

### Applicability

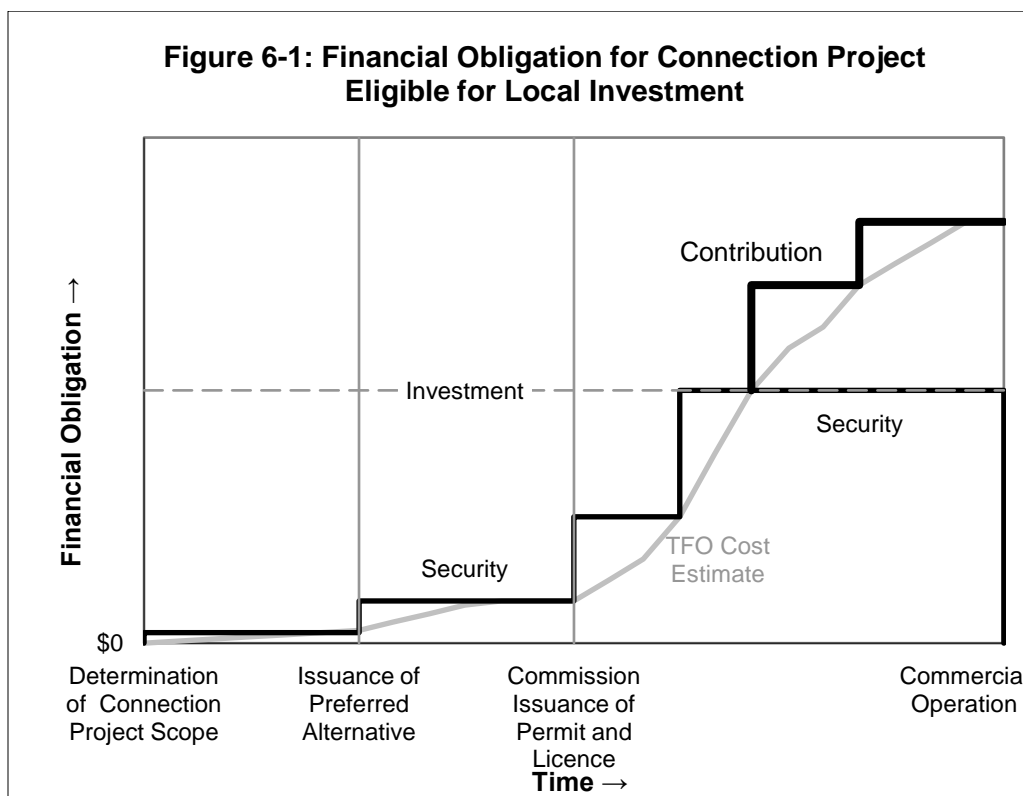
**6.1** This section applies to a **market participant** who has requested a new **system access service** or changes to an existing **system access service** under:

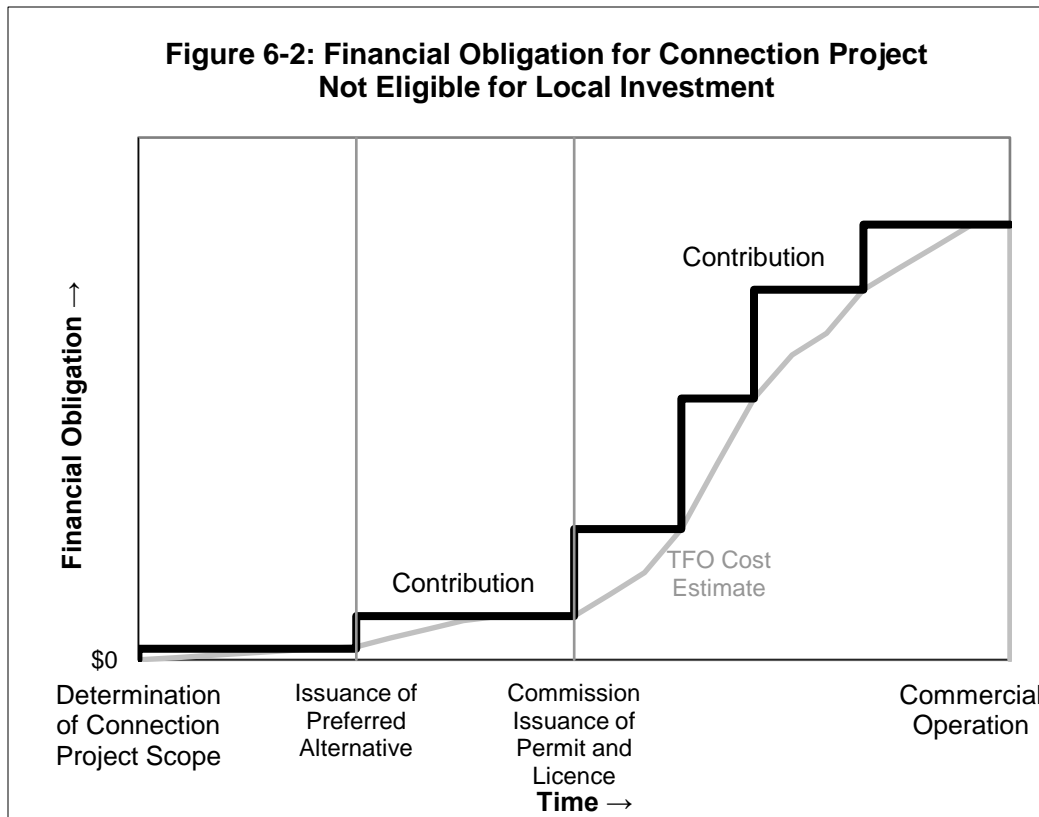
- (a) Rate DTS, *Demand Transmission Service*;
- (b) Rate FTS, *Fort Nelson Demand Transmission Service*;
- (c) Rate PSC, *Primary Service Credit*; or
- (d) Rate STS, *Supply Transmission Service*.

