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**Market Manual 5: Settlements**

**Part 5.9: Settlement  
Payment Methods and  
Schedule**

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**Issue 13.0**

*This procedure describes the activities and schedule required by the IESO and Market participants to process both Market participant settlement payments to the IESO and IESO settlement credits to Market participants.*

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## Related Documents

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<b>Reference (Paragraph and Section)</b>	<b>Description of Change</b>
1.3.2	Removed reference to payment by IESO by EDI 820 method which is no longer offered
1.3.5	Removed reference to payment by IESO by EDI 820 method which is no longer offered
Table 3.1	Removed reference to payment by IESO by EDI 820 method which is no longer offered
Table 3.5	Removed reference to payment by IESO by EDI 820 method which is no longer offered
Throughout document	Replaced company name IMO with IESO and inserted new logo



# Market Manuals

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The *market manuals* consolidate the market procedures and associated forms, standards, and policies that define certain elements relating to the operation of the *IESO-administered markets*. Market procedures provide more detailed descriptions of the requirements for various activities than is specified in the *market rules*. Where there is a discrepancy between the requirements in a document within a *market manual* and the “*Market Rules*,” the “*Market Rules*” shall prevail. Standards and policies appended to, or referenced in, these procedures provide a supporting framework.

## Market Procedures

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The “*Settlements Manual*” is Volume 5 of the *market manuals*, where this document forms “Part 5.9: Settlement Payment Methods and Schedule.”

A list of the other component parts of the “*Settlements Manual*” is provided in “Part 5.0: Settlements Overview”, in Section 2, “About This Manual”.

## Structure of Market Procedures

Each market procedure is composed of the following sections:

1. “**Introduction**”, which contains general information about the procedure, including an overview, a description of the purpose and scope of the procedure, and information about roles and responsibilities of the parties involved in the procedure.
2. “**Procedural Work Flow**”, which contains a graphical representation of the steps and flow of information within the procedure.
3. “**Procedural Steps**”, which contains a table that describes each step and provides other detail related to each step.
4. “**Appendices**”, which may include such items as forms, standards, policies, and agreements.

## Conventions

The *market manual* standard conventions are defined in the “*Market manual Overview*” document.

– End of Section –



# 1. Introduction

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## 1.1 Purpose

This procedure describes the activities and schedule required by the *IESO* and *market participants* for the processing of:

- *market participant settlement* payments (debits) to the *IESO*;
- *IESO settlement* payments (credits) to *market participants*;
- underpayments and overpayments to *market participants*;
- underpayments and overpayments to the *IESO*;
- *market participants* to make prepayments to the *IESO*;
- managing an *event of default* by a *market participant* due to a failure to pay an *invoice*; and
- issuing a *default levy* in respect of such an *event of default* by a *market participant*.

## 1.2 Scope

This procedure is intended to provide *market participants* with a summary of the steps and interfaces between *market participants*, the *IESO* and other parties for processing *market participant settlement* payments and *IESO settlement* credits to *market participants* (and those other processes set out in Section 1.1 above). The procedural work flows and steps described in this document serve as a roadmap for *market participants* and the *IESO*, and reflect the requirements set out in the *market rules* and applicable *IESO* policies and standards.

The process of issuing *invoices* is addressed in “Market Manual 5: Part 5.6: Physical Markets Settlement Invoicing” and “Market Manual 5: Part 5.8: Financial Markets Settlement Invoicing.”

The procedure addresses an *event of default* by a *market participant* due to failure to pay an *invoice* submitted by the *IESO*. An *event of default* resulting from a failure to adequately respond to a *margin call* issued by the *IESO* is addressed in “Market Manual 5: Part 5.4: Prudential Support.”

This procedure does not address the process of suspending a *market participant* following a failure to remedy an *event of default*. This is addressed in “Market Manual 2: Market Administration, Part 2.6: Treatment of Compliance Issues.”

The overview information in Section 1.3 below is provided for context purposes only, highlighting the main actions that comprise the procedure as set out in Section 2.

## 1.3 Overview of Settlement Payments

### 1.3.1 Payments to the IESO

Where an *invoice* states that the *market participant* owes an amount to the *IESO* (i.e. a debit situation), the *market participant* must pay the full net *invoice* amount via *electronic funds transfer*<sup>1</sup>. Payment must be received by the *close of banking business* on the *market participant payment date* specified in the *IESO Settlement Schedule and Payment Calendar (SSPC)*. Currently, this is 2 *business days* following the date on which the *invoice* is submitted by the *IESO*. See “Market Manual 5, Part 5.1, Settlement Schedule and Payment Calendar” for more information on the *payment date*. The *IESO* bank account details are set out in Appendix B. (See Chapter 9, sections 6.10.2, 6.11.1 and 6.12.1 of the *market rules*).

Payment must be made by this date, regardless of whether the *market participant* disputes the net amount payable<sup>2</sup>. Failure to pay *invoices* will result in an *event of default* in respect of the *market participant*, as described in Section 1.5. However, payment is not required where the *invoice* amount relates to a financial penalty that is currently the subject of a dispute. In this case, payment may be deferred until the resolution of the dispute. Deferral is only possible where the *market participant* has initiated the dispute resolution process with the *IESO* prior to the date on which the *IESO* would normally seek to address an *event of default* through drawing on the *prudential support* of a *market participant*, as described in this procedure. See “Market Manual 2, Market Administration, Part 2.1, Dispute Resolution” for details on the dispute resolution process. (See Chapter 9, sections 6.11.1 and 6.14 of the *market rules*).

Where a payment to the *IESO* is not made on time, the *IESO* will continue to meet its own obligations to make payments to other *market participants* on the due dates. The *IESO* will also continue to meet its obligations to make payments to other *market participants* on the due dates even if these payments are subject to the dispute resolution process. (See Chapter 9, section 6.11.5 of the *market rules*).

In the event of failure of any *electronic funds transfer* system affecting the ability of a *market participant* to make payments, the *market participant* and *IESO* shall arrange for alternative means of payment so as to ensure that payment is effected by the date specified in the *SSPC*. (See Chapter 9, section 6.12.3 of the *market rules*).

### 1.3.2 Payments to Market Participants

Where an *invoice* states that the *IESO* owes an amount to the *market participant* (i.e. a credit situation), the *IESO* must pay the full net *invoice* amount via *electronic funds transfer*<sup>3</sup>. Payment must be received by the *close of banking business* on the *IESO payment date* specified in the *IESO Settlement Schedule and Payment Calendar (SSPC)*. Currently, this is 2 *business days* following the *market participant payment date*. See “Market Manual 5: Part 5.1, Settlement Schedule and Payment

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<sup>1</sup> Payments must be made from the *market participant's* bank account to the *IESO's* bank account via any of the following electronic means: direct deposit (basic *electronic funds transfer*); wire; and EDI 820 (EDI/*electronic funds transfer*).

<sup>2</sup> OPGI has 30 days to review and pay the amount *invoiced* for the Market Power Rebate *settlement amount*.

<sup>3</sup> Payments will be made from the *IESO's* bank account to the *market participant's* bank account via *electronic funds transfer*. Section 1.3.5 describes these payment methods in more detail.

Calendar” for more information on the *payment date*. (See Chapter 9, section 6.12.2 of the *market rules*).

In the event of a failure of the *electronic funds transfer* system which affects the ability of the *IESO* to make payments, the *IESO* and the *market participant* shall arrange for alternative means of payment to ensure that payment is effected by the date specified in the *SSPC*. (See Chapter 9, section 6.12.3 of the *market rules*).

