

Information Document

ISO Tariff - Payment in Lieu of Notice Calculator

ID #2021-010T



Information documents are not authoritative. Information documents are for information purposes only and are intended to provide guidance. If there is a discrepancy between an information document and any authoritative document¹ in effect, the authoritative document governs.

1 Purpose

This information document relates to the following authoritative document:

- Section 5 of the ISO tariff, *Changes to System Access Service* and its predecessor documents² (“Section 5 of the ISO tariff”)

The purpose of this information document is to provide market participants with clarity on the payment in lieu of notice provisions set out in the ISO tariff and with a tool to calculate the payment in lieu of notice for a reduction or termination of contract capacity for system access service under Rate DTS of the ISO tariff.

2 Applicable ISO Tariff Provision Clarification

Payment in lieu of notice provisions are set out in subsections 5.3 and 5.7 of Section 5 of the ISO tariff.³

2.1 Payment in Lieu of Notice Payment

The AESO calculates payment in lieu of notice, in accordance with subsection 5.3(3) of Section 5 of the ISO tariff, under the provisions of the ISO tariff in effect on the date on which the AESO received the request for reduction or termination of Rate DTS contract capacity.

A payment in lieu of notice determination is based on load and contract capacity reduction or termination information the market participant provides to the AESO. The AESO may re-assess the payment in lieu of notice and require additional payment pursuant to subsection 5.3(7) of Section 5 of the ISO tariff.

As set out in subsection 5.3(6) of Section 5 of the ISO tariff, the AESO may waive or reduce a market participant’s payment in lieu of notice in certain circumstances. A payment made in lieu of notice by the market participant under subsection 5.3(5) of Section 5 of the ISO tariff is neither refundable nor applicable as an offset to future bills after its effective date.

2.2 Payment Timeframe

If a payment in lieu of notice is paid by a market participant before the end of the 5-year notice period, the reduction or termination of contract capacity will become effective in accordance with subsection 5.3(5) of Section 5 of the ISO tariff.

Subsection 5.7(1) of Section 5 of the ISO tariff sets out the timeframe for payment of payment in lieu of notice. If a market participant does not pay its payment in lieu of notice, then subsection 5.3(1) of Section 5 of the ISO tariff applies. The 5-year notice period, set out in subsection 5.3(1) of Section 5 of the ISO tariff, starts on the first day of the month following receipt of the request.

¹ “Authoritative document” is the general name given by the AESO to categories of documents made by the AESO under the authority of the *Electric Utilities Act* and associated regulations, and that contain binding legal requirements for either market participants or the AESO, or both. Authoritative documents include the ISO rules, the reliability standards, and the ISO tariff.

² ISO tariff section names and numbers provided are based on the 2021 ISO tariff and may differ from previous ISO tariffs.

³ Subsection references provided in this information document align to the 2021 ISO tariff. Subsection references may differ in previous versions of the ISO tariff.

2.3 Discount Rate

As set out in subsection 5.3(4) of Section 5 of the ISO tariff, the discount rate used in the payment in lieu of notice calculation is determined in accordance with subsection 4.9 of Section 4 of the ISO tariff, *Classification and Allocation of Connection Projects Costs* and provided in information document #2011-005T, *Discount Rates for ISO Tariff* (“Section 4 of the ISO tariff”).⁴

3 Completing the PILON Calculator

3.1 General Information

The payment in lieu of notice calculator is an optional tool that a market participant may use to estimate the lump sum payment for a reduction or termination of contract capacity under Rate DTS taken before the end of the 5-year notice period. This section of the information document outlines instructions for each market participant that chooses to use this tool and, where applicable, provides information to assist the market participant in determining the appropriate values to enter.

In Appendix 1, enter values in the cells highlighted in yellow only in the Appendix 1 *A1 Contract Details* worksheet (“*A1 Contract* sheet”) and Appendix 1 *A2 - Billing History* worksheet (“*A2 History* sheet”). The calculator will use these values to determine the payment in lieu of notice and will change based on the combination of data entered and selections made.

The AESO has provided messages in the *A1 Contract* sheet, related to the project identification and calculation preparation, in many of the cells where values are entered. When the market participant enters values into these cells, those values will replace the default text.

In cells that relate to the contract stages and capacities, cells related to shared facilities are hatched and will open to entry only when the market participant makes applicable entries.

Entering certain combinations of cell values may cause an error message to appear. An error message generally indicates how the error can be corrected. Related cells are highlighted in red for most error messages.

3.2 Project Identification

The Project Identification section of the *A1 Contract* sheet is where the market participant provides the specific information for its project. The market participant selects all system access service types that are provided to the market participant at the substation from the dropdown menu.