### Amount of Financial Obligation

**6.2(1)** A **market participant** must ensure that its **financial obligation**, which consists of the **financial security** and **construction contribution**, excluding the amount of any advancement costs calculated by the **ISO** pursuant to subsection 4.2(3)(a) of the **ISO tariff**, *Classification and Allocation of Connection Projects Costs*, are provided as described in the following subsections, which **financial obligations** are illustrated:

- (a) in Figure 6-1 below, for a connection project eligible for local investment; and
- (b) in Figure 6-2 below, for a connection project not eligible for local investment.





**6.2(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(3) of the **ISO tariff**, *System Access Service Requests*.

**6.2(3)** The **ISO** must determine the total amount of the **financial obligation** for a connection project, which must include but not exceed:

- (a) other than advancement costs calculated by the **ISO** pursuant to subsection 4.2(3)(a) of the **ISO tariff**, participant-related costs of the connection project estimated or incurred in accordance with section 4 of the **ISO tariff**, *Classification and Allocation for Connection Projects Costs*, including:
  - (i) costs estimated in advance or incurred by the **legal owner** of the **transmission facility** for assisting in the determination of the **ISO's** preferred connection alternative 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 4.8(2) of the **ISO tariff**, *Classification and Allocation for Connection Projects Costs*.

**6.2(4)** The **financial obligation** for the connection project shall be the amounts and timing determined as follows by the **legal owner** of the **transmission facility** for the connection project as the project progresses through the stages illustrated in Figure 6-1 or 6-2 above, as applicable, where:

- (a) from the determination of the connection project scope to the **ISO's** issuance of the preferred connection alternative, the **financial obligation** amount is equal to the total estimated or actual cost that the **legal owner** of the **transmission facility** incurs for assisting in the determination of the **ISO's** preferred connection alternative;
- (b) from the **ISO's** issuance of the preferred connection alternative 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 6.2(4)(a) above; 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 6.2(3) above, of:
  - (i) the amount from subsection 6.2(4)(b) above; 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 6-1 or 6-2 above, as applicable.

**6.2(5)** The **financial obligation** amounts established under subsection 6.2(4) above must include all costs associated with procurement of long lead time equipment, determined by the **legal owner** of the **transmission facility**, where the procurement occurs prior to the **Commission's** issuance of **permit and licence** for the connection project.

**6.2(6)** The **financial obligation** amounts may be based on certain assumptions made by the **legal owner** of the **transmission facility** regarding the **market participant's** request for **system access service** and which may be revised 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.

**6.2(7)** The **financial obligation** amounts established by subsections 6.2(4) and (5) above will be based on the amounts set out in "Schedule A" of a *Construction Commitment Agreement* substantially in the form included in Appendix A of the **ISO tariff**, *System Access Agreement Proformas*.

## Payment of Advancement Costs

**6.3** If the construction of **transmission facilities** is required for a connection project, a **market participant** must pay in full to the **legal owner** of the **transmission facility** for the connection project any advancement costs calculated by **ISO** pursuant to subsection 4.2(3)(a) of the **ISO tariff**, *Classification and Allocation of Connection Projects Costs*, within 30 **days** after the *System Access Service Agreement* for Rate DTS becomes effective pursuant to subsection 3.7(1) of the **ISO tariff**, *System Access Service Requests*.

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

**6.4(1)** A **market participant** must provide **financial security** for a connection project except:

- (a) where the **market participant** is a **legal owner** of an **electric distribution system** that is regulated by the **Commission**; or
- (b) if the project is proposed by the **market participant** under section 5(2) of the *Transmission Deficiency Regulation*, in respect of the **transmission facilities** that the **market participant** requesting **system access service** is proposing to construct.

