



## **Alberta Electric System Operator**

**Approval of Proposed Amended  
Section 103.3 of the ISO Rules**

**November 23, 2021**

**Alberta Utilities Commission**  
Decision 26908-D01-2021  
Alberta Electric System Operator  
Approval of Proposed Amended  
Section 103.3 of the ISO Rules  
Application 26908-A001  
Proceeding 26908

November 23, 2021

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The Commission may, no later than 60 days of the date of this decision and without notice, correct typographical, spelling and calculation errors and other similar types of errors and post the corrected decision on its website.

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## **1 Introduction**

1. On October 13, 2021, the Alberta Electric System Operator (AESO)<sup>1</sup> applied<sup>2</sup> to the Alberta Utilities Commission requesting approval of proposed amendments to Section 103.3 of the independent system operator (ISO) rules, *Financial Security Requirements*, to be effective 30 days after the date of the decision. For the reasons that follow, the Commission has approved the amended Section 103.3 as submitted by the AESO.

2. Section 103.3 applies to electricity market participants with financial obligations to the ISO and sets out requirements for the provision and acceptable forms of financial security, determination of financial obligations, the use of unsecured credit, and ISO review and reassessment of market participants' financial security.

3. Following a review of Section 103.3, the AESO proposed amendments that will expand the AESO's flexibility to respond to market participants' unique financial situations, increase its authority to mitigate risk, and clarify and streamline some provisions to align with its current red tape reduction initiative. Following consultation with stakeholders, the AESO made several changes, including providing additional clarity on the treatment of market participants with a previous proxy credit rating from the AESO. The full changes can be seen in the blackline version of Section 103.3, attached to this decision as Schedule A.

4. On October 15, 2021, the Commission issued a notice of application and requested the submission of statements of intent to participate by October 29, 2021. No statements of intent to participate were submitted. The Commission considers that the record of this proceeding closed on October 29, 2021.

5. In reaching the determinations set out within this decision, the Commission has considered all relevant materials comprising the record of this proceeding. Accordingly, references in this decision to specific parts of the record are intended to assist the reader in understanding the Commission's reasoning relating to a particular matter and should not be taken as an indication that the Commission did not consider all relevant portions of the record with respect to that matter.

## **2 Legislative and regulatory framework**

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<sup>1</sup> The ISO is established under subsection 7(1) of the *Electric Utilities Act* and operates under the trade name AESO. For the purposes of this decision, AESO and ISO are used interchangeably.

<sup>2</sup> Application 26908-A001.

6. Under subsection 20.2(1) of the *Electric Utilities Act*, the AESO must apply to the Commission for approval of a proposed ISO rule.

7. After considering an ISO rule, in accordance with subsection 20.21(1) of the *Electric Utilities Act*, the Commission may, by order, approve the ISO rule, direct the AESO to revise the ISO rule or refuse to approve the ISO rule.

8. In accordance with subsection 20.21(2) of the *Electric Utilities Act*, the Commission may approve an ISO rule filed under Section 20.2 only if the Commission is satisfied:

[...]

(a) that the ISO rule

- (i) is not technically deficient,
- (ii) supports the fair, efficient and openly competitive operation of the market to which it relates, and
- (iii) is in the public interest,

[...]

and

(c) that the Independent System Operator, in developing the rule, complied with the Commission rules made under section 20.9.

9. Section 20.9 of the *Electric Utilities Act* requires the Commission to make rules requiring the AESO to consult with parties in the development of ISO rules and permits the Commission to develop rules governing the AESO's process in the development of those rules. Rule 017: *Procedures and Process for Development of ISO Rules and Filing of ISO Rules with the Alberta Utilities Commission*, is the Commission rule which was created in response to Section 20.9 of the *Electric Utilities Act*.