Payments are made into the *market participant settlement* account, details of which were provided to the *IESO* by the *market participant* during the participant authorization process<sup>4</sup>. (Payments relating to *transmission services* are paid into the *market participant’s transmission services settlement account*, details of which were provided to the *IESO* by the *market participant* during the participant authorization process.) For more information on the participant authorization process, see “Market Manual 1: Market Entry, Maintenance and Exit, Part 1.1, Participant Authorization, Maintenance and Exit”. (See Chapter 9, section 6.12.2 of the *market rules*).

### 1.3.3 Prepayment

A *market participant* may elect to make a one-off payment on a date that is earlier than the *market participant payment date* specified in the *SSPC* or convert an existing overpayment by the *market participant* into a prepayment. In both cases, the *market participant* must notify the *IESO* of its intentions in advance. The prepayment notification shall specify the dollar amount prepaid. The *market participant* shall make the prepayment into the *IESO settlement account*.

The *IESO* may apply funds held in an *IESO settlement account* on behalf of a *market participant* to:

- any outstanding financial obligations of that *market participant* to the *IESO* for transactions carried out in the specified *IESO-administered markets*; or
- discharge a *market participant’s* outstanding payment obligations arising in relation to that *market participant’s payment date*.

(See Chapter 9, section 6.11 of the *market rules*).

### 1.3.4 Transmission Rights Auction Payments to the IESO

Where a *transmission rights* (TR) participant has been awarded a TR in a *TR Auction* and their *TR market* deposit consists in whole or in part of a cash deposit, the *IESO* will apply the cash deposit to offset any amounts owed to the *IESO* for the purchase of that TR. When the amount of the cash deposit is less than the amount owed to the *IESO* for the purchase of the TR, the *TR participant* must provide the difference between the two amounts to the *IESO settlement clearing account* via *electronic funds transfer*. (See Chapter 8, section 4.14.3 of the *market rules*).

Where the amount of a cash deposit provided by a *TR participant* exceeds the amount owed by the *TR participant* to the *IESO* for the purchase of *transmission rights* in respect of a given *TR Auction*, the *IESO* will either:

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<sup>4</sup> A *Market participant* must notify the *IESO* of any changes to the details of their *settlement* account at least 60 *business days* before the changes take effect. This maintenance activity is described in the “Market Manual 1: Market Entry, Maintenance & Exit, Part 1.1, Participant Authorization.”

- include the excess amount as a credit on the *invoice* submitted to the *TR participant* for that *TR Auction*, where a credit was requested in writing by the *TR participant* at the time the cash deposit was provided; or
- hold the excess, which shall form part of the *TR participant's TR market deposit* for the purposes of a subsequent *TR Auction*, where a credit was not requested by the *TR participant* at the time the cash deposit was provided.

(See Chapter 8, section 4.14.4 of the *market rules*).

### 1.3.5 Payment Methods

*Market participants* may make payments to the *IESO* through the following mechanisms:

- **Direct Deposit (Basic *electronic funds transfer*):** Direct deposit is an electronic transfer of money between bank accounts (either within a bank or between financial institutions). Once the payment reaches the clearing system (overnight) if it is determined that the payer does not have sufficient funds, the *electronic funds transfer* transaction will be reversed, and the payee will be short the funds. If a *market participant* is going to use this method of payment, they must also fax their payment information (905-403-6913) to identify their payment to the *IESO* Treasury department, as these details are not included in the bank transaction details. Payment information to be faxed must include the following: *market participant* name, *market participant ID #*, *invoice #*, and payment amount.
- **Wire:** A wire payment is a more secure form of *electronic funds transfer* where the payer's bank will only release funds if there is enough 'collateral' to cover the payment. This 'collateral' can be in the form of cash in the payer's bank account(s) or available liquidity in terms of line(s) of credit. The payer will be required in their wire instructions to their bank to provide payment information such as the payee company's name, address, bank account number, and *invoice* number;
- **Electronic Data Interchange (EDI):** The payer remits funds via an EDI file transfer/instruction sent to their bank. The payer's bank sends the payment on to the payee's bank, which in turn credits the payee's bank account. The payer must subscribe to a VAN (Value Added Network) provider. The VAN is either provided by a third party vendor (e.g., IBM) or by the bank itself. *Market participants* wishing to use this mechanism for submitting payments to, or receiving payments from, the *IESO* must have an EDI translator software installed by their VAN provider. The first time this form of payment is used by a market participant, payment details must be faxed to the *IESO* Treasury department as described in the direct deposit method and it must be noted in the fax that the payment will be made via EDI. The *IESO* Treasury department will arrange with its bank to receive these payment details for subsequent EDI payments.

The *IESO* will make all payments to *market participants* via electronic funds transfer (EFT), and simply deposit the funds as a direct deposit/basic *electronic funds transfer* transaction into the *market participant's* bank account.

(See Chapter 9, section 6.11 and 6.12 of the *market rules*).

### 1.3.6 Statement of Activity

On the first business day of the month, as at the end of the calendar month, the *IESO* will issue a Statement of Activity<sup>5</sup> to each *market participant* via the Market Information Management System (MIM) for the previous month. The Statement of Activity lists:

- opening balance;
- *invoices* for the period, including “REDUCE ON ACC BAL” internal *invoices* necessary to reduce on account balances for prepayments which were applied against a financial or *physical invoice* during the period;
- payments for the period;
- receipts for the period; and
- closing balance.

A sample Statement of Activity can be located in the Funds Administration area of the Technical Interfaces page on the *IESO* public Web site <http://www.ieso.ca/>.

(See Chapter 9, section 6.13 of the *market rules*).

## 1.4 Payment Errors

### 1.4.1 Funds Owed to the IESO

There are two types of payment errors that result in funds being owed by the *market participant* to the *IESO*:

1. The *market participant* underpays the *IESO* on a *market participant payment date*.
2. The *market participant* is overpaid by the *IESO* on an *IESO payment date*.

In the former case, the *market participant* is in a payment default situation, which is explained more fully in Section 1.5.1.

If a *market participant* receives an overpayment from the *IESO* on any *IESO payment date*, the *market participant* shall notify the *IESO* of the situation within two *business days* of the event or immediately on becoming aware of the situation. If the *IESO* determines or becomes aware of the situation prior to being notified by the *market participant*, the *IESO* will notify the *market participant* of the situation.

Until the *market participant* has refunded an overpayment it has received, the *market participant* shall be deemed to be holding the amount of the overpayment in trust for any other *market participants* that may have been underpaid in consequence of such overpayment, pro rata to the amount of the underpayment. The *IESO* has the right to treat an overpayment to a *market participant* as an unpaid amount to which the payment default provisions of the *market rules* apply. If it is not repaid fully within two *business days* of receipt, the unpaid amount will bear interest at the *default interest rate*

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<sup>5</sup> The Statement of Activity is referred to in the *Market Rules* as the *Monthly confirmation notice*.

from the date of overpayment until the date on which repayment is credited to the *IESO's* relevant *settlement account*.

The *IESO* is responsible for identifying any *market participants* who have been underpaid as a result of an overpayment to another *market participant*. The *IESO* will reimburse any underpaid *market participant* for the amounts of their underpayment, including interest calculated from the date the *market participant* should have been paid, as soon as practicable after repayment by the overpaid *market participant*.

(See Chapter 9, section 6.15 of the *market rules*).

## 1.4.2 Funds Owed to the Market Participant

If a *market participant* has overpaid the *IESO* or the *IESO* has underpaid the *market participant* on any *market participant payment date*, the *market participant* shall notify the *IESO* immediately upon becoming aware of the situation. If the *IESO* determines or becomes aware of the situation prior to being notified by the *market participant*, the *IESO* will notify the *market participant*, and request that the *market participant* elects to have the overpaid amount be refunded or treated as a prepayment. Any related administration and transaction costs incurred by the *IESO* in managing and resolving the overpayment will be charged to the account of the *market participant* involved.

