is \$100/kW;

escalation rate is the current capital cost escalation rate as determined by the **ISO**; and

**uniform capacity value** is the volume of **uniform capacity value** from incremental **capacity** the **capacity market participant** must **offer** for the applicable **base auction** or **rebalancing auction**.

#### Financial Security – Revised Amounts

- 6(1) The **ISO** must, following a **base auction** or a **rebalancing auction**, determine the security requirement of an asset identified in subsection 5(1) as follows:

- (a) \$0, if the **capacity market participant** elected to delist the entire volume of **new capacity** or refurbished **capacity** for the asset in accordance with Section 206.1 of the **ISO rules**, *Qualification of Capacity*;
- (b) \$0, if the **capacity market participant** elected to not continue with the retrofit for incremental **capacity** for the asset in accordance with Section 206.1 of the **ISO rules**, *Qualification of Capacity*;
- (c) \$0, if the **capacity market participant** failed to receive a **capacity commitment** for that asset for the applicable **obligation period**;
- (d) \$0, if such **rebalancing auction** is the last **rebalancing auction** for the applicable **obligation period** and that asset achieved energization and **commissioning**;
- (e) the amount determined in accordance to subsection 5, if the **capacity market participant** received a **capacity commitment** for that asset for the applicable **obligation period**; or
- (f) the amount determined in accordance with subsection 6(2), if applicable.

- (2) The **ISO** must, if an asset was determined to meet its critical milestones as per Section 206.5 of the **ISO rules**, *Forward Period Milestone Assessment* in advance of a **rebalancing auction**, calculate the security requirement for the **capacity commitment** which was the outcome of an **offer** of **new capacity**,

# ISO Rules

## Part 100 General

### Division 103 Administration

#### Section 103.11 Capacity Market Financial Security Requirements



refurbished capacity or incremental capacity that cleared a prior **base auction** or **rebalancing auction** for the applicable **obligation period**, as follows:

$$\text{security requirement} = \text{security rate} * \text{capacity commitment} * \max\{\text{remaining auctions}, 1\} / \text{total applicable auctions}$$

where:

security rate is calculated as per subsection 6(3), as applicable;

**capacity commitment** is the **capacity commitment** of the asset for the **obligation period** in respect of such **rebalancing auction**;

total applicable auctions is the count of all **base auctions** and **rebalancing auctions**, regardless of the respective **obligation period**, from the **base auction** or **rebalancing auction** which the initial security requirement was provided pursuant to subsection 5, to the start of the **obligation period** which the initial security requirement was provided in respect of; and

remaining auctions is the count of all **base auctions** and **rebalancing auctions**, regardless of the respective **obligation period**, from this **rebalancing auction** which the reduced security requirement is being calculated and provided for, to the start of the **obligation period** which the reduced security requirement is being calculated and provided in respect of.

(3) The **ISO** must calculate the security rate as follows:

(a) for an asset with a **capacity commitment** based on **new capacity**:

$$\text{security rate} = (\text{gross-CONE} * 1 / \text{CRF}) * 5\%$$

where gross-CONE is from the demand curve for the applicable base auction or rebalancing auction as established in accordance with Section 207.3 of the **ISO rules**, *Shape of Demand Curve*; and

CRF is the capital recovery factor specified in subsection 5(3);

(b) for an asset with a **capacity commitment** based on refurbished **capacity**:

$$\text{security rate} = \text{unit rate} * \text{escalation rate} * 5\%$$

where the unit rate is \$200/kW; and

escalation rate is the current capital cost escalation rate as determined by the **ISO**; or

(c) for an asset with a **capacity commitment** based on incremental **capacity**:

$$\text{security rate} = \text{unit rate} * \text{escalation rate} * 5\%$$

where the unit rate is \$100/kW; and

escalation rate is the current capital cost escalation rate as determined by the **ISO**.

(4) The **ISO** may, following a **rebalancing auction**, adjust the amount of **financial security** a **capacity market participant** must provide to the **ISO** for an asset in accordance with the amount determined in subsection 6.

#### Revision History

ISO Rules  
Part 100 General  
Division 103 Administration  
Section 103.11 Capacity Market Financial Security  
Requirements



Date	Description
yyyy-mm-dd	Initial release