### 3 Main issues

#### 3.1 Do the rule amendments meet the criteria set out in the *Electric Utilities Act*?

10. The AESO requested that the Commission approve the proposed amendments to Section 103.3, pursuant to Section 20.21 of the *Electric Utilities Act*, having regard to each of the following factors:

- (a) The ISO rule is not technically deficient (subsection 20.21(2)(a)(i) of the *Electric Utilities Act*)
- (b) The ISO rule supports the fair, efficient and openly competitive operation of the market to which it relates (subsection 20.21(2)(a)(ii) of the *Electric Utilities Act*)

(c) The ISO rule is in the public interest (subsection 20.21(2)(a)(iii) of the *Electric Utilities Act*)

### **3.1.1 The ISO rule is not technically deficient**

11. The AESO submitted that the proposed amendments to Section 103.3 are consistent with the statutory scheme and authorized by subsection 20(1)(a) of the *Electric Utilities Act*;<sup>3</sup> complete and reasonably self-contained; and drafted to be clear, concise and cohesive to facilitate stakeholder understanding.

### **3.1.2 The ISO rule supports the fair, efficient and openly competitive operation of the market to which it relates**

12. The AESO indicated that the proposed amendments support the fair treatment of market participants and preservation of open competition, as the requirements apply to all market participants regardless of geographic location or economic circumstances, and ensure, in an unbiased, transparent and consistent manner, that market participants have sufficient financial security.

13. Additionally, the AESO indicated that further efficiencies may be realized through the potential ability of market participants to save on costs through the increase of unsecured credit limits for rated entities.

### **3.1.3 The ISO rule is in the public interest**

14. The AESO asserted that the proposed amendments to Section 103.3 are in the public interest. They establish and clarify the AESO's practices to ensure fair treatment of all market participants, especially regarding the AESO's ability to mitigate the financial risks of the wholesale electricity market if a market participant becomes insolvent.

15. The increase to unsecured credit limits for rated entities also reduces financing costs for market participants without compromising a prudent level of credit risk.

### **3.1.4 Conclusion**

16. The Commission is satisfied that the proposed amendments to Section 103.3 meet all requirements for approval as set out in subsection 20.21(2) of the *Electric Utilities Act*.

17. More specifically, noting the absence of opposition to the application and in the absence of evidence to the contrary, the Commission is satisfied, based on the AESO's explanations, that the proposed amendments to Section 103.3: are not technically deficient; support the fair, efficient and openly competitive operation of the market to which they relate; and are in the public interest.

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<sup>3</sup> Section 20(1)(a) of the *Electric Utilities Act* states: The Independent System Operator may make rules respecting (a) the practices and procedures of the Independent System Operator.

### **3.2 Did the AESO fulfill its obligation, under Rule 017, to adequately consult with stakeholders?**

18. Sections 4 and 5 of Rule 017 require the AESO to post notice of proposed rules, receive comments from stakeholders, and provide written responses to stakeholder comments, all of which must be posted on its website. Beginning in March 2021, the AESO issued a letter of notice to stakeholders, received comments from stakeholders and made revisions to Section 103.3. All comments, along with AESO replies explaining the rationale for why certain positions were accepted or rejected, were then posted to the AESO's website.

19. The AESO submitted that its consultation process included any party that was interested in, or may be directly affected by, the proposed amendments to Section 103.3; and that all members of the consultation group had sufficient opportunity to make submissions on the proposed amendments to Section 103.3.

20. The AESO stated that, following stakeholder consultations and subsequent further revisions to Section 103.3, there are no substantive issues outstanding in relation to Section 103.3. There were two main issues raised by stakeholders throughout the process:

- (a) That the provision allowing the AESO to request any financial information is too broad in scope, and
- (b) That the acceptable forms of financial security should be extended to insurance bonds from investment-grade rated entities.

21. For the first issue, the AESO explained that, while it usually only requests recent financial statements, it requires the ability to request additional relevant information to properly assess the ongoing creditworthiness and financial security requirements of market participants.

22. For the second issue, the AESO stated that its obligation to settle the wholesale electricity market means that it requires forms of financial security that can be reliably and efficiently converted into cash. The AESO does not consider insurance bonds to be of sufficient liquidity and reliability for its purposes, and had not included them in previous versions of Section 103.3 for the same reason.

23. The AESO is of the opinion that this process provided sufficient opportunity for stakeholder submissions, and that its consultation process satisfies the requirements of Rule 017.

24. Having reviewed the details provided in the application of the consultation conducted by the AESO, the Commission is satisfied that the informational and consultation requirements established by Rule 017 have been met.

## **4 Order**

25. The Commission finds that, in proposing amendments to Section 103.3, the AESO has complied with Section 20.21 of the *Electric Utilities Act* and Rule 017.