If the *IESO* has underpaid a *market participant*, the *IESO* will use all reasonable endeavors to promptly correct the underpayment including interest calculated at the *default interest rate* from the *IESO payment date* relating to the *invoice* for which the *market participant* should have been paid. If the underpayment is as a result of an overpayment to another *market participant*, repayment will, as noted above, be made as soon as practicable after repayment by the *market participant* who received the corresponding overpayment.

(See Chapter 9, section 6.15 of the *market rules*).

## 1.5 Event of Default

### 1.5.1 Payment Default

A *market participant* must notify the *IESO* immediately if it becomes aware that a payment for which it is responsible will not be remitted to the *IESO settlement clearing account* by the *market participant payment date* specified in the *SSPC* and shall provide the reason for the delay in payment. (See Chapter 9, section 6.14.2 and Chapter 3, section 6.3.2 of the *market rules*).

Before the *close of banking business* on the *market participant payment date*, the *IESO* will ascertain whether the full amount due by any *market participant* has been remitted to the *IESO settlement clearing account*. If the full amount due from a *market participant* has not been remitted (after accounting for any prepayments), the *market participant* will be considered in default and *default interest* shall accrue on all amounts outstanding. (See Chapter 9, section 6.14.3 of the *market rules*).

Where an *event of default* has occurred, the *IESO* shall issue within 2 business days, unless a default notice has been issued, a “Notice of Intent to Commence Suspension Proceedings” specifying the event of default, the remedies required and the applicable timeframe.

A *market participant* may remedy an *event of default* by:

- paying all monies due for payment under the *market rules*, as specified in the *default notice*;
- paying any *default interest* calculated in accordance with the *market rules*, as specified in the *default notice*; and
- paying any costs and expenses determined by the *IESO* to have been incurred by reason of the default, as specified in the *default notice*.

(See Chapter 3, section 6.3.3 of the *market rules*).

Notwithstanding that the *event of default* may have been remedied, to preserve the integrity of the *IESO-administered markets*, the *IESO* may impose conditions on the authorization of a *market participant* to participate in the *IESO-administered markets* or to cause or permit electricity to be conveyed into, through, or out of the *IESO-controlled grid* as it determines appropriate. Such conditions may include:

- adjusting the *market participant’s trading limit*;
- establishing a more frequent payment schedule for the *market participant*; or
- imposing more stringent prudential requirements on the *market participant*.

(See Chapter 3, section 6.3.6 of the *market rules*).

If an *event of default* is not remedied within the time specified in the notice issued or within such longer period as may be agreed to in writing by the *IESO*, or if the *market participant* notifies the *IESO* that it is not likely to remedy the default, the *IESO* may:

- issue a *suspension order* to the *market participant*, suspending or restricting all or any of the *market participant’s* rights to participate in the *IESO-administered markets* or to cause or permit electricity to be conveyed into, through or out of the *IESO-controlled grid*; and/or
- make claim upon any *prudential support* held in respect of the obligations of the *market participant* for the amount specified in the *default notice*.

(See Chapter 3, section 6.3.7 of the *market rules*).

The process of suspension of a *market participant* is addressed in “Market Manual 2: Market Administration, Part 2.6: Treatment of Compliance Issues”.

## 1.5.2 Settlement of Market in Event of Default

If there are insufficient funds remitted to the *IESO* to pay all *market creditors* due to default by one or more *market participants*, the *IESO* shall borrow funds in accordance with section 6.14.4 of Chapter 9 of the *market rules* to make up the shortfall. If the *IESO* has exhausted all credit available then the *IESO* shall pro-rate *real-time market creditors* based on unpaid amounts and then impose the *default levy* on the non-defaulting *market participants*. (See Chapter 9, sections 6.14.6 and 6.14.7 of the *market rules*).

When the funds come in from the *default levy*, the *IESO* shall first repay all existing lines of credit, before repaying on a pro-rata basis all *real-time market creditors*. (See Chapter 9, section 6.14.8 of the *market rules*).

### 1.5.3 Default Levies

The *IESO* shall be entitled to recover, by means of the imposition of a *default levy* on *non-defaulting market participants*, the aggregate of any amounts owing to the *IESO* under the *market rules* that have not been paid in full by the *defaulting market participant*, as well as the costs and expenses reasonably incurred by the *IESO* in investigating the default in payment, in claiming any applicable *prudential support*, and in implementing the *default levy*. (See Chapter 2, section 8.1.3 of the *market rules*).

When a *defaulting market participant* has failed to remit the full amount due within the time specified in the *default notice*, the *IESO* shall issue a first *notice of default levy* and take such steps as may be required to realize any *prudential support* held in respect of the *defaulting market participant*. (See Chapter 2, section 8.2 of the *market rules*).

A first *notice of default levy* will be issued to each *non-defaulting market participant* that participated in the *IESO-administered market*<sup>6</sup> to which the default in payment relates during the *billing period* to which the default relates.

The first *notice of default levy* identifies:

- the name of the *defaulting market participant*;
- the *IESO-administered market* and the *billing period* in which the default in payment by the *defaulting market participant* has occurred;
- the *defaulting market participant's default amount*;
- the amount of the first *default levy*;
- the value of all *prudential support* held in respect of the *defaulting market participant*, the right to realization of which is triggered by the default in payment at issue;
- the estimated amount of any second *default levy* that may have to be imposed in the event that the *IESO* is unable to realize all of the *prudential support* prior to the time noted in the *market rules*;
- the *non-defaulting market participant's share* of the first *default levy*; and
- the *non-defaulting market participant's share* of the estimated amount of any second *default levy* that may have to be imposed.

(See Chapter 2, section 8.2.3 of the *market rules*).

The first *notice of default levy* must be issued at least 10 days prior to the date on which the *invoice* imposing the first *default levy* on *non-defaulting market participants* is issued by the *IESO*. If no *invoice* is scheduled for a *non-defaulting market participant* to whom a first *notice of default levy* has been issued, the *IESO* shall issue an *invoice* to that *non-defaulting market participant* comprising the

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<sup>6</sup> At present, the *energy forward market* is deferred and default levies will be restricted to the *real-time energy market*.

amount of their share of the first *default levy*. Any such *non-defaulting market participant* shall pay to the *IESO* the *invoice* amount on the second *business day* following receipt of the *invoice*. (See Chapter 2, section 8.2.4 of the *market rules*).

If the total amount of the first *default levy* is not equal to the *defaulting market participant's default amount*, the *IESO* will issue a second *notice of default levy* on the seventh *business day* after the issuance of *invoices* imposing the first *default levy*. (See Chapter 2, section 8.4.1 of the *market rules*).

The second *notice of default levy* identifies:

- the name of the *defaulting market participant*;
- the *IESO-administered market* and the *billing period* in which the default in payment by the *defaulting market participant* has occurred;
- the *defaulting market participant's* residual *default amount*, calculated in accordance with the *market rules*;
- the amount of the first *default levy*;
- the amount of any *prudential support* held in respect of the *defaulting market participant* that has been realized;
- the amount of any *prudential support* held in respect of the *defaulting market participant*, the right to realization of which is triggered by the default in payment at issue and that remains to be realized;
- the amount of the second *default levy*; and
- the *non-defaulting market participant's* share of the second *default levy*.

(See Chapter 2, section 8.4.2 of the *market rules*).

The second *notice of default levy* must be issued at least 10 days prior to the date on which the *invoice* imposing the second *default levy* on *non-defaulting market participants* is issued by the *IESO*. (See Chapter 2, section 8.4.3 of the *market rules*).