The market participant selects the appropriate ISO tariff from the dropdown menu on cell I11 of *A1 Contracts* sheet and which is shown in cell I12 and confirms that the correct ISO tariff was selected by ensuring that the effective date of the ISO tariff aligns with the date on which the reduction or termination of contract capacity request was received. The payment in lieu of notice calculator will change based on this input.

3.3 Project Details

The market participant provides relevant project details in the Project Details section by making the applicable choices in rows (a) and (b) of the *A1 Contract* sheet. The choices selected in these cells affect other input cells on the sheet as well as calculations on other Appendix 1 worksheets. Unless specified otherwise in the ISO tariff, the AESO implements all contract-related changes on the first of the month following a request, notice, or payment.

⁴ Available on the AESO website.

3.4 Contract Details

The market participant selects whether its request is for a reduction or termination of contract capacity in row (c) of the *A1 Contract* sheet, then enters the date the AESO received the payment in lieu of notice request in row (d).

The calculator shows the start of the 5-year notice period in row (e) of the *A1 Contract* sheet as the first of the month following the request for a reduction or termination of contract capacity, unless specified otherwise in the ISO tariff.

If a payment in lieu of notice is not paid, the date on which the reduction or termination will become effective is indicated in row (h). A delay in a staged contract capacity increase of Rate DTS of the ISO tariff does not exempt a market participant from the applicability of a payment in lieu of notice payment.

In addition to the timeframe requirements set out in subsection 5.3(5) of Section 5 of the ISO tariff, the AESO also recommends that the market participant allow 90 days from the date of a payment in lieu of notice request to the date of payment in lieu of notice payment, to provide the AESO with sufficient time for processing, determination, review, and approval of the payment in lieu of notice. As a result, if the market participant enters an effective date in row (g) that is less than 120 days from the request date entered in row (e), an error message will appear in the calculator.

If the payment in lieu of notice is paid prior to the 5-year notice period, the market participant may enter the desired effective date for the reduction or termination of contract capacity in row (g) of the *A1 Contract* sheet. The market participant may also enter the effective date for the *System Access Service Agreement* in row (j) to calculate the date by which the AESO must receive the payment in lieu of notice, as set out in subsection 5.7(1) of Section 5 of the ISO tariff, which is calculated in row (f) of the *A1 Contract* sheet.

The market participant enters the discount rate in row (i) that is in effect when the market participant makes the payment in lieu of notice or when the reduction or termination of contract capacity is requested if a discount rate is not yet available for that date.

3.5 Contract Stages and Contract Capacities Table

In the Contract Stages and Capacities table on *A1 Contract* sheet, row (k), the market participant enters the start dates and contract capacities for each contract stage from the start of its 5-year notice period to the final stage of the contract.

For each contract stage on the *A1 Contract* sheet, the market participant enters Rate DTS contract capacities at the substation, as stated in the *System Access Service Agreement*, as total capacity, not an incremental capacity. For example, if a market participant has 2 contract stages with an initial Rate DTS contract capacity of 20 MW in Stage 1 and an increase of 10 MW in Stage 2, then the market participant enters a Rate DTS contract capacity of 20 MW in Stage 1 and 30 MW in Stage 2.

For each contract stage, the market participant enters the contract capacities that existed prior to the request for reduction or termination of capacity in the Contracted Prior to Request section of the Contract Stages and Contract Capacities table. The market participant is expected to enter the contract capacities that are included in its most recent construction contribution decision prepared by the AESO for the market participant receiving service under Rate DTS in accordance with subsection 4.6(3) of Section 4 of the ISO tariff.

The market participant enters the contract capacities that it requested in the Contracted After Request section of the contract stages table. The market participant enters a requested termination of contract capacity as 0 MW.

For each contract stage, the market participant enters the applicable contract capacity amount in each cell that is not hatched. For example, if there is another market participant with a Rate DTS contract capacity, and the other market participant's Rate DTS capacity remained at 10 MW through 3 stages of a system access service, 10 MW is entered in the Other Participant column in the row for each of the 3

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stages of the project. If an unshaded capacity cell is left blank in a row, it is treated as 0 MW.

3.6 Billing Values

To assist the market participants in determining other savings by reduced energy market charges, the average annual pool price or average forecast pool price is provided for information only.

The calculator will populate row (I) of the *A1 Contract* sheet with the applicable pool price value based on the ISO tariff year of ISO tariff chosen in cell I11. The AESO's average annual pool price is also available in the AESO's *Business Plan and Budget Proposal*⁵ for the applicable year.