26. Accordingly, pursuant to subsection 20.21(1)(a) of the *Electric Utilities Act*, the Commission, by order, approves the proposed amended Section 103.3 of the ISO rules, *Financial Security Requirements*, to be effective 30 business days after the date of this decision.

Dated on November 23, 2021.

**Alberta Utilities Commission**

*(original signed by)*

Carolyn Dahl Rees  
Chair

Attachment

## Schedule A



Amended Section  
103.3-blackline

# ISO Rules

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#### Applicability

1 Section 103.3 applies to:

- (a) a **market participant** with any **financial obligation** to the **ISO**, except where the **market participant** is the **legal owner** of a **transmission facility** where the person who is eligible to apply for the construction and operation of the **transmission facility** was determined by a competitive process developed by the **ISO** in accordance with the **Act**; and
- (b) the **ISO**.

#### Requirements

##### Provision of Financial Security

**2(1)** A **market participant** must provide to the **ISO**, or cause its guarantor to provide to the **ISO**, **financial security** equal to or greater than the total dollar amount of all **financial obligations** of the **market participant**, minus any unsecured credit limit granted to the **market participant** as determined in accordance with [subsection 5](#) ~~either subsections 5 or 6~~.

**(2)** ~~All financial security a market participant must ensure all financial security provided~~ provides or ~~caused~~causes to be provided to the **ISO** in accordance with this section 103.3, ~~remains~~must remain in force and in effect for so long as the **market participant** has any outstanding **financial obligations** to the **ISO**.

##### Determination of Financial Obligations Total Amounts

**3(1)** The **ISO** must calculate the total dollar amount of all **financial obligations** of a **market participant** to the **ISO**, including:

- (a) subject to subsection 3(2) if the **market participant** is a **pool participant**, a dollar amount based upon a determination by the **ISO** of:
  - the energy the **pool participant** consumes for any ~~two~~(2) consecutive **settlement periods**, adjusted for any updated information and estimates;
  - minus
  - the energy the **pool participant** purchases from another **pool participant** through any **net settlement instructions** during any ~~two~~(2) consecutive **settlement periods**;
  - minus
  - the energy the **pool participant** produces during any ~~two~~(2) consecutive **settlement periods**;
  - plus
  - the energy the **pool participant** sells to another **pool participant** through any **net settlement instructions** during any ~~two~~(2) consecutive **settlement periods**;
  - multiplied by
  - a **pool price** the **ISO** estimates;
- (b) if the **market participant** is receiving **system access service**, or if the **market participant** has applied for but not yet received **system access service** under any rate in the **ISO tariff**, a dollar amount equal to the estimate of the **ISO** of the charges for ~~two~~(2) **settlement periods**;
- (c) if the **market participant** is required to provide **financial security** as counterparty to a *Construction Commitment Agreement* for a connection project under the **ISO tariff**, a dollar

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amount equal to the **financial security** as required under any such *Construction Commitment Agreement*;

- (d) if a **market participant** is required to provide security as a counterparty to one or more agreements for **ancillary services** with the **ISO**, a dollar amount equal to the **financial security** as required under any such **ancillary services** agreements; and
- (e) any other dollar amounts the **ISO** reasonably determines in respect of the requirement for **financial security** for any other services the **ISO** provides to the **market participant**.

(2) A market participant must provide to the ISO an estimate of the net energy that it will consume for 2 consecutive settlement periods using the months with the highest level of energy consumption, as a part of its application, if (2) If the market participant referred to in subsection 3(1)(a) is registering as a pool participant under Section 201.1 of the ISO rules, Pool Participant Registration, then the market participant must provide to the ISO, as a part of its application, an estimate of the net energy that will be consumed for two (2) consecutive settlement periods.

(3) The ISO may deny an application or terminate any service the ISO provides to a market participant, if the market participant materially misrepresents the estimate of net energy to be consumed in subsection 3(2).

(4) The ISO may, for the purposes of calculating the financial obligations of a market participant to the ISO under subsection 3(1), establish a minimum amount that will be deemed to apply if the financial obligations calculated under subsection 3(1) otherwise fall below such minimum amount.

#### Unsecured Credit

4 A **market participant** may request that the **ISO** grant to the **market participant** an unsecured credit limit in accordance with subsection 5 either subsections 5 or 6.

