

# ISO Rules

## Part 100 General

### Division 103 Administration

#### Section 103.9 Capacity Market Financial Settlement



Draft Version  
Posted January 2019

#### Applicability

- 1 Section 103.9 applies to:
  - (a) a **capacity market participant**; and
  - (b) the **ISO**.

#### Requirements

##### Currency

- 2 The **ISO** must determine all payments, charges, amounts and calculations under this section 103.9 in Canadian dollars.

##### Monthly Payment for an Asset with a Positive Capacity Payment

- 3 The **ISO** must, for an asset with a positive **capacity payment**, pay to the **capacity market participant** an amount for each **settlement period** as follows:
  - (a) where the asset is subject to a **capacity commitment**:
    - (i) \$0, if the adjusted **capacity payment** calculated in subsection 5 is less than or equal to \$0;
    - (ii) the adjusted **capacity payment** calculated in subsection 5 if such amount is greater than \$0;
  - and
  - (b) where the asset is not subject to a **capacity commitment**, the **capacity payment**.

##### Monthly Payment for an Asset with a Negative Capacity Payment

- 4(1) A **capacity market participant** must, for an asset that is subject to a **capacity commitment** with a negative **capacity payment**, pay the **ISO** the adjusted **capacity payment** determined in accordance with subsection 5 for each **settlement period**, if such amount is negative.
- (2) A **capacity market participant** must, for an asset that is not subject to a **capacity commitment** with a negative **capacity payment**, pay the **ISO** the **capacity payment** for each **settlement period**.
- (3) The **ISO** must, for an asset subject to a **capacity commitment** with a negative **capacity payment**, pay the **capacity market participant** for each **settlement period** the adjusted **capacity payment** determined in accordance with subsection 5, if such amount is positive.

##### Adjusted Capacity Payment

- 5 The **ISO** must, for each asset subject to a **capacity commitment**, calculate an adjusted **capacity payment** in dollars for a **settlement period** in accordance with the following formula:

$$\begin{aligned} \text{adjusted capacity payment}_{it} = \\ \text{capacity payment}_{it} + \text{uplift}_{it} + \text{statement adjustments}_{it} + \text{payment adjustment balance}_{i,t-1} \\ + \text{under delivery adjustment charge}_{it} + \text{over delivery adjustment payment}_{it} \end{aligned}$$

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+ *under availability adjustment charge*<sub>it</sub> + *over availability adjustment payment*<sub>it</sub>

where:

- (a) *capacity payment*<sub>it</sub> in \$/month is the **capacity payment** for asset *i* in **settlement period t**;
- (b) *uplift*<sub>it</sub> is the monthly uplift payment in \$/month determined in accordance with Section 201.13 of the **ISO rules**, *Capacity Market Clearing* for asset *i* in **settlement period t**;
- (c) *statement adjustments*<sub>it</sub> is all amounts in dollars for the resolution of any disputes referenced in subsections 16 or 18 for asset *i* in **settlement period t**;
- (d) *payment adjustment balance*<sub>i,t-1</sub> is the amount in dollars calculated for asset *i* at the end of the prior **settlement period t-1** in accordance with subsection 7, limited by the prorated amounts collected by the **ISO** from all payment adjustment balances;
- (e) *under-delivery adjustment charge*<sub>it</sub> is the amount of under-delivery adjustments in dollars determined in accordance with Section 206.8 of the **ISO rules**, *Obligation Period Performance Assessments* for asset *i* in **settlement period t**;
- (f) *over-delivery adjustment payment*<sub>it</sub> is the amount of over-delivery adjustments in dollars determined in subsection 6(1) for asset *i* in **settlement period t**;
- (g) *under-availability adjustment charge*<sub>it</sub> is the amount of under-availability adjustments in dollars determined in accordance with Section 206.8 of the **ISO rules**, *Obligation Period Performance Assessments* for asset *i* in **settlement period t**; and
- (h) *over-availability adjustment payment*<sub>it</sub> is the amount of over-availability adjustments in dollars determined in subsection 6(2) for asset *i* in **settlement period t**.

#### Over-Delivery and Over-Availability Adjustment Payments

- 6(1)** The **ISO** must, for an asset subject to a **capacity commitment**, determine the over-delivery adjustment payment of the asset for each **settlement period** as the lesser of:
- (a) any over-delivery adjustments determined in accordance to Section 206.8 of the **ISO rules**, *Obligation Period Performance Assessments*; or
  - (b) the amount allocated to an asset based on the sum of all under-delivery adjustments collected in a **settlement period** prorated across all assets entitled to an over-delivery adjustment in the same **settlement period**.
- (2)** The **ISO** must, for an asset subject to a **capacity commitment**, determine the over-availability adjustment payment of the asset for each **settlement period** as the lesser of:
- (a) any over-availability adjustments determined in accordance to Section 206.8 of the **ISO rules**, *Obligation Period Performance Assessments*; or
  - (b) the amount allocated to an asset based on the sum of all under-availability adjustments collected in a **settlement period** prorated across all assets entitled to an over-availability adjustment in the same **settlement period**.