The amount of a *default levy* is apportioned among all *non-defaulting market participants* to whom a *notice of default levy* has been issued by allocating to each a share of the *default levy* calculated as described in the *market rules*. A *non-defaulting market participant's* share of a *default levy* is included with their next scheduled *invoice*. (See Chapter 2, section 8.5.3 of the *market rules*).

If no *invoice* is scheduled for a *non-defaulting market participant* to whom a second *notice of default levy* has been issued, the *IESO* shall issue an *invoice* to that *non-defaulting market participant* comprising the amount of their share of the second *default levy*. Any such *non-defaulting market participant* shall pay to the *IESO* the *invoice* amount on the second *business day* following receipt of the *invoice*. (See Chapter 2, section 8.6.3 of the *market rules*).

Where the *IESO* is able to make a partial or full recovery of costs from a *defaulting market participant*, it shall distribute these sums to each *non-defaulting market participant* that remitted payment to the *IESO* on account of a *default levy*, on a prorated basis according to, and in an amount that does not exceed, the amount paid by the *non-defaulting market participant*. Where the *non-defaulting market participant* is, at the relevant time, still a *market participant*, any such amount shall appear as a credit on the next *invoice* scheduled to be issued to that *non-defaulting market participant*. Where the *non-defaulting market participant* is no longer a *market participant* at the relevant time,

any amounts shall be paid to the *non-defaulting market participant* in such manner as the *IESO* determines appropriate. (See Chapter 2, section 8.8.2 of the *market rules*).

In the event that the *IESO* cannot, after taking all reasonable steps to do so, locate a *non-defaulting market participant* that has remitted payment to the *IESO* on account of a *default levy*, any amount that would otherwise be distributed to such *non-defaulting market participant* shall:

- be allocated and distributed to other *non-defaulting market participants* as described above; or
- where other *non-defaulting market participants* have already been reimbursed in respect of a *default levy* and are therefore not entitled to payment of any further amounts, will be used to offset the *IESO administration charge*.

(See Chapter 2, section 8.8.3 of the *market rules*).

The process of repayment to *non-defaulting market participants* as described above will vary on a case by case basis and, therefore, is not addressed in the workflow in Section 2.

## 1.5.4 Transmission Rights Auctions Default

A *transmission rights invoice* can encompass more than one *TR Auction* and not all *transmission rights* awarded need be forfeited for non payment of an *invoice* representing multiple auctions. A *TR market deposit* can be applied to pay down a partial amount of an outstanding *invoice* balance. However, any *payment default* on an outstanding *transmission rights invoice* representing one or more auctions, will result in some *transmission rights* not be issued and the forfeit of *TR market deposit*. (See Chapter 8, sections 4.14.3 and 4.20.1 of the *market rules*).

When a successful *TR participant* fails to remit to the *IESO* on the applicable *market participant payment date* any payment due for a *transmission right* awarded during a *TR Auction*, the *transmission right* will not be issued. In addition, the *TR participant* will forfeit the lesser of:

- its *TR market deposit*; or
- that portion of its *TR market deposit* that is equal to 10% of the value of all TRs awarded to the *TR bidder* during the applicable *TR auction*.

(See Chapter 8, section 4.20.1 of the *market rules*).

Where a payment default has occurred and the *TR market deposit* is in the form of cash, the *IESO* may credit the *TR clearing account* with the forfeited amount detailed above and remit any remaining cash deposit of the *TR market deposit* to the *TR participant*. (See Chapter 8, section 4.20.1A of the *market rules*).

Where a payment default has occurred and the *TR market deposit* is in the form of a letter of credit, the *IESO* may claim and realize upon the letter of credit that makes up the *TR market deposit* and credit the *TR clearing account* with the outstanding forfeited amount. (See Chapter 8, section 4.20.1B of the *market rules*).

This process is not detailed in Section 2 due to the minimal interaction between the *IESO* and the *TR participant*.

## 1.6 Roles and Responsibilities

Responsibility for carrying out the payment methods and schedule procedure is shared among:

- The **IESO**, which is responsible for:
  - processing payments received from *market participants* via *electronic funds transfer*;
  - making payments as required to *market participants settlement* account via *electronic funds transfer*;
  - providing an alternative means of accomplishing the funds transfer to the *market participant* in the event of failure of the primary *electronic funds transfer* mechanism;
  - detecting and remedying payment errors;
  - identifying *market participants* who are considered in default and dealing with the *defaulting market participant* in accordance with the *market rules*;
  - issuing *default levies* as required to *non-defaulting market participants* in the event of a payment default, as allowed by the *market rules*; and
  - providing *monthly confirmation notices* (statement of activity) to the *market participants*.
- **Market participants**, who are responsible for:
  - processing payments received from the *IESO* via *electronic funds transfer*;
  - making payments as required to the *IESO settlement* account via *electronic funds transfer*;
  - providing an alternative means of accomplishing the funds transfer to the *IESO* in the event of failure of the primary *electronic funds transfer* mechanism;
  - detecting and remedying payment errors;
  - identifying payment problems to the *IESO* that may lead to payment default;
  - remedying the conditions that resulted in payment default;
  - paying *default levies* issued by the *IESO*; and
  - reviewing and verifying *monthly confirmation notices* (statement of activity) received from the *IESO*.

## 1.7 Contact Information

As part of the participant authorization and registration process, *applicants* are able to identify a range of contacts within their organization that address specific areas of market operations. For payment methods this contact will most likely be the Invoicing and Banking Market Contact Type as indicated in PLC (*market participant* Contacts screens). If a *market participant* has not identified a specific contact, the *IESO* will seek to contact the Main Contact that is established during the participant authorization process. The *IESO* will seek to contact these individuals for activities within this procedure, unless alternative arrangements have been established between the *IESO* and the *market participant*.

If the *market participant* wishes to contact the *IESO*, the *market participant* can contact the *IESO* Help Centre via email at [helpcentre@ieso.ca](mailto:helpcentre@ieso.ca) or via telephone, mail or courier to the numbers and addresses given on the *IESO*'s Web site ([www.ieso.ca](http://www.ieso.ca) - or click on 'Contact Us' to go to the 'Contacting the *IESO*' page). If the *IESO* Help Centre is closed, telephone messages or emails may be left in relevant voice or electronic *IESO* mailboxes, which will be answered as soon as possible by Help Centre staff.

Standard forms that participants must complete for this procedure are listed in Appendix A. These forms are generally available for downloading on the *IESO*'s public Web site. These forms as well as the accompanying supporting documentation must be transmitted to the *IESO* via mail or courier by using the appropriate address provided on the *IESO*'s public Web site or on the form. All correspondence relating to this procedure shall identify the subject: **Settlement Payment Methods and Schedule**.

– End of Section –

## 2. Procedural Work Flow

The diagrams in this section represent the flow of work and information related to the *settlement* payment methods and schedule procedure between the *IESO*, the primary external participant involved in the procedure, and any other parties.

The steps illustrated in the diagrams are described in detail in Section 3.

**Table 2–1: Legend for Work Flow Diagrams**

<b>Legend</b>	<b>Description</b>
Oval	An event that triggers task or that completes task. Trigger events and completion events are numbered sequentially within procedure (01 to 99)
Task Box	Shows reference number, party responsible for performing task (if “other party”), and task name or brief summary of task. Reference number (e.g., 1A.02) indicates procedure number within current <i>market manual</i> (1), sub-procedure identifier (if applicable) (A), and task number (02)
Solid horizontal line	Shows information flow between the <i>IESO</i> and external parties
Solid vertical line	Shows linkage between tasks
Broken line	Links trigger events and completion events to preceding or succeeding task

### 2.1 Payments to the IESO and Market Participants

After the *settlement invoice* has been received by the *market participant*, the *market participant* must pay the full net *invoice* amount by the *market participant payment date* regardless of whether the *market participant* has initiated or continues to dispute the net amount payable<sup>7</sup>.