#### Unsecured Credit Limit for Rated Entities

5(1) The **ISO** may:

- (a) grant an unsecured credit limit in an amount referred to in subsection 5(3) 4 may be granted based on the long-term unsecured credit rating of the market participant or its guarantor from an acceptable credit rating agency, as determined by the ISO; or in accordance with subsection 5(2).
- (b) where the ISO has previously granted an unsecured credit limit based on a long-term unsecured proxy credit rating, grant twice the amount of such previous unsecured credit limit based on the long-term unsecured proxy credit rating of the market participant or its guarantor that the ISO issued prior to the effective date of this Section 103.3, which the ISO may, from time to time, revise or withdraw in accordance with the former provisions of this Section 103.3 that were in effect prior to the effective date of this Section 103.3.

(2) The (2) The credit rating agencies acceptable to the ISO are the Dominion Bond Rating Service, Standard & Poor's, Moody's Investor Service, and any other credit rating agency which a market participant tenders to the ISO for the market participant or its guarantor and that is acceptable to the ISO in its sole discretion.

(3) If more than one (1) acceptable credit rating agency provides a credit rating for a market participant or its guarantor, then the ISO must establish the unsecured credit limit for the market participant based on the lowest credit rating, if the market participant or its guarantor has more than 1 credit rating in accordance with subsection 5(1)(a). the agencies provide.

(3) The (4) If a market participant or its guarantor has a credit rating from an acceptable credit rating agency, then the ISO may grant an unsecured credit limit to the market participant up to the maximum amount specified in the second column of the following Table 1, based on the long term

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unsecured credit rating for the **market participant** or its guarantor specified in the first column of Table 1, if a **market participant** or its guarantor has a credit rating from an acceptable credit rating agency.

**Table 1**  
**Subsection 5 Unsecured Credit Limit**

Credit Rating	Unsecured Credit Limit
<del>AA+/AAA</del>	<del>\$5025,000,000</del>
<del>AA</del>	<del>\$45,000,000</del>
<del>AA+, AA-, AA-</del>	<del>\$4020,000,000</del>
<del>A+</del>	<del>\$35,000,000</del>
<del>A</del>	<del>\$30,000,000</del>
<del>A+, A-, A-</del>	<del>\$2515,000,000</del>
<del>BBB+</del>	<del>\$20,000,000</del>
<del>BBB</del>	<del>\$15,000,000</del>
<del>BBB+, BBB</del>	<del>\$10,000,000</del>
<del>&lt;BBB-</del>	<del>\$0</del>

~~(4) The ISO may not grant an unsecured credit limit to **Unsecured Credit Limit for Non-Rated Entities**~~

~~6(1) If a **market participant**, or its guarantor, or any company that is an affiliate of either does not have a credit rating from an acceptable credit rating agency as referenced under subsection 5(2), then the **market participant** or its guarantor if may request that the ISO has already granted grant to the **market participant** an unsecured credit limit based on a proxy credit rating of the **market participant** or its guarantor.~~

~~(2) The ISO may at its sole discretion accept or reject a request made under subsection 6(1) to grant a **market participant** an unsecured credit limit to any of the **market participant**, based on a proxy credit rating.~~

~~(3) For the ISO to determine whether initially to grant a proxy credit rating, or to approve of maintaining a proxy rating once it has been granted pursuant to this subsection 6, the **market participant** or its guarantor, or an affiliate of either of them, must provide the ISO the **financial information** the ISO requests, which must include:~~

- ~~(5) The ISO may, notwithstanding subsection 5(4), allocate the(a) — the most recent audited annual financial statements and, if the proxy rating is granted, subsequent audited annual financial statements to be provided within one hundred and twenty (120) days after each fiscal year-end of the **market participant** or its guarantor;~~
- ~~(b) — the most recent unaudited quarterly financial statements and, if the proxy rating is granted, subsequent audited quarterly financial statements to be provided within sixty (60) days after each fiscal quarter of the **market participant** or its guarantor;~~
- ~~(c) — a general description of the business and business risks of the **market participant** or its guarantor, how the **market participant** or the guarantor manages such business risks and, if the proxy rating is granted, an annual update of all such information; and~~
- ~~(d) — any other information that the ISO may require to enable the ISO to more fully understand and assess the financial risks of the **market participant** or its guarantor.~~