**6.4(2)** The **market participant** must provide the **financial security** to the **legal owner** of the **transmission facility** as illustrated in Figure 6-1 above:

- (a) in the amount of and at the time defined for the **financial obligation** described in subsection 6.2 above; and
- (b) up to the maximum local investment determined for the connection project under section 4 of the **ISO tariff**, *Classification and Allocation for Connection Projects Costs*.

**6.4(3)** The **market participant** must provide **financial security** that is 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**.

**6.4(4)** If acceptable to the **legal owner** of the **transmission facility**, the **market participant** may

- (a) provide unsecured credit, up to an unsecured credit limit determined by the **legal owner** of the **transmission facility**; or
- (b) pay a **construction contribution** in lieu of **financial security**.

**6.4(5)** A **market participant** may provide **financial security** in amounts greater than those a **legal owner** of the **transmission facility** establishes in subsection 6.2(3) above but this does not reduce the amount of **construction contribution** required by subsection 6.5 below.

## Form and Provision of Construction Contribution

**6.5(1)** The **market participant** must pay the **construction contribution** for:

- (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 4 of the **ISO tariff Classification and Allocation for Connection Projects Costs**; 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.

**6.5(2)** The **market participant** must pay the **construction contribution**:

- (a) documented in “Schedule A” of the *Construction Commitment Agreement*, as required by subsections 6.2(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.

**6.5(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 subsection 6.2(7) above.

## Cancellation

**6.6(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 while assisting in the determination of the **ISO’s** preferred connection alternative preparation of the facility application and construction of the project, as documented in the *Construction Commitment Agreement* required by subsection 6.2(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.

**6.6(2)** The **market participant** providing the **financial security, construction contribution** or other amounts accepts that the **legal owner** of the **transmission facility** must, upon failure of payment of the costs described in subsection 6.6(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 for the connection project without further notice;
- (b) retain any realized **financial security, construction contribution** or other amounts paid for the connection project 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.

**6.6(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 6.6(2) above.

**6.6(4)** The **market participant** who provided the **financial security, construction contribution** or other amounts is entitled to the return of any **financial security, construction contribution** or other amounts by the **legal owner** of the **transmission facility** that is in excess of the costs described in subsection 6.6(1) above.

**6.6(5)** A connection project may be deemed to be cancelled pursuant to subsection 6.6(1) above if a **market participant** takes action that, in the opinion of the **legal owner** of the **transmission facility**, indicates the termination or abandonment of an intention to proceed to **commercial operation** of the connection project.

**6.6(6)** The **market participant** who provided the **financial security, construction contribution** or other amounts accepts that 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 6.6(1) above.

**6.6(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 6.6(1) above.

### Return of Financial Security

**6.7(1)** The **market participant** who paid the **construction contribution** is entitled to the return of any **financial security** held for the connection project by the **legal owner** of the **transmission facility**, within 90 **days** after **commercial operation** of the connection project.

**6.7(2)** The **market participant** who paid the **construction contribution** is entitled to the return of any **construction contribution** paid in excess of the actual cost of the connection project by the **legal owner** of the **transmission facility**, within 90 **days** after the **legal owner** of the **transmission facility** provides the final cost report for the connection project to the **ISO**.

### Effect of non-compliance

**6.8(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 30 **days** of such request.

**6.8(2)** A **market participant** who provided **financial security** or **construction contribution** for a connection project must report any event of default by it to a lender for borrowed funds or any **material adverse changes** in its financial position within 2 **business days** of such event.

**6.8(3)** A **market participant** must accept suspension by the **legal owner** of the **transmission facilities** of 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 6.8(2) above.

**6.8(4)** A **market participant** must accept the continued suspension by the **legal owner** of the **transmission facilities** of work on the connection project until the **market participant** provides **financial security** or **construction contribution** or the financial position of the **market participant** no longer constitutes a **material adverse change**.

**6.8(5)** 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 6.8(3) above.

## Revision History

Effective	Description
2023-07-20	Revised as applied for in the AESO 2022 ISO Tariff Modernization Application, as approved in <b>Commission</b> Decision 27864-D01-2023 issued on May 31, 2023 and in effect as of July 20, 2023 as per <b>Commission</b> Decision 28294-D01-2023 (Alberta Electric System Operator ISO Tariff Compliance Filing Pursuant to Decision 27864-D01-2023).
2021-01-01	Revised and reformatted all subsections, as approved in <b>Commission</b> Decision 25175-D02-2020 issued on November 30, 2020.
2015-07-01	Updated subsections, as approved in <b>Commission</b> Decision 3473-D01-2015 issued on June 17, 2015.
2011-07-01	Revised and reformatted all subsections, as approved in <b>Commission</b> Decision 2011-275 issued on June 24, 2011.