

### Applicability

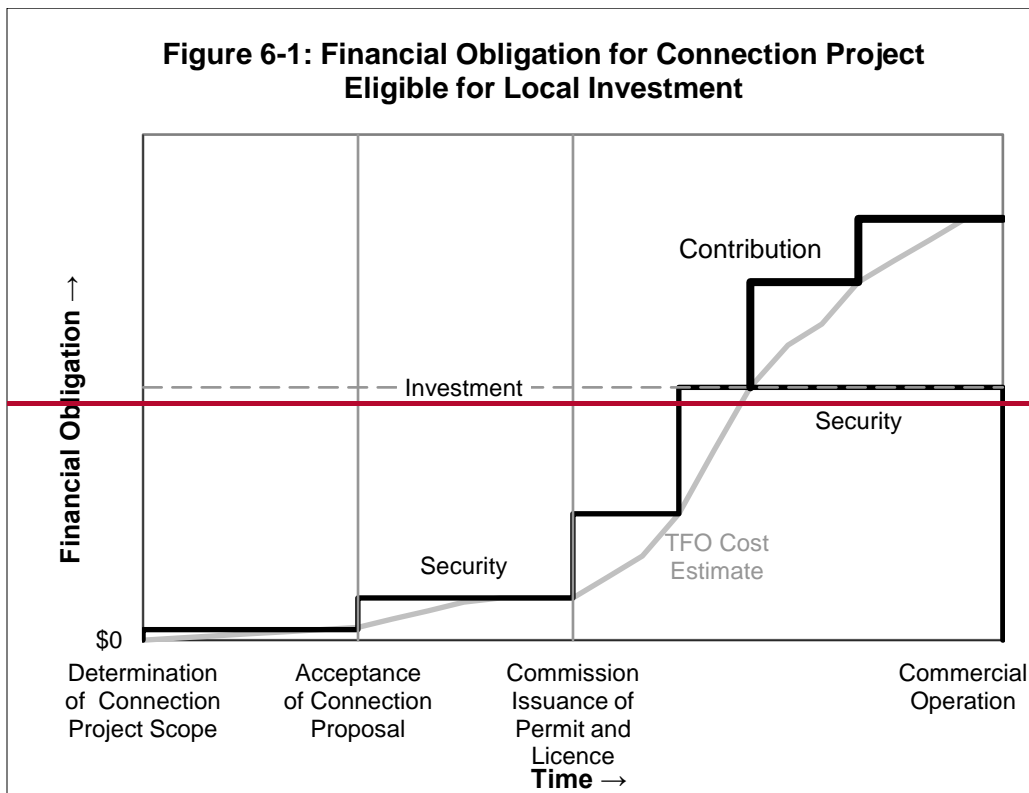
**6.1** This section applies to a **market participant** who has requested a new **system access service** or changes to an existing **system access service** under:

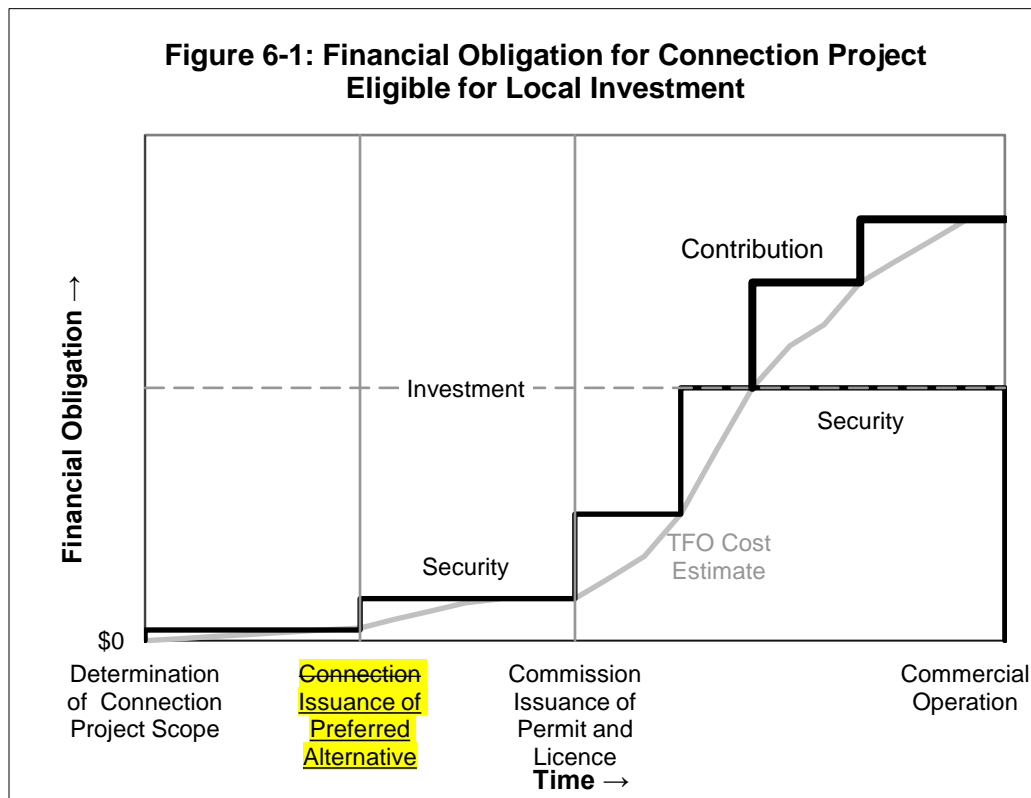
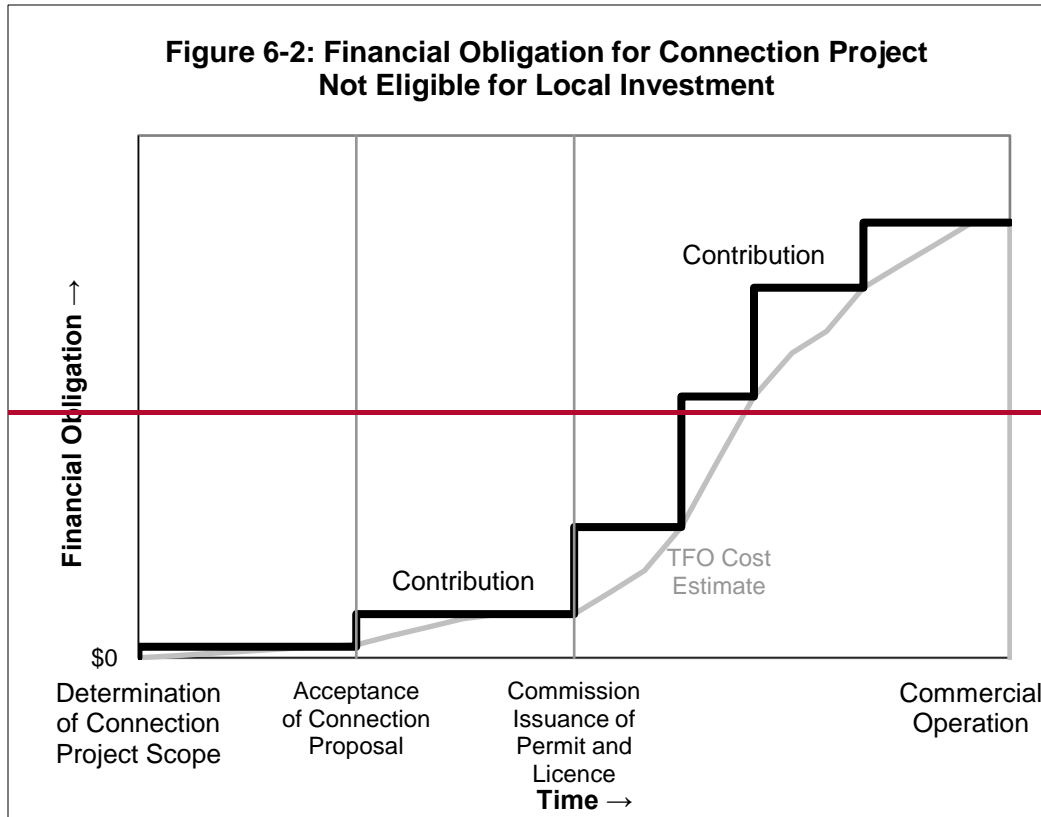
- (a) Rate DTS, *Demand Transmission Service*;
- (b) Rate FTS, *Fort Nelson Demand Transmission Service*;
- (c) Rate PSC, *Primary Service Credit*; or
- (d) Rate STS, *Supply Transmission Service*.