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(4) Subject to the provisions of this subsection 6, the ISO may grant an unsecured credit limit up to the maximum amount specified in the second column of the following Table 2, based on the proxy credit rating, if any, the ISO grants for the market participant or its guarantor, as the case may be:

**Table 2**  
**Subsection 6 Unsecured Credit Limit**

Proxy Credit Rating	Unsecured Credit Limit
AAA	\$10,000,000
AA+, AA, AA-	\$5,000,000
A+, A, A-	\$2,500,000
BBB+, BBB	\$1,250,000
<BBB	\$0

(5) Any unsecured credit limit granted under this subsection 6 must not exceed zero point five percent (0.5%) of the tangible net worth of the market participant or its guarantor, as the case may be, determined by the ISO as follows:

the total assets of the market participant or its guarantor;

minus

total liabilities of the market participant or its guarantor;

minus

intangible assets, including goodwill and trademarks, of the market participant or its guarantor.

(6) If the market participant or its guarantor fails to provide any financial information requested or required under subsection 6(3), then in addition to any other rights or remedies, the ISO may provide written notice to the market participant and the guarantor, as applicable:

(a) reducing any previously granted unsecured credit limit of a market participant, its guarantor, or any ; and

(b) demanding that the market participant or its guarantor provide the ISO with additional or replacement financial security, no later than the close of business on the second (2<sup>nd</sup>) business day following the delivery of the demand by the ISO.

(7) The ISO must review the proxy credit rating the ISO grants and the financial information of each non-rated market participant and its guarantor at least once per year.

(8) Upon completion of the yearly review referenced under subsection 6(7), the ISO must provide written notice to the market participant and its guarantor, as the case may be, of any changes in the assigned proxy credit rating, unsecured credit limit or financial security requirements.

**Unsecured Credit for Parent, Subsidiary and Affiliated Companies**

7(1) A market participant who is a subsidiary or affiliate of a parent company with an unsecured rating from a credit rating agency approved under subsection 5(2) may make an application to the ISO for an unsecured credit limit under subsection 6.

(2) The ISO in accordance with subsection 6 may grant the market participant an unsecured credit limit, based on the lower of the proxy credit rating for the market participant and that of its subsidiary or affiliate parent company that is an affiliate of either of them amongst-

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~~(3) If a market participant or its guarantor is one of two (2) or more affiliated companies, and the ISO has granted any one of those companies in a manner an unsecured credit limit, then the ISO determines but which may not exceed the previously granted grant any other of those companies an unsecured credit limit.~~

#### Acceptable Forms of Financial Security

~~68(1) A market participant must provide Subject to subsection 8(2), the form of any financial security to be provided to the ISO in the following form:~~

~~(a) under this section 103.3 must be a letter of credit, a cash collateral deposit or third party written guarantee.~~

~~(2) A market participant may request that the ISO approve of an alternative form of financial security to those specified under subsection 8(1), and the ISO may at its sole discretion accept or reject the alternative form of financial security.~~

~~(3) An approved letter of credit form must:~~

~~(a) contain provisions to the effect that it is an unconditional and irrevocable standby letter of credit, payable on demand with the ISO as beneficiary; and~~

~~(b) be issued from a Canadian chartered bank, or other acceptable and comparable financial institution, with at least an A minus rating from an acceptable credit rating agency, as determined by the ISO, and include provisions to the effect that it is an unconditional and irrevocable standby letter of credit, payable on demand with the ISO as beneficiary, and that is otherwise in form and substance satisfactory to the ISO; referred to under subsection 5(2).~~

~~(b) a cash collateral deposit together with a cash collateral agreement that is in form and substance satisfactory to the ISO; or~~

~~(c) a parent guarantee from an entity that qualifies for an unsecured rating under subsection 5, and that is in form and substance satisfactory to the ISO.~~

~~(2) The ISO may accept or reject a(4) If a proposed letter of credit, cash collateral agreement, or parent guarantee, referred to in subsection 6(1).~~

~~8(3) A market participant may request that the ISO approve an alternative form of is from a bank or other financial security to those specified under subsection 6(1).~~

~~(4) The institution with a head office outside of Canada, then the ISO may at its sole discretion accept or reject the alternative form letter of financial security requested in subsection 6(3), credit.~~