#### Payment Adjustment Balance

- 7(1)** The **ISO** must at the end of each **settlement period** allocate to the payment adjustment balance for an asset an amount in dollars as follows:
- (a) for an asset with a positive **capacity payment**, allocate:

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(i) for delivery, an amount determined in accordance with the following formula:

$$\begin{aligned}
 & \text{delivery payment adjustment balance}_{it} = \\
 & \text{delivery payment adjustment balance}_{i,t-1} \\
 & + \text{over delivery adjustment}_{it} + \text{under delivery adjustment}_{it} \\
 & + \text{under delivery adjustment collected}_{it} - \text{over delivery adjustment payment}_{it}
 \end{aligned}$$

where:

- (A) *delivery payment adjustment balance*<sub>*i,t-1*</sub> is the delivery payment adjustment balance in dollars for asset *i* from the previous **settlement period t-1**;
- (B) *over-delivery adjustment*<sub>*t*</sub> is the amount of over-delivery adjustments in dollars determined in accordance with Section 206.8 of the **ISO rules**, *Obligation Period Performance Assessments* for asset *i* in **settlement period t**;
- (C) *under-delivery adjustment*<sub>*t*</sub> is the amount of under-delivery adjustments in dollars determined in accordance with Section 206.8 of the **ISO rules**, *Obligation Period Performance Assessments* for asset *i* in **settlement period t**;
- (D) *under-delivery adjustment collected*<sub>*t*</sub> is the amount of under-delivery adjustments in dollars that the **ISO** collected from the asset for asset *i* in **settlement period t**; and
- (E) *over-delivery adjustment payment*<sub>*t*</sub> is the amount of over-delivery adjustments in dollars determined in subsection 6(1) for asset *i* in **settlement period t**.

(ii) for availability, an amount determined in accordance with the following formula:

$$\begin{aligned}
 & \text{availability payment adjustment balance}_{it} = \\
 & \text{availability payment adjustment balance}_{i,t-1} \\
 & + \text{over availability adjustment}_{it} + \text{under availability adjustment}_{it} \\
 & + \text{under availability adjustment collected}_{it} - \text{over availability adjustment payment}_{it}
 \end{aligned}$$

where:

- (A) *availability payment adjustment balance*<sub>*i,t-1*</sub> is the availability payment adjustment balance in dollars for asset *i* from the previous **settlement period t-1**;
- (B) *over-availability adjustment*<sub>*t*</sub> is the amount of over-availability adjustments in dollars determined in accordance with Section 206.8 of the **ISO rules**, *Obligation Period Performance Assessments* for asset *i* in **settlement period t**;
- (C) *under-availability adjustment*<sub>*t*</sub> is the amount of under-availability adjustments in dollars determined in accordance with Section 206.8 of the **ISO rules**, *Obligation Period Performance Assessments* for asset *i* in **settlement period t**;
- (D) *under-availability adjustment collected*<sub>*t*</sub> is the amount of under-availability adjustments in dollars that the **ISO** collected from the asset for asset *i* in **settlement period t**; and
- (E) *over-availability adjustment payment*<sub>*t*</sub> is the amount of over-availability adjustments in dollars determined in subsection 6(2) for asset *i* in **settlement period t**;

and

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- (b) for an asset subject to a negative **capacity payment**, the difference between the amount calculated in subsection 5 and subsections 4(1) or 4(3), as applicable.
- (2) The **ISO** must adjust the payment adjustment balance for an asset by the following amounts:
  - (a) by the amounts in subsection 7(3) settled in each **settlement interval**;
  - (b) a payment adjustment balance reduction reflected in a financial statement in accordance with subsection 7(6); and
  - (c) a payment made by a **capacity market participant** towards the payment adjustment balance for an associated asset, if such amount was not invoiced by the **ISO**.
- (3) The **ISO** must, if an asset has a positive payment adjustment balance at the end of an **obligation period** and is not subject to a **capacity commitment** for the next **obligation period**, settle the payment adjustment balance such that the payment for each **settlement period** is limited by the prorated amounts collected by the **ISO** from all payment adjustment balances.
- (4) The **ISO** must, if an asset has a negative payment adjustment balance and the **capacity payment** for the next **obligation period** is lower than the **capacity payment** for the current **obligation period**, calculate a payment adjustment balance reduction in dollars in accordance with the following formula:

$$\text{payment adjustment balance reduction}_{it} = \text{capacity payment ratio}_i \times \text{payment adjustment balance}_{it}$$

where:

- (a) *capacity payment ratio<sub>i</sub>* for asset *i* is the lesser of:
    - (i) the **capacity payment** ratio calculated in subsection 7(5); or
    - (ii) 1.
  - (b) *payment adjustment<sub>t</sub> balance<sub>it</sub>* is the payment adjustment balance in dollars for asset *i* at the end of **settlement period** *t* determined in subsection 7, expressed as an absolute value.
- (5) The **ISO** must calculate the **capacity payment** ratio in accordance with the following formula:

$$\text{capacity payment ratio}_i = (\text{current payment}_{it} - \text{future payment}_{i,t+1}) \div \text{current payment}_{it}$$

where:

- (a) *current payment* is the **capacity payment** in \$/month for asset *i* in current **obligation period** *t*; and
  - (b) *future payment* is the **capacity payment** in \$/month for asset *i* in the next **obligation period** *t+1*.
- (6) The **capacity market participant** must pay to the **ISO** the payment adjustment balance reduction calculated in subsection 7(4), upon receiving a financial statement for such amount from the **ISO**.

#### Residual Funds to Offset Costs to Procure Capacity

8 The **ISO** must, if the under-delivery adjustments and under-availability adjustments exceed annual over-availability and over-delivery caps, as calculated in accordance with Section 206.8 of the **ISO rules**, *Obligation Period Performance Assessments*, use the residual funds to offset costs incurred by the **ISO** to procure **capacity**.

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#### Failure to Achieve Energization and Commissioning

**9** The **ISO** must, for an asset subject to a **capacity commitment** that has not completed energization and **commissioning** before the start of the **obligation period**, withhold all **capacity payments** for **settlement periods** prior to and including the **settlement period** during which energization and **commissioning** is achieved until any over-availability adjustments or under-availability adjustments have been determined in accordance with Section 206.8 of the **ISO rules**, *Obligation Period Performance Assessments*.

#### Post Final Adjustments

**10** The **ISO** must not make post final adjustments to any capacity market statement or calculation in relation to any post final adjustments made pursuant to Section 103.4 of the **ISO rules**, *Power Pool Financial Settlement*.

#### Preliminary Capacity Market Statement

**11(1)** The **ISO** must, no later than the close of business on the 5<sup>th</sup> **business day** after the last day of each **settlement period**, issue a preliminary capacity market statement to each **capacity market participant**, in respect of all associated assets determined on:

- (a) an initial basis for that **settlement period**;
- (b) an interim basis for the **settlement period** which is 2 **months** prior to that **settlement period**; and
- (c) a final basis for the **settlement period** which is 4 **months** prior to that **settlement period**.

**(2)** The **ISO** must include in the preliminary capacity market statement:

- (a) the adjusted **capacity payment** or **capacity payment** determined in accordance with subsections 3, 4 and 5, as applicable;
- (b) line items reflecting the values used to calculate the adjusted **capacity payment** in subsection 5; and
- (c) any interest, late payment or other costs or charges, as applicable, under Section 103.7 of the **ISO rules**, *Financial Default and Remedies*.

**(3)** The **ISO** must, subject to Section 103.1 of the **ISO rules**, *Confidentiality*, provide to a **capacity market participant** supporting records used in determining the line items and net amounts contained in the **capacity market participant's** capacity market statement, upon a reasonable written request.

#### Final Capacity Market Statement

**12(1)** The **ISO** must, no later than the close of business on the 15<sup>th</sup> **business day** after the end of each **settlement period**, issue a final capacity market statement to a **capacity market participant** in respect of all associated assets, determined on:

- (a) an initial basis for that **settlement period**;
- (b) an interim basis for the **settlement period** which is 2 **months** prior to that **settlement period**; and
- (c) a final basis for the **settlement period** which is 4 **months** prior to that **settlement period**.

**(2)** The **ISO** must include in the final capacity market statement:

- (a) the amounts set out in the preliminary capacity market statement;



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- (b) any updated items; and
- (c) information not previously appearing on the preliminary capacity market statement.

#### Settlement Dates and Payment Obligations

**13(1)** The **ISO** must use the 20<sup>th</sup> **business day** following the last day of a **settlement period** as the settlement date for that **settlement period**.

**(2)** The **ISO** must publish on the AESO website each January the settlement dates for the current and next calendar year.