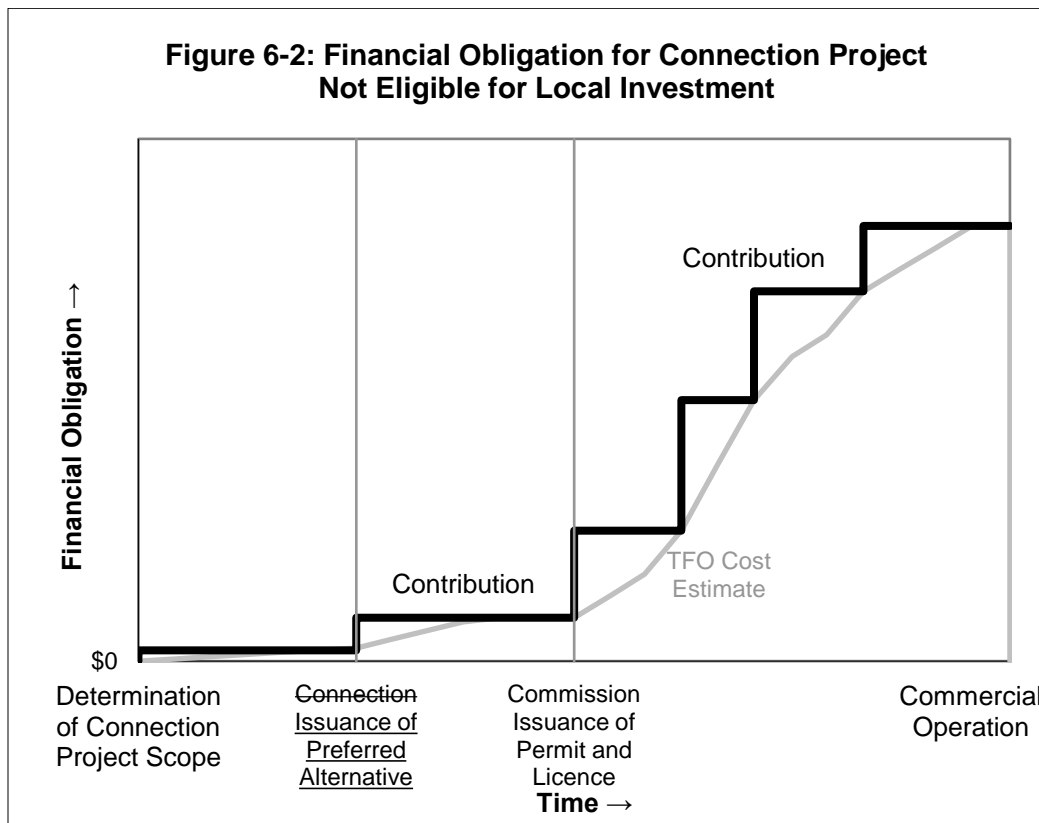
### Amount of Financial Obligation

**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 preparingassisting in the determination of the ISO's preferred proposalalternative 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 ~~acceptance~~issuance of the ~~preferred~~ connection ~~proposal~~alternative, the **financial obligation** amount is equal to the total estimated or actual cost that the **legal owner** of the **transmission facility** incurs ~~during preparation for assisting in the determination~~ of the ~~ISO's preferred~~ connection ~~proposal~~alternative;
- (b) from the ISO's ~~acceptance~~issuance of the ~~preferred~~ connection ~~proposal~~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 preparation and determination of the ISO’s preferred connection proposal, 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
<u>2023-XX-XX</u>	<u>Revised as applied for in the AESO 2022 ISO Tariff Modernization Application.</u>
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.