The steps illustrated in Figure 2-1 are described in detail in Section 3, Table 3-1.

<sup>7</sup> This is not the case where the *invoice* amount relates to a financial penalty. In this case, payment is deferred until the resolution of the dispute.

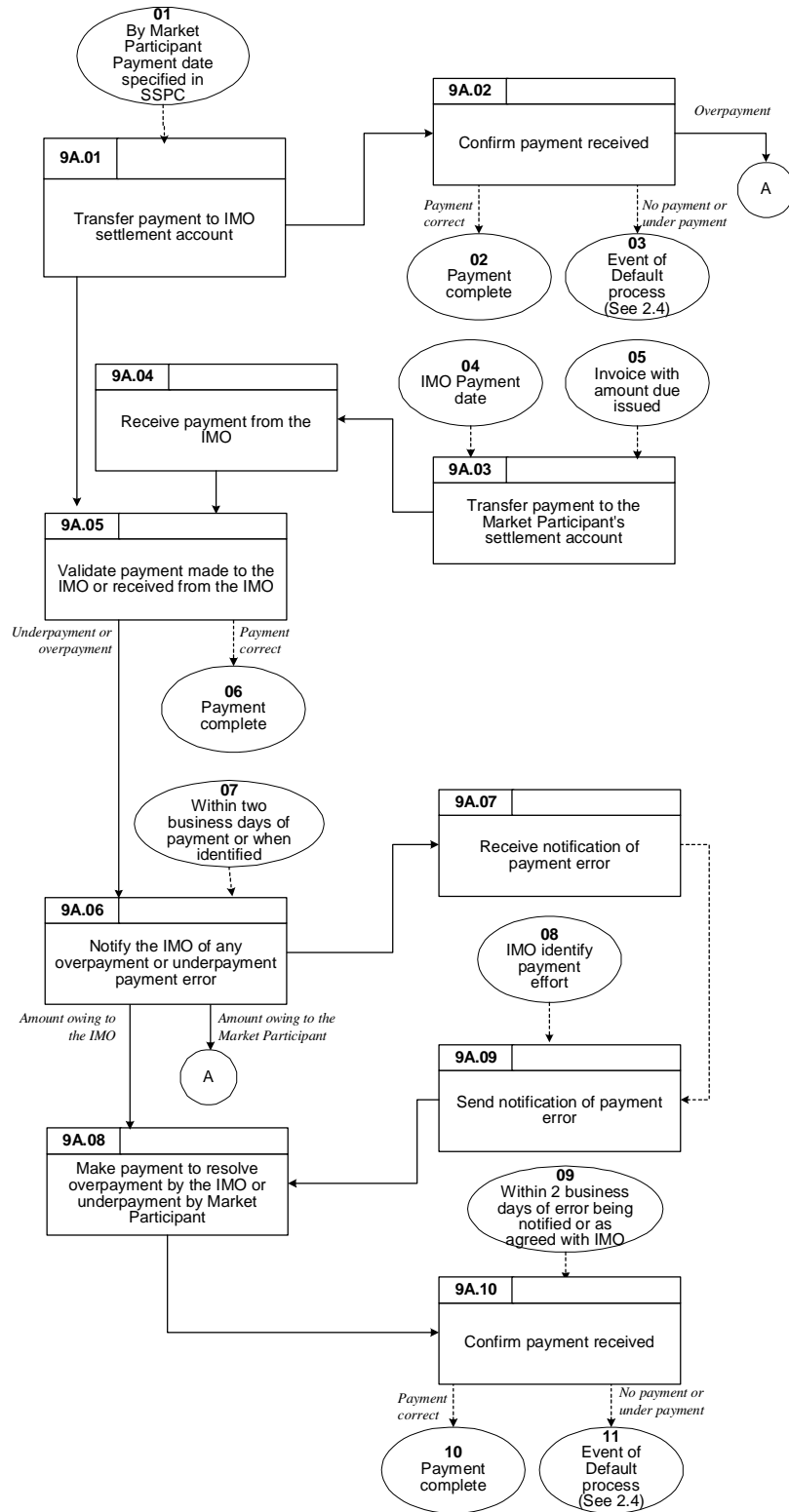


Figure 2–1: Work Flow for Payments to the IESO and Market participants

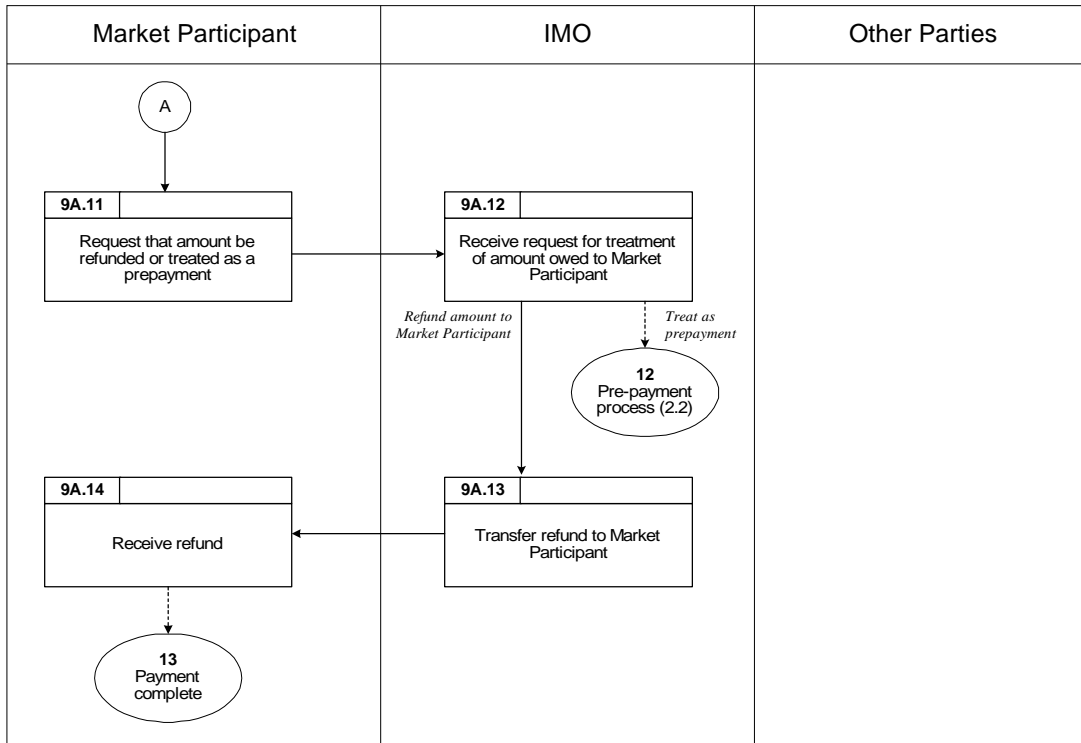


Figure 2–1: Work Flow for Payments to the IESO and Market participants (continued)

## 2.2 Prepayments to the IESO

The *market participant* must notify the *IESO* before submitting a prepayment or before converting an existing overpayment by the *market participant* into a prepayment. The *IESO* may apply prepayment funds held in the *IESO settlement account* on behalf of a *market participant* to any outstanding financial obligations of that *market participant* to the *IESO* for transactions carried out in the *IESO-administered markets*.

