

ISO Tariff – Section 5 Financial Obligations for Connection Projects

Applicability

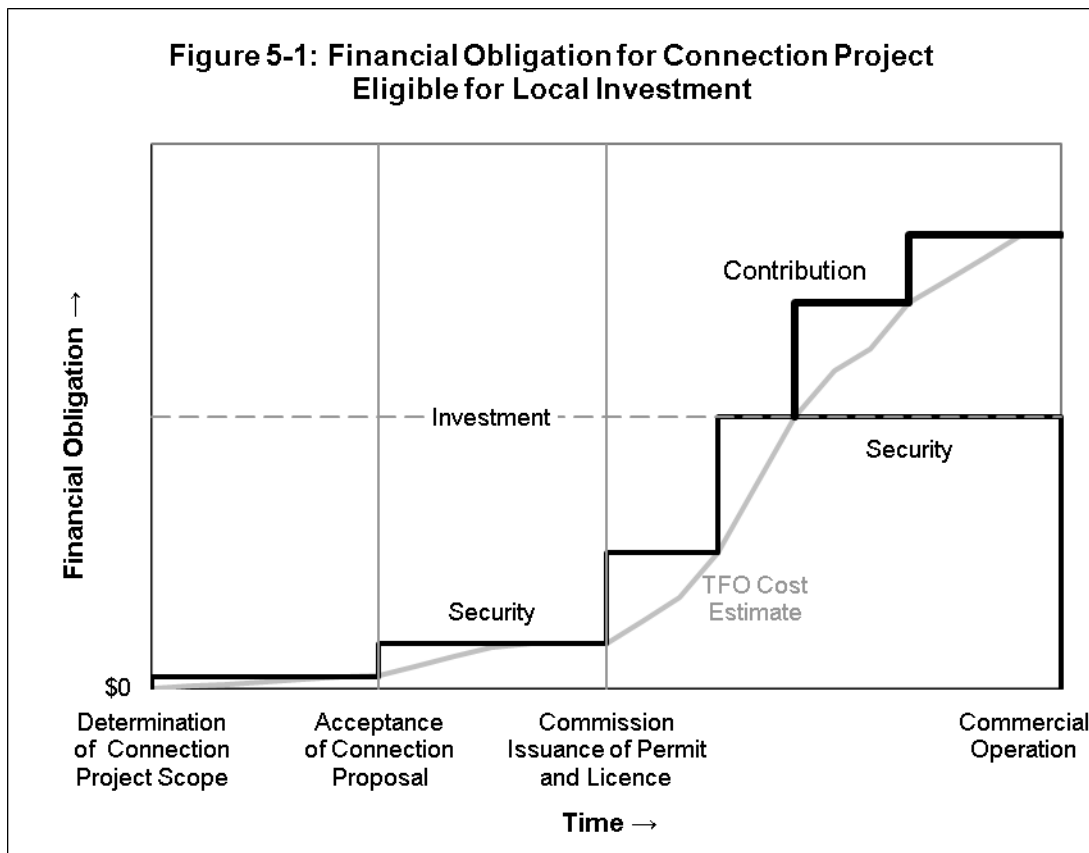
1 This section applies to a **market participant** who has requested a new **system access service** or changes to an existing **system access service** under:

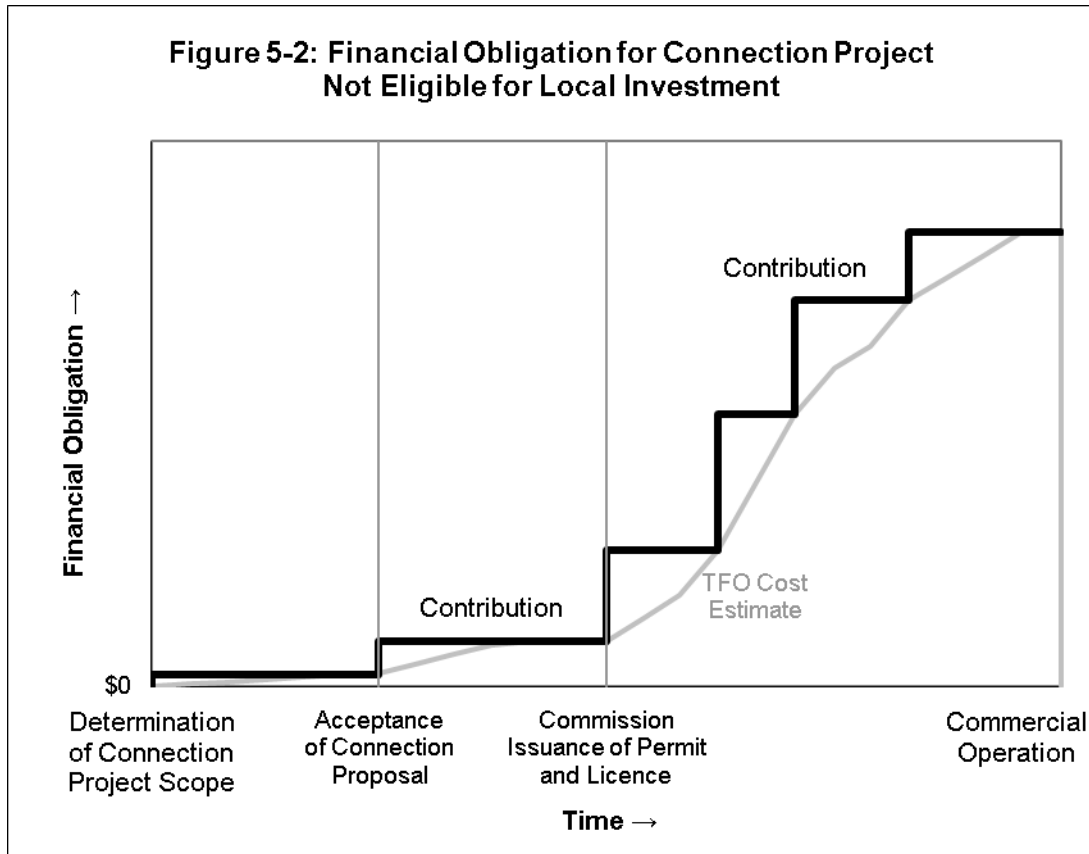
- (a) Rate DTS, *Demand Transmission Service*;
- (b) Rate FTS, *Fort Nelson Demand Transmission Service*;
- (c) Rate PSC, *Primary Service Credit*; or
- (d) Rate STS, *Supply Transmission Service*.

Amount of Financial Obligation

2(1) A **market participant** must provide **financial security** and **construction contribution** as described in the following subsections, which **financial obligations** are illustrated:

- (a) in Figure 5-1 below, for a connection project eligible for local investment; and
- (b) in Figure 5-2 below, for a connection project not eligible for local investment.





(2) The **market participant** must satisfy the **financial obligation** for a connection project at all times after the **ISO** determines the connection project scope in accordance with subsection 3(3) of section 4 of the **ISO tariff**, *System Access Service Requests*.

(3) The **ISO** must determine the total amount of the **financial obligation** for a connection project which must include but not exceed:

- (a) participant-related costs of the connection project estimated or incurred in accordance with section 8 of the **ISO tariff**, *Construction Contributions for Connection Projects*, including:
 - (i) costs estimated in advance or incurred by the **legal owner** of the **transmission facility** for preparing the connection proposal and the facility application and for constructing the connection project; and
 - (ii) costs estimated in advance by the **ISO** for facilities which are in excess of those required by **good electric industry practice**;

and
- (b) any operations and maintenance charge estimated in advance by the **market participant** for the connection project, in accordance with subsection 9 of section 8 of the **ISO tariff**, *Construction Contributions for Connection Projects*.

(4) The **legal owner** of the **transmission facility** must determine the amounts and timing of the **financial obligation** for the connection project as the project progresses through the stages illustrated in Figure 5-1 or 5-2 above, as applicable, where:

- (a) from the determination of the connection project scope to the **ISO**'s acceptance of the connection proposal, the **financial obligation** amount is equal to the total estimated or actual cost that the **legal owner** of the **transmission facility** incurs during preparation of the connection proposal;
- (b) from the **ISO**'s acceptance of the connection proposal to the **Commission**'s issuance of permit and licence for the connection project, the **financial obligation** amount is the sum of:
 - (i) the amount from subsection 2(4)(a); and
 - (ii) the estimated or actual cost that the **legal owner** of the **transmission facility** incurs during preparation and submission of the facility application to the **Commission**;and
- (c) after the **Commission**'s issuance of permit and licence for the connection project, the **financial obligation** amount is the sum, up to the total amount established in subsection 2(3) above, of:
 - (i) the amount from subsection 2(4)(b); and
 - (ii) the estimated or actual cost that the **legal owner** of the **transmission facility** incurs during the stages of construction and completion of the connection project, as illustrated in Figures 5-1 or 5 2 above, as applicable.

(5) The **legal owner** of the **transmission facility** must include all costs associated with procurement of long lead time equipment in the **financial obligation** amounts established under subsection 2(4) above, where the procurement occurs prior to the **Commission**'s issuance of permit and licence for the connection project.