3.7 Contract Stages and Substation Fraction Table

The Contract Stages and Substation Fraction tables shows the market participant how the AESO will allocate the contract change between market participants when more than one market participant exists at a substation.

The calculator populates this table only if the market participant has indicated in row (b) that more than one market participant exists at the substation and is based on the values entered in the Contract Stages and Contract Capacities table.

3.8 Billing History

On the *A2 History* sheet, the market participant enters, or pastes from another source, the historical billing data for 24 months for the system access service for which the reduction or termination is requested. The market participant adds historical billing data into the *A2 History* sheet in ascending production month order.

The market participant may obtain the historical billing data from the most recent AESO monthly settlement data files it receives from the AESO for its system access service, or it may request this information by contacting the AESO at settlement@aeso.ca.

For each month of historical billing data, the calculator determines the coincidence factor, being the coincident metered demand divided by highest metered demand, and load factor. The average coincidence and load factors are calculated and provided in the Average Over Most Recent 12 Months of History row on the *A2 History* sheet.

Alternatively, the market participant may enter future coincidence and load factors in the Override row on the *A2 History* sheet. If entered, the calculator will use an Override value instead of the Average Over Most Recent 12 Months of History values for payment in lieu of notice bill calculations.

The AESO recommends that the market participant enter future coincidence and load factors if the market participant expects these values to be materially different from historical coincidence and load factors due to changes to the electricity usage of its facilities.

4 Payment in Lieu of Notice Determination

4.1 Payment in Lieu of Notice Calculator Results

After the market participant has entered or selected all relevant values on the *A1 Contract* and *A2 History* sheets, the calculator calculates the payment in lieu of notice determination. A summary of the payment in lieu of notice is presented in the Appendix 1, *A3 Payment in Lieu of Notice* worksheet ("*A3 PILON* sheet"). The determination reflects the present value of the difference in bulk system and regional system charges which would be attributed to the service with the reduction or termination of contract capacity

⁵ The AESO's annual business plan and budget proposal documents, for the years 2017 to 2022, are available on the AESO website.

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during the notice period, in accordance with subsection 5.3(3) of Section 5 of the ISO tariff. The *A3 PILON* sheet also presents the present value without the reduction or termination of contract capacity during the notice period.

The lump-sum payment, pursuant to subsection 5.3(2) of Section 5 of the ISO tariff, is calculated in the *A3 PILON* sheet row Lump Sum Payment in Lieu of Notice Normally Required.

The demands and charges the calculator uses for the payment in lieu of notice determination are auto populated based on the ISO tariff in effect that is selected in cell I11 on the *A1 Contract* sheet and provided on the *A3 PILON* sheet for every month during the 5-year notice period. Additional information on the demands used for the payment in lieu of notice determination is provided on the Appendix 1, *A4 Demands During Notice Period* worksheet ("*A4 Demands* sheet"). For example, the 24-month peak demand that is used in the determination of billing capacity is provided during the 5-year notice period with and without the payment in lieu of notice on the *A4 Demands* sheet.

The calculator may show, in the *A3 PILON* sheet, that after the effective date of a reduction in contract capacity the 24-month peak demand is reduced by the capacity reduction, which may reduce billing capacity. However, any new peak demands established after the effective date of a reduction in contract capacity may establish a new 24-month peak demand, which may then increase billing capacity.

5 Additional Calculator Details

5.1 Rate DTS Charge Comparison

Detailed monthly charges under Rate DTS, with and without payment in lieu of notice, are provided in the Appendix 1, *Rate DTS Charges* worksheet ("*Rate DTS Charges* sheet"). The payment in lieu of notice is based only on bulk system and regional system charges, in alignment with subsection 5.3(3) of Section 5 of the ISO tariff. Other Rate DTS charges are provided on the *Rate DTS Charges* sheet for information purposes only.

The amounts in the *Rate DTS Charges* sheet are based on values the market participant enters or selects on the *A1 Contract* and *A2 History* sheets. The Rate DTS components from the selected ISO tariff are provided at the top of the sheet.

5.2 Not Included

The calculations described in this information document do not include any adjustment to a construction contribution that may also be required for a reduction or termination of contract capacity under subsection 5.2 of Section 5 of the ISO tariff.

GST is not specifically shown in this calculator; however, will be added to the payment in lieu of notice invoice.

5.3 Printing

Appendix 1 *A1 Contract*, *A2 History*, *A3 PILON*, and *A4 Demands* sheets are set up for printing, each as a letter-size pages. The *Rate DTS Charges* sheet is not specifically set up for printing.