The steps illustrated in Figure 2-2 are described in detail in Section 3.2, Table 3-2.

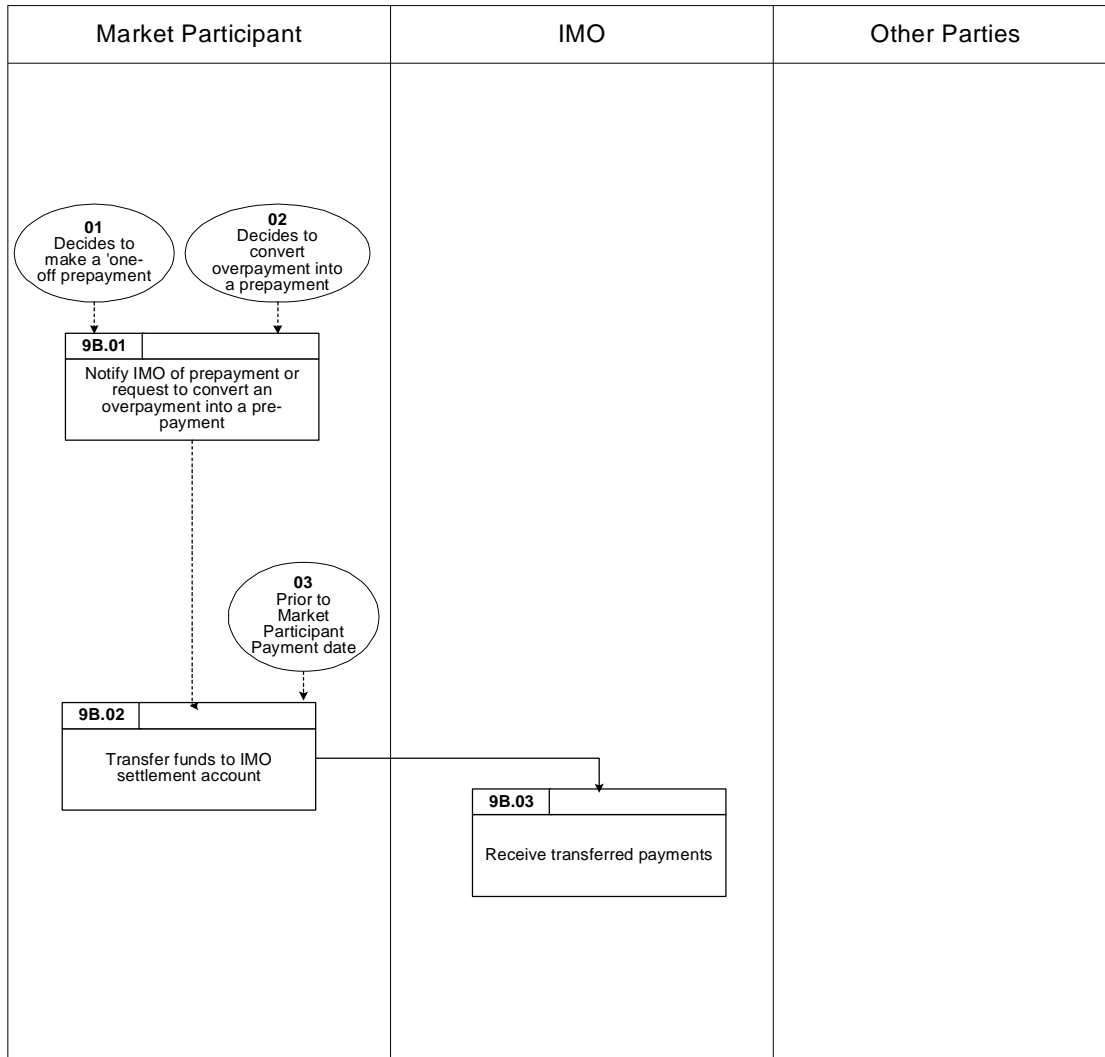


Figure 2–2: Work Flow for Prepayments to the IESO

## 2.3 Issuing the Monthly Statement of Activity

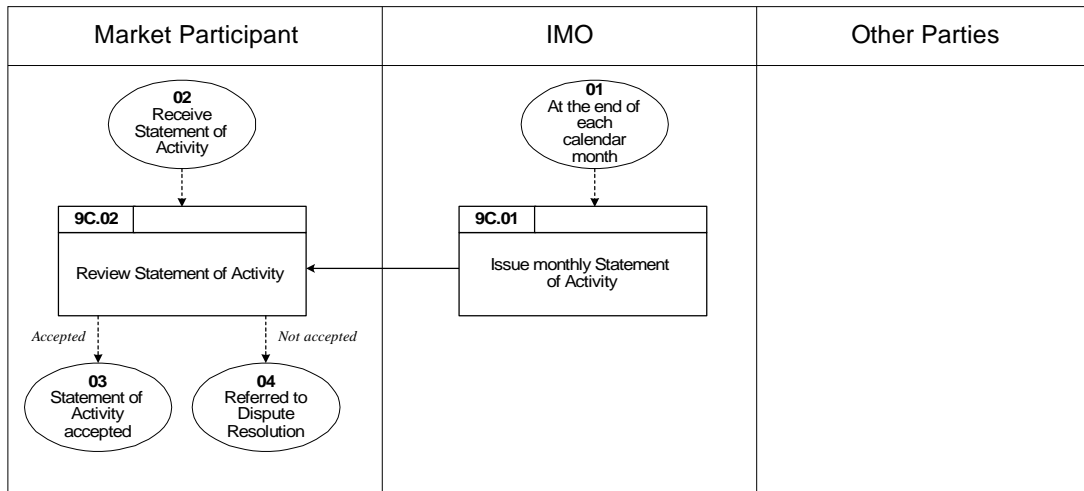
On the first business day of the month, as at the end of the calendar month, the IESO will issue a Statement of Activity<sup>8</sup> to each *market participant* via the Market Information Management System (MIM) for the previous month. The Statement of Activity lists:

- The opening balance;
- *invoices* for the period;
- payments for the period;
- receipts for the period; and

<sup>8</sup> The Statement of Activity is referred to in the *Market Rules* as the *Monthly confirmation notice*.

- the closing balance.

The steps illustrated in Figure 2-3 are described in detail in Section 3.3.



**Figure 2–3: Work Flow for Issuing the Monthly Statement of Activity**

## 2.4 Payment Default

If the full amount due by a *market participant* has not been remitted after accounting for any prepayments and deferred payments under the Deferred Payment Plan made by the *market participant*, the *market participant* will be considered in default.

The steps illustrated in figure 2-4 are described in detail in Section 3.4, Table 3-4.

This procedure does not address the detailed activities surrounding the suspension of a *market participant* as a result of an *event of default*. The detailed process of suspension of a *market participant* is addressed in “Market Manual 2: Market Administration, Part 2.6: Treatment of Compliance Issues”. The *IESO* may draw on the *prudential support* of a *market participant* who is in default. This process is detailed in “Market Manual 5, Part 5.4, Prudential Support”.