(6) The **legal owner** of the **transmission facility** may base the **financial obligation** amounts on certain assumptions regarding the **market participant**'s request for **system access service** and may revise those assumptions from time to time to reflect changes to:

- (a) the request for **system access service**;
- (b) factors affecting the connection project, such as the method of construction, the routing of facilities and the approvals and rights of way;
- (c) variances in the estimated or actual cost of the connection project compared to the original estimate; and
- (d) other relevant considerations.

(7) The **legal owner** of the **transmission facility** must document the **financial obligation** amounts established in subsections 2(4) and 2(5) above in schedule "A" of a construction commitment agreement substantially in the form included in Appendix B of the **ISO tariff**, *System Access Service Agreement Proformas*.

(8) The **market participant** and the **legal owner** of the **transmission facility** must enter into the construction commitment agreement for the connection project except where the **ISO** waives the requirement for construction commitment agreements between a **legal owner** of an **electric distribution system** and a **legal owner** of **transmission facilities** who are **affiliates**.

(9) The **legal owner** of the **transmission facility** must maintain records of the construction commitment agreement, **financial security** and **construction contribution** related to the connection project and provide a copy of those records to the **ISO** upon request.

Form and Provision of Financial Security for Projects Eligible for Local Investment

3(1) A **market participant**, other than a **legal owner** of an **electric distribution system** that is regulated by the **Commission**, must provide **financial security** for a connection project in accordance with this subsection 3.

(2) A **legal owner** of an **electric distribution system** that is regulated by the **Commission** is not required to provide **financial security** for a connection project.

(3) A **market participant**, other than a **legal owner** of an **electric distribution system** that is regulated by the **Commission**, must provide **financial security** to the **legal owner** of the **transmission facility** as illustrated in Figure 5-1 above:

- (a) in the amount of and at the time defined for the **financial obligation** described in subsection 2 above; and
- (b) up to the maximum local investment determined for the connection project under section 8 of the **ISO tariff**, *Construction Contributions for Connection Projects*.

(4) A **market participant**, other than a **legal owner** of an **electric distribution system** that is regulated by the **Commission**, must provide **financial security** satisfactory to the **legal owner** of the **transmission facility** in the form of:

- (a) an unconditional and irrevocable standby letter of credit payable on demand to the **legal owner** of the **transmission facility** and issued from a Canadian chartered bank or other comparable financial institution acceptable to the **legal owner** of the **transmission facility**;
- (b) a cash collateral deposit able to be registered as a first security interest held by the **legal owner** of the **transmission facility**; or
- (c) alternative financial security in a form, substance and amount determined at the sole discretion of the **legal owner** of the **transmission facility**.

(5) The **legal owner** of the **transmission facility** may at its sole discretion and based on practices it reasonably establishes and applies:

- (a) accept a request made by a **market participant** for unsecured credit, up to an unsecured credit limit determined by the **legal owner** of the **transmission facility**, or
- (b) reject that request.

(6) The **market participant** may provide **financial security** in amounts greater than those the **legal owner** of the **transmission facility** establishes in subsection 2(4) above but this does not reduce the amount of **construction contribution** required by subsection 4 below.

Form and Provision of Construction Contribution

- 4(1)** The **market participant** must pay as a **construction contribution**:
- (a) any **financial obligation** amount in excess of the maximum local investment for a connection project that is eligible for local investment determined under section 8 of the **ISO tariff Construction Contributions for Connection Projects**; or
 - (b) the total amount of the **financial obligation** for a connection project that is not eligible for local investment, such as for **system access service** provided under Rate STS.
- (2)** The **market participant** must pay the **construction contribution**:
- (a) as documented in schedule “A” of the construction commitment agreement required by subsections 2(7) above; and
 - (b) by way of electronic funds transfer or wire transfer to the bank account the **legal owner** of the **transmission facility** specifies.
- (3)** The **market participant** may pay the **construction contribution** in amounts greater than those documented in schedule “A” of the construction commitment agreement required by subsections 2(7) above.