~~(5) A market participant The ISO must ensure that the ISO is be able to register its security interest in any cash collateral deposit the market participant provides as a first security interest held by the ISO under the Personal Property Security Act or other similar legislation.~~

~~(6) A, and if the ISO requests, the market participant must provide the ISO with registerable written waivers or postponements in favour of the ISO provided by all third parties who have a registerable security interest in priority to the security interest the ISO may register, if requested by the ISO.~~

~~(6) An approved written guarantee from the guarantor of a market participant must contain provisions to the effect that it is:~~

~~(a) an irrevocable, continuous and unconditional guarantee of payment and other performance obligations of the market participant; and~~

~~(b) payable on a demand by the ISO.~~

~~(7) The ISO may, at any time after initially approving the creditworthiness of a guarantor of the market~~



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**participant** and the maximum dollar amount under any approved form of guarantee, reassess and reduce that creditworthiness regardless of the credit rating of the guarantor, ~~and after that reassessment and reduction the ISO must notify in writing the market participant and its guarantor of the reduced creditworthiness.~~

~~(8) The ISO must notify the market participant and its guarantor, in writing, of the reduced creditworthiness following a reassessment and reduction made pursuant to subsection 6(7).~~

~~(9)(8) The market participant must provide the ISO with additional or replacement financial security, which the ISO must receive no later than the close of business on the second (2<sup>nd</sup>) business day following the delivery of the notice from the ISO, in accordance with subsection 6(8). (7).~~

~~The ISO may extend such deadline for the delivery of additional or replacement financial security as the ISO may determine.~~

#### ISO Review and Reassessment of Financial Security Adequacy

~~79(1) The ISO may, from~~ From time to time, ~~the ISO may~~ review and reassess any **financial security**, unsecured credit limits, **financial information** and standing, creditworthiness and credit rating, and generally the ability of a **market participant** and its guarantor to meet the **financial obligations** of the **market participant** and other performance obligations to the **ISO**.

~~(2) Upon completion of the review and reassessment, the ISO may at its sole discretion by written notice reduce any unsecured credit limit of the market participant or demand that the market participant provide replacement or additional financial security, upon completion of a review and reassessment.~~

~~(3) The ISO may demand, in writing, replacement or additional financial security from a market participant in a dollar amount sufficient to provide security for the calculated difference, if at any one time:~~

~~(3) Without limiting the generality of subsection 9(1), if at any one time:~~

the total dollar amount of all **financial obligations** of the **market participant** calculated under subsection 3;

exceeds

any unsecured credit limit granted to the **market participant** under subsection 5 ~~or 6~~, plus the **financial security** the **market participant** or its guarantor provides to the **ISO** pursuant to subsection 2;

~~(4) A then the ISO may demand in writing replacement or additional financial security from the market participant in a dollar amount sufficient to provide security for the calculated difference, and the market participant must deliver the replacement or additional financial security, calculated in subsection 7(3), to the ISO no later than the close of business on the second (2<sup>nd</sup>) business day after the business day upon which the ISO issued its demand for such replacement or additional financial security. delivered the demand.~~

~~The ISO may extend such deadline for the delivery of additional or replacement financial security as the ISO may determine.~~

~~(5)(4) A market participant may request in writing that the ISO reduce the financial security required from and provided by the market participant to the ISO.~~

~~(6) The, and upon receipt of that request, the ISO may at its sole discretion reduce the financial security of the market participant, upon receipt of a request made pursuant to subsection 7(5), if after review and reassessment the ISO determines that:~~

(a) any unsecured credit limit granted to the **market participant** plus the **financial security** the



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- market participant** provides exceeds all **financial obligations** of the **market participant** for ~~two~~(2) **settlement periods** as the **ISO** estimates; or
- (b) the credit rating of the **market participant** or its guarantor, as the case may be, determined in accordance with subsection 5 has been upgraded.

#### Financial Information and Material Adverse Changes

**8(1)** A **market participant** must provide, or cause its guarantor to provide, the **ISO** with any **financial information** the **ISO** requests, following a request by the **ISO** for such **financial information**.