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Appendix

[Appendix 1 – Payment in Lieu of Notice Calculator Excel Workbook](#)

Revision History

Date	Description
2021-12-21	Administrative updates including updates and additions to ISO tariff references; moved main body of the information document out of the Excel format. Addition of GST information as it relates to the payment in lieu of notice calculation. A new substation fraction table was added to the <i>A1 Contract</i> sheet
2021-01-01	Initial release

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Attachment A3: Payment in Lieu of Notice (PILON)

Market Participant:	Name of Market Participant	Tariff:	AESO 2021
Project Name:	Project Name	Effective:	Jan 01, 2021
Project Number:	Project Number	Type:	DTS Only
Prepared by:	Name of Preparer	Date:	Date Prepared
		To:	Current
		Version:	2021.0.0

Calculation of Lump Sum Payment in Lieu of All or a Portion of 5-Year Notice Period

From date of payment to end of 5-year notice period (Apr 2021 to Jan 1905):

- Present value of system charges with original contract capacity: #NUM!
- Present value of system charges with reduced contract capacity: #NUM!

Lump sum payment in lieu of notice normally required: #NUM!

The amounts calculated above are based on the charges, values, and demand amounts provided below.
The AESO includes GST when invoicing.

Rate DTS Component	Rate DTS Charge
3(1) Connection Charge	
Bulk System Charge	
(a) Coincident metered demand	\$11,085.00 /MW
(b) Metered energy	\$1.22 /MWh
Regional System Charge	
(c) Billing capacity	\$2,893.00 /MW
(d) Metered energy	\$0.93 /MWh
Other Amounts Used	Value
(e) Coincidence factor	75.0%
(f) Load factor	65.0%
(g) Discount rate	0.00%

Demands and Charges During 5-Year Notice Period									
Month	Metered Demand (MW)	Amounts Without PILON				Amounts With PILON			
		Billing Capacity (MW)	Bulk System (\$)	Regional System (\$)	System Charges (\$)	Billing Capacity (MW)	Bulk System (\$)	Regional System (\$)	System Charges (\$)
Present Value at PILON Date:					#NUM!				
#NUM!	#NUM!	#NUM!	#NUM!	#NUM!	#NUM!	#NUM!	#NUM!	#NUM!	#NUM!
#NUM!	#NUM!	#NUM!	#NUM!	#NUM!	#NUM!	#NUM!	#NUM!	#NUM!	#NUM!
#NUM!	#NUM!	#NUM!	#NUM!	#NUM!	#NUM!	#NUM!	#NUM!	#NUM!	#NUM!
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Additional Detail: Rate DTS Charges

Market Participant:	Name of Market Participant	Tariff:	AESO 2021
Project Name:	Project Name	Effective:	Jan 01, 2021
Project Number:	Project Number	Type:	DTS Only
Prepared by:	Name of Preparer	Date:	Date Prepared
		To:	Current
		Version:	2021.0.0

Calculation of Rate DTS Charges During 5-Year Notice Period

From date of payment to end of five-year notice period (Apr 2021 to Jan 1905):

- Present value of Rate DTS charges with original contract capacity: #NUM!
 - Present value of Rate DTS charges with reduced contract capacity: #NUM!
- Present value of reduction in Rate DTS charges at PILON date: #NUM!**

The amounts calculated above are based on the charges, values, and demand amounts provided below.

Rate DTS Component	Rate DTS Charge	Rate PSC Credit	Unit
3(1) Connection Charge			
Bulk System Charge			
(a) Coincident metered demand	\$11,085.00		/MW
(b) Metered energy	\$1.22		/MWh
Regional System Charge			
(c) Billing capacity	\$2,893.00		/MW
(d) Metered energy	\$0.93		/MWh
Point of Delivery Charge			
(e) Substation fraction (SF)	\$14,860.00	(\$11,739.00)	/month
(f) First (7.5 × SF) MW of billing capacity	\$4,891.00	(\$3,864.00)	/MW
(g) Next (9.5 × SF) MW of billing capacity	\$2,900.00	(\$2,291.00)	/MW
(h) Next (23 × SF) MW of billing capacity	\$1,942.00	(\$1,534.00)	/MW
(i) All remaining MW of billing capacity	\$1,195.00	(\$1,195.00)	/MW
4(2) Operating Reserve Charge			
(j) Pool price	\$53.93		/MWh
(k) Multiplier	6.19%		
5 Transmission Constraint Rebalancing Charge			
(l) Metered energy	\$0.002		/MWh
6 Voltage Control Charge			
(m) Metered energy	\$0.01		/MWh
7 Other System Support Services Charge			
(n) Highest metered demand	\$25.00		/MW
Other Amounts Used in Calculation			
	Value		
(n) Coincidence factor	75.0%		
(o) Load factor	65.0%		
(p) Discount rate	0.00%		