Cancellation

- 5(1)** The **market participant** must, upon cancellation of a connection project at any time prior to **commercial operation**, pay:
- (a) all costs the **legal owner** of the **transmission facility** incurs or is required to incur in the preparation of the connection proposal, preparation of the facility application and construction of the project, as documented in the construction commitment agreement required by subsection 2(7) above; and
 - (b) any other costs the **legal owner** of the **transmission facility** incurs or is required to incur with respect to the project, including all cancellation costs, penalties and costs for material salvage and reclamation of the construction site.
- (2)** The **legal owner** of the **transmission facility** must, upon failure by a **market participant** to pay the costs described in subsection 5(1) above before or on the payment due date as specified by the **legal owner** of the **transmission facility**:
- (a) make reasonable efforts to enforce and realize on any **financial security** provided by the **market participant** without further notice;
 - (b) retain any realized **financial security**, **construction contribution** or other amounts paid by the **market participant** to offset costs the **legal owner** of the **transmission facility** incurs or is required to incur due to the cancellation of the connection project; and
 - (c) take any other reasonable actions determined by the **legal owner** of the **transmission facility** or prescribed by the **ISO** with respect to the recovery of costs arising from the cancellation of the connection project.
- (3)** The **ISO** must support recovery, through the tariff of the **legal owner** of the **transmission facility**, of any costs that are unrecoverable under subsection 5(2) above by:

- (a) confirming, in writing, to the **Commission** that such costs were incurred as a consequence of the **legal owner's** compliance with the **ISO tariff**, to the best knowledge of the **ISO**; or
- (b) identifying, in writing, to the **Commission** any concern the **ISO** has that such costs were not incurred as a consequence of the **legal owner's** compliance with the **ISO tariff**,

but in so doing, the **ISO** must not make any statement with respect to the prudence of the **legal owner** of the **transmission facility** in incurring those costs.

(4) The **legal owner** of the **transmission facility** must return to the **market participant** any **financial security**, **construction contribution** or other amounts paid by the **market participant** in excess of the costs described in subsection 5(1) above.

(5) The **legal owner** of the **transmission facility** may deem a connection project to be cancelled pursuant to subsection 5(1) above if a **market participant** takes action that, in the opinion of the **legal owner** of the **transmission facility**, indicates the **market participant** has terminated or abandoned its intention to proceed to **commercial operation** of the connection project.

(6) The **legal owner** of the **transmission facility** may deduct, set off and net out any debts, liquidated demands, unliquidated demands, damages or other amounts the **legal owner** of the **transmission facility** owes to the **market participant**, under any construction commitment agreement between the **legal owner** of the **transmission facility** and the **market participant**, in partial or full satisfaction of any costs owing by the **market participant** under subsection 5(1) above.

(7) The **ISO** may deduct, set off and net out any debts, liquidated demands, unliquidated demands, damages or other amounts the **ISO** owes to the **market participant**, under any **system access service** agreement between the **ISO** and the **market participant**, in partial or full satisfaction of any costs owing by the **market participant** under subsection 5(1) above.

Release of Financial Security

6(1) The **legal owner** of the **transmission facility** must return any **financial security** held for the connection project to the **market participant**, within ninety (90) **days** after **commercial operation** of the connection project.

(2) The **legal owner** of the **transmission facility** must return to the **market participant** any **construction contribution** paid by the **market participant** in excess of the actual cost of the connection project, within ninety (90) **days** after the **legal owner** of the **transmission facility** provides the final cost report for the connection project to the **ISO**.

Compliance

7(1) A **market participant** must satisfy a request for **financial security** or **construction contribution** or for additional or replacement **financial security** or **construction contribution**, within thirty (30) **days** of such request.

(2) A **market participant** must report any event of default by it to a lender for borrowed funds or any **material adverse changes** in its financial position within two (2) **business days** of such event.

(3) The **legal owner** of the **transmission facilities** must suspend all work related to the connection project if:

- (a) a **market participant** fails to provide **financial security** or **construction contribution**; or

(b) the **ISO** or the **legal owner** of the **transmission facility** becomes aware of an unreported event or change under subsection 7(2) above.

(4) The **legal owner** of the **transmission facilities** must continue the suspension of work on the connection project until the **market participant** provides the required **financial security** or **construction contribution** or the **market participant**'s financial position is reassessed, as appropriate.

(5) The **ISO** may cancel the **system access service** request or reassess the inclusion of the project in the **ISO**'s connection queue if the **market participant** fails to meet any critical requirements under subsection 7 of section 4 of the **ISO tariff**, *System Access Service Requests*.

(6) The **market participant** must continue to meet all **financial obligations** for amounts that have accrued or are accruing, to the **ISO** or to the **legal owner** of the **transmission facility** with respect to the connection project, notwithstanding any suspension of work on the connection project under subsection 7(3) above.

Revision History

Effective	Description
2015-07-01	Updated subsections, as approved in Commission Decision 3473-D01-2015 issued on June 17, 2015.
2011-07-01	Revised and reformatted all subsections, as approved in Commission Decision 2011-275 issued on June 24, 2011.