**(3)** The **ISO** must, if the **ISO** owes an amount to a **capacity market participant** pursuant to subsection 4, pay that amount by the settlement date.

#### Method of Payment

**14** A **capacity market participant** must pay an amount the **capacity market participant** owes, as set out in its final capacity market statement, to the **ISO** by the method the **ISO** specifies.

#### Interest and Other Late Payment Costs and Charges

**15** A **capacity market participant** must, if it fails to pay on or before a settlement date any outstanding **financial obligation** dollar amount owing to the **ISO** as set out in any of the **capacity market participant's** final capacity market statements, pay interest, a late payment charge and any other costs and charges in accordance with the provisions of Section 103.7 of the **ISO rules**, *Financial Default and Remedies*.

#### Informal Disputes

**16** A **capacity market participant** and the **ISO** must make reasonable efforts to informally resolve a dispute in accordance with Section 103.2 of the **ISO rules**, *Dispute Resolution*, if a **capacity market participant** has a dispute with the **ISO** about the content of a final capacity market statement of the **capacity market participant** prior to the **ISO** issuing that final capacity market statement on a final basis in accordance with subsection 12.

#### Formal Dispute Periods

**17** The **ISO** must publish on the AESO website each January the formal dispute submission periods for each of the **settlement periods** for that calendar year.

#### Capacity Market Statement Formal Disputes After Final Capacity Market Statement

**18(1)** A **capacity market participant** must not, subject to subsection 16, formally dispute a final capacity market statement for a **settlement period** until the **ISO** has issued the final capacity market statement on a final basis for that **settlement period** in accordance with subsection 12.

**(2)** The **capacity market participant** must, if a **capacity market participant** proceeds with a formal dispute, submit a written dispute notice to the **ISO** in accordance with Section 103.2 of the **ISO rules**, *Dispute Resolution*, prior to the expiry of the formal dispute submission period for the **settlement period**.

**(3)** The **ISO** must not make adjustments to any amounts of any final capacity market statement issued on a final basis unless the adjustments result from a formal dispute resolution written agreement between the **ISO** and the **capacity market participant** or from a determination of Section 103.2 of the **ISO rules**, *Dispute Resolution*.

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(4) The **ISO** must, if the terms of a formal dispute have been agreed to in principle between the **ISO** and the **capacity market participant**, deliver a written agreement to the **capacity market participant** detailing the dispute resolution terms, the subject **settlement period**, a summary of adjustments, and the requirement that the **capacity market participant** confirms and agrees to the formal dispute resolution by signing and returning the written agreement to the **ISO**.

(5) A **capacity market participant** must, no later than the close of business on the 30<sup>th</sup> **business day** from the receipt of the written agreement from the **ISO**, reply by signing and accepting the written agreement and once signed and accepted and redelivered to the **ISO**, the **capacity market participant** will not have further recourse under Section 103.2 of the **ISO rules**, *Dispute Resolution*.

(6) The **ISO** may deem that the **capacity market participant** has accepted the written agreement if the **capacity market participant** fails to respond by the 30<sup>th</sup> **business day**.

(7) The **capacity market participant** must not have further recourse under Section 103.2 of the **ISO rules**, *Dispute Resolution* with respect to the formal dispute if the written agreement is accepted or deemed to be accepted pursuant to subsection 18(6).

(8) A **capacity market participant** may, if the **capacity market participant** rejects the written agreement by delivering a rejection notice to the **ISO** by the 30<sup>th</sup> **business day**, seek to have the formal dispute resolved by a determination under Section 103.2 of the **ISO rules**, *Dispute Resolution*.

#### Capacity Market Statement Adjustments for Resolved Disputes

**19(1)** The **ISO** must, if an informal dispute is resolved under subsection 16, adjust the final capacity market statement for that **settlement period** to include any resolved line item adjustments and the adjusted net amount payable by or to the **capacity market participant**.

(2) The **ISO** must, if a formal dispute is resolved under subsection 18, adjust the next final capacity market statement after the resolution to include any resolved line item adjustments and the adjusted net amount payable by or to the **capacity market participant**.

#### ISO Recourse to Section 103.7 of the ISO Rules, *Financial Default and Remedies*

**20** The **ISO** may, in the event that the **capacity market participant** fails to pay an invoice or any dollar amount under this section 103.9, deem such failure to be a **financial obligation** default event which will allow the **ISO** to have recourse to the rights and remedies of the **ISO** under Section 103.7 of the **ISO rules**, *Financial Default and Remedies*.

#### Revision History

Date	Description
yyyy-mm-dd	Initial release