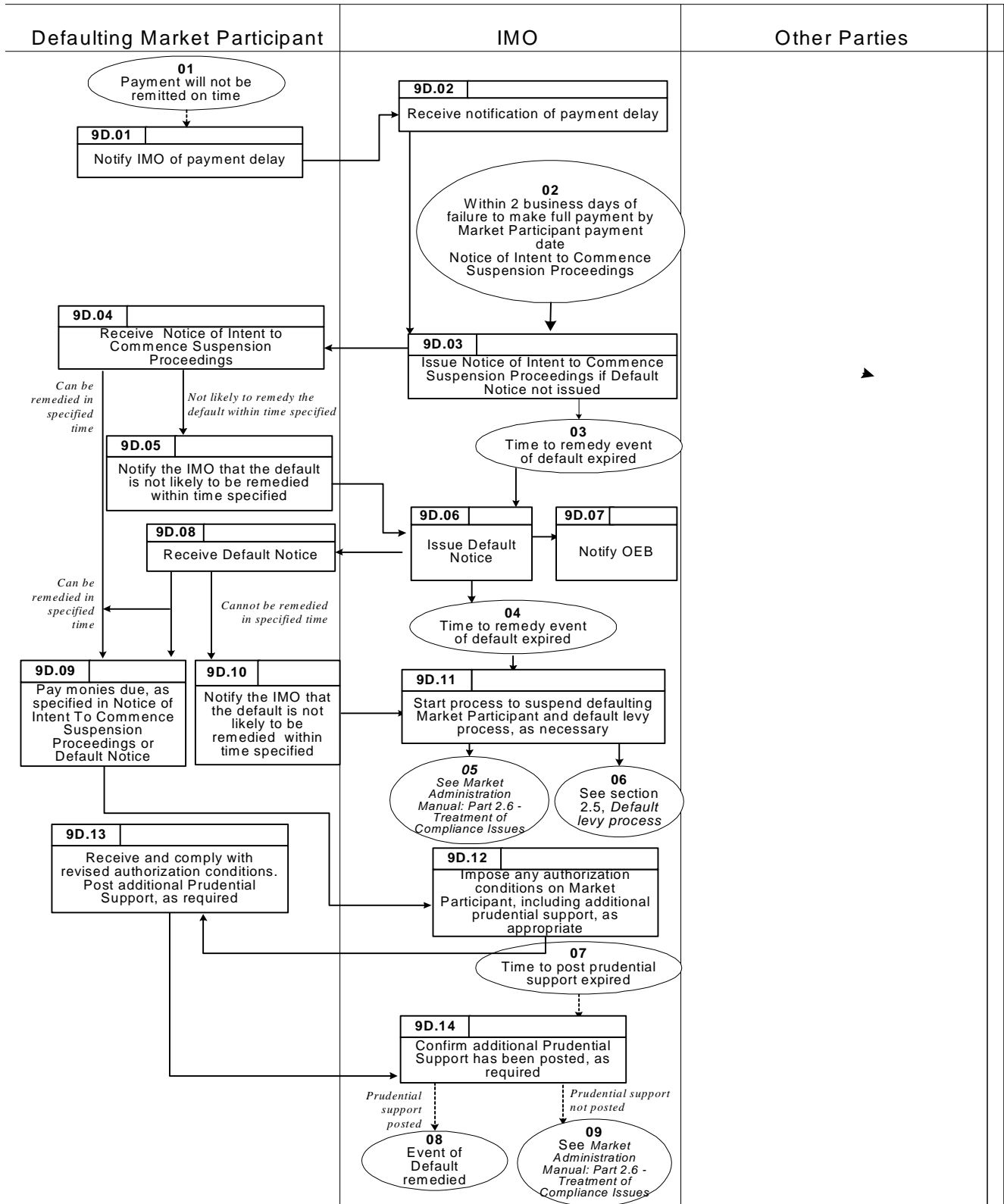


Figure 2-4: Work Flow for Payment Default

## 2.5 Default Levies

When a *defaulting market participant* has failed to remit to the *IESO settlement clearing account* the full amount due by that *market participant* within the time specified in the Notice of “*Intent to Commence Suspension Proceedings*”, the *IESO* may impose *default levies* on the *non-defaulting market participants* to recover the amounts in default.

This workflow does not relate to a default in payment with respect to a round of a *TR auction*.

The steps illustrated in Figure 2-5 are described in detail in Section 3.5, Table 3-5.

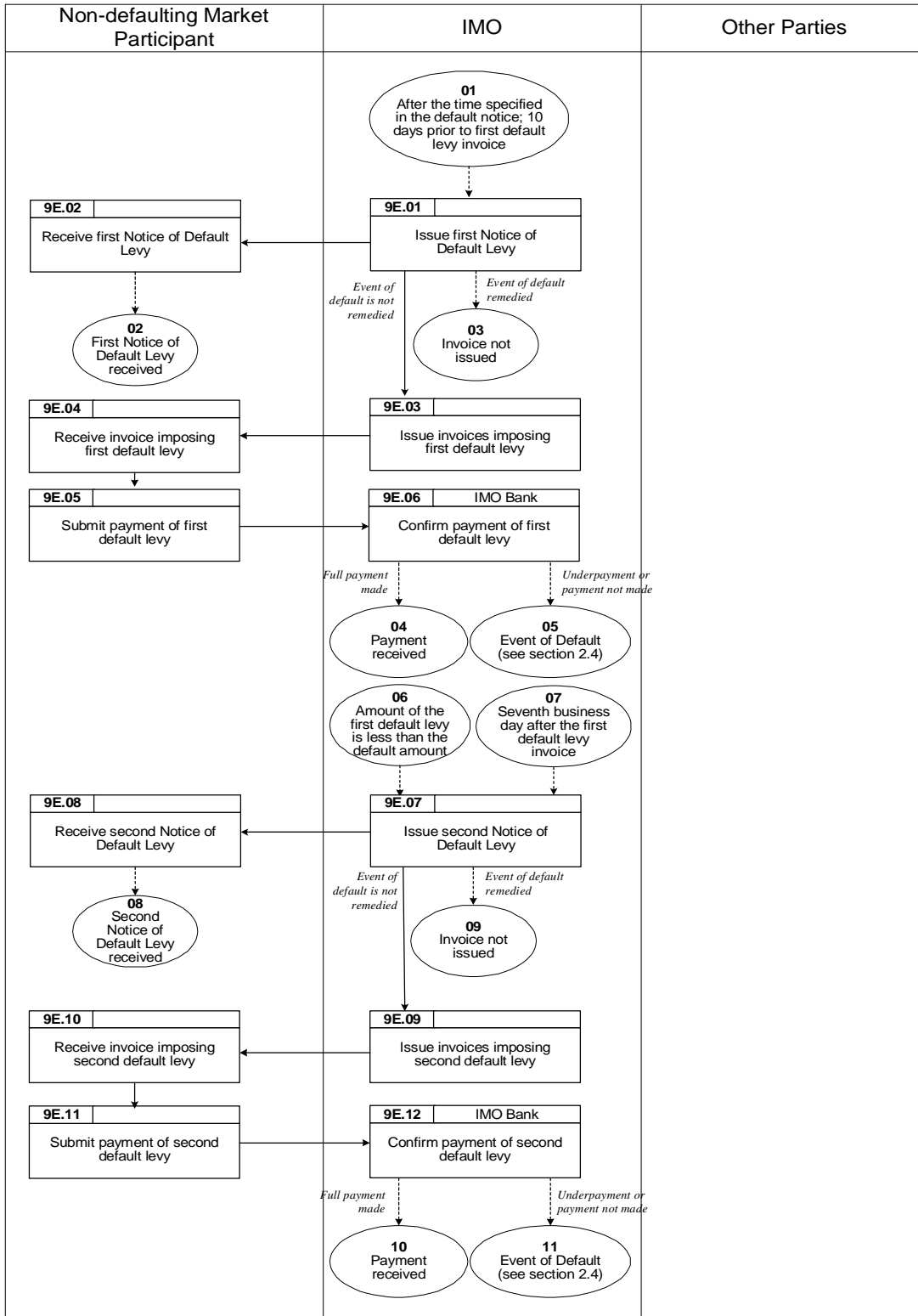


Figure 2-5: Work Flow for Payment Default

- End of Section -

## 3. Procedural Steps

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This section contains detail on the tasks (steps) that comprise the Payment Methods and Schedule procedure. The table contains seven columns, as follows:

### **Ref**

The numerical reference to the task.