**(2)** A **market participant** must give notice in writing to the **ISO**, or cause its guarantor to give notice in writing to the **ISO**, if the ~~10(4)~~—If a **market participant** or its guarantor experiences a **material adverse change**, or is aware of a likely **material adverse change** occurring, ~~then the **market participant** or its guarantor, as the case may be, must give notice in writing to the **ISO** of the matter.~~

**(2)** ~~The **ISO** must receive the notice~~ no later than the close of business on the ~~second~~ (2<sup>nd</sup>) **business day** after the **day** the **market participant** or its guarantor experiences, or becomes aware, of the likely occurrence of, the **material adverse change**.

**(3)** The **ISO** must determine the impact of the **material adverse change** on any unsecured credit limit of the **market participant** and the overall creditworthiness of the **market participant** or its guarantor, upon receiving notice pursuant to subsection 8(1) or otherwise becoming aware of the **material adverse change** or that the **material adverse change** is likely to occur.

**(4)** ~~The **ISO** may, if the **ISO** determines that replacement or additional **financial security** is required~~ after determining the impact of the **material adverse change**:

(a) ~~, then the **ISO** may~~ make a written demand on the **market participant** specifying the dollar amount and form of replacement or additional **financial security**, if the **ISO** determines that replacement or additional **financial security** is required; or

(b) if the **ISO** determines that the **market participant** or its guarantor is, or is likely to become, insolvent or unable to pay its debts as they mature:

(i) exercise its rights to terminate or suspend the **market participant** in accordance with subsection 7 of Section 103.7 of the **ISO** rules, *Financial Default and Remedies*; or

(ii) make a written demand on the **market participant** that the **market participant** remit payment in advance to the **ISO** prior to incurring any **financial obligations** in accordance with such terms and conditions as determined by the **ISO**, without limiting any of the other rights or remedies of the **ISO** including the right to terminate or suspend the **market participant**.

**(5)** The **market participant** must deliver to the **ISO** any specified replacement or additional, **financial security** or **prepayment**, as applicable, demanded in accordance with subsection ~~8(4)~~ no later than the close of business on the ~~second~~ (2<sup>nd</sup>) **business day** after the **business day** upon which the **ISO** delivered the demand.

The **ISO** may extend such deadline for the delivery of additional or replacement **financial security** as the **ISO** may determine.

#### **Costs and Expenses Related to Financial Security**

**914** All costs and expenses of a **market participant** associated with the implementation of any **financial security** and any related obligations of the **market participant** under this ~~Section~~section 103.3 are the responsibility and to the sole account of that **market participant** and the **market participant** must pay the **ISO** for any such costs and expenses incurred by the **ISO**.

# ISO Rules

## Part 100 General

### Division 103 Administration

#### Section 103.3 Financial Security Requirements



#### **Confidential Financial Information**

~~12~~—The **ISO** must treat all information and records a **market participant** or a guarantor provides under this section 103.3 as confidential, in accordance with subsection 2(1) of section 103.1 of the **ISO rules**, *Confidentiality*.

#### **ISO Recourse to Section 103.7 *Financial Default and Remedies***

~~11~~**13** The failure of a **market participant** to comply with its obligations to provide **financial security** under this ~~Section~~section 103.3, or to keep the **financial security** in force and effect, is deemed to be a default event which will allow the **ISO** to have recourse to the rights and remedies of the **ISO** under ~~Section~~section 103.7 of the **ISO rules**, *Financial Default and Remedies*.

#### **Discretionary Rights**

~~12(1)~~ **12(1)** All rights, powers, and remedies granted to the **ISO** under this Section 103.3 are for the sole benefit and protection of the **ISO** and the **ISO** may exercise any such right, power, or remedy at its option and in its sole and absolute discretion.

~~(2)~~ **(2)** The **ISO** may, if it is given 2 or more alternative courses of action, elect any alternative or combination of alternatives, at its option and in its sole and absolute discretion.

#### **Revision History**

<b>DateEffective</b>	<b>Description</b>
<del>xxxx-xx-xx</del>	<del>Revisions to include minimum level of financial security, increase unsecured credit limits, remove the process for assigning proxy credit ratings, clarify the forms of financial security, include rights to request financial information and clarify the rights of the ISO in the event of a material adverse change, include right for ISO to extend deadlines for the delivery of additional or replacement security, and other administrative revisions.</del>
2016-11-29	Revisions to the Applicability section
2011-07-01	Initial Release