### **Task Name**

The task name as identified in Section 2.

### **Task Detail**

Detail about the task.

### **When**

A list of all the events that can trigger commencement of the task.

### **Resulting Information**

A list of the information flows that may or must result from the task.

### **Method**

The format and method for each information flow are specified.

### **Completion Events**

A list of all the circumstances in which the task should be deemed finished.

### 3.1 Payments to the IESO and Market Participants

After the *settlement invoice* has been received by the *market participant*, the *market participant* must pay the full net *invoice* amount by the *market participant payment date* specified in the *SSPC*.

Credit payments by the *IESO* to *market participants* will be made to the *market participant's settlement* account via *electronic funds transfer* by the established dates and times.

If overpayments or underpayments are made by the *market participant* or by the *IESO*, notifications should be made as soon as the *market participant* or *IESO* becomes aware of the situation.

The steps in the following table are illustrated in Section 2.1, Figure 2-1.

**Table 3–1: Procedural Steps for Payments to the IESO and Market participants**

Ref.	Task Name	Task Detail	When	Resulting Information	Method	Completion Events
9A.01	Transfer payment to <i>IESO settlement</i> account.	When the <i>market participant</i> must pay an <i>invoice</i> , the <i>market participant</i> initiates an <i>electronic funds transfer</i> to the <i>IESO</i> bank.	Payments must be made upon receipt of an <i>invoice</i> and before the <i>close of banking business</i> on the <i>market participant payment date</i> specified in the <i>SSPC</i> .	Payment specified in <i>invoice</i> .	Basic <i>electronic funds transfer</i> (direct deposit) along with faxed notice of payment details;  Wire, or EDI/ <i>electronic funds transfer</i>	Payment received via electronic fund transfer by the <i>IESO's</i> bank.

**Table 3–1: Procedural Steps for Payments to the IESO and Market participants**

Ref.	Task Name	Task Detail	When	Resulting Information	Method	Completion Events
9A.02	Confirm payment received.	The <i>IESO</i> confirms that the full payment has been submitted by the <i>market participant</i> .  Where a full payment has not been received, an <i>event of default</i> is declared and the process set out in Section 2.4 will be followed.	The day following the <i>market participant payment date</i> specified in the <i>SSPC</i> .	None	None	Full payment received or, where full payment is not received, an <i>event of default</i> is declared.
9A.03	Transfer payment to the <i>market participant's settlement account</i> <sup>9</sup> .	When the <i>IESO</i> must pay the <i>market participant</i> , the <i>IESO</i> transfers the payment to the <i>market participant's settlement account</i> .	After issuing a <i>market participant credit invoice</i> and before the <i>close of banking business</i> on the corresponding <i>market participant payment date</i> specified in the <i>SSPC</i> .	Payment specified in <i>invoice</i> .	<i>Electronic funds transfer</i>	Payment received via electronic fund transfer by the <i>market participant's bank</i> .
9A.04	Receive payment from the <i>IESO</i> .	The <i>market participant</i> receives the payment from the <i>IESO</i> in their specified <i>settlement account</i> .	After Step 9A.03.	None	None	Payment received by <i>market participant</i> .

<sup>9</sup> This will include payments to a Transmitter's transmission services *settlement account*.

**Table 3–1: Procedural Steps for Payments to the IESO and Market participants**

<b>Ref.</b>	<b>Task Name</b>	<b>Task Detail</b>	<b>When</b>	<b>Resulting Information</b>	<b>Method</b>	<b>Completion Events</b>
9A.05	Validate payment made to the IESO or received from the IESO.	The <i>market participant</i> determines whether the correct amount was paid, or whether it has made an underpayment or overpayment to the IESO, or received an underpayment or overpayment from the IESO.	After Step 9A.01 when the <i>market participant</i> is making a payment to the IESO.  After Step 9A.03 when the IESO is making a payment to the <i>market participant</i> .	None	None	Payment verified by <i>market participant</i> .
9A.06	Notify the IESO of the payment error.	The <i>market participant</i> notifies the IESO of any underpayment or overpayment.  (The IESO may notify the <i>market participant</i> of the payment error if it is discovered.)	After Step 9A.05, and within two <i>business days</i> of the payment, or immediately upon becoming aware of the payment error.	Notification of payment error	Fax or telephone	Notification sent to the IESO.
9A.07	Receive notification of payment error.	The IESO receives the notification from the <i>market participant</i> that there has been a payment error.	After Step 9A.06.	None	None	Notification received by the IESO.

**Table 3–1: Procedural Steps for Payments to the IESO and Market participants**

Ref.	Task Name	Task Detail	When	Resulting Information	Method	Completion Events
9A.08	Make payment to resolve overpayment by the IESO or underpayment by market participant.	<p>The market participant initiates an <i>electronic funds transfer</i> to pay the outstanding amount that resulted from an underpayment to the IESO or an overpayment from the IESO.</p> <p>The market participant informs the IESO that the electronic transfer of funds to cover the market participant refund has been completed.</p> <p>Amounts not repaid fully within two <i>business days</i> bear interest at the <i>default interest rate</i>.</p>	After Step 9A.06 if the market participant owes an amount to the IESO.	Payment	<p>Basic <i>electronic funds transfer</i> (direct deposit) along with faxed notice of payment details;</p> <p>Wire, or EDI/<i>electronic funds transfer</i> (EDI 820).</p>	Funds received electronically by the IESO.
9A.09	Send notification of payment error.	The IESO identifies a payment error and notifies the market participant that they have made an overpayment to the IESO or that they have made an underpayment to the IESO and a default event has occurred.	When the IESO identifies a payment error.	<p>Overpayment: “Notice of Overpayment” (IESO-FORM-1143)</p> <p>Underpayment: “Event of Default notice” (IESO-FORM-1259)</p>	<p>Fax</p> <p>Fax</p>	Market participant notified of error.

**Table 3–1: Procedural Steps for Payments to the IESO and Market participants**

Ref.	Task Name	Task Detail	When	Resulting Information	Method	Completion Events
9A.10	Confirm payment received.	The <i>IESO</i> confirms that the full payment has been submitted by the <i>market participant</i> .  Where a full payment has not been received, an <i>event of default</i> is declared and the process set out in Section 2.4 will be followed.	Within 2 <i>business days</i> of payment error being notified by <i>IESO</i> or <i>market participant</i> , or as agreed by <i>IESO</i> .	None	None	Full payment received or, where full payment is not received, an <i>event of default</i> is declared.
9A.11	Request that amount be refunded or treated as a prepayment.	The <i>market participant</i> notifies the <i>IESO</i> to request a refund or to treat the amount as a prepayment.	After Step 9A.06 if the <i>IESO</i> owes an amount to the <i>market participant</i> .	“Notification of Prepayment” <i>(IESO-FORM-1130)</i>  “Overpayment: Notice of Overpayment” <i>(IESO-FORM-1143)</i>  <i>(See Appendix A)</i>	Fax	Request sent to the <i>IESO</i> .
9A.12	Receive request for treatment of amount owed to <i>market participant</i> .	The <i>IESO</i> receives the <i>market participant</i> notification as to how to treat the amount owed to the <i>market participant</i> .	After Step 9A.11.	None	None	Request received by the <i>IESO</i> .
9A.13	Transfer refund to <i>market participant</i> .	The <i>IESO</i> transfers the requested refund to the <i>market participant</i> .	After Step 9A.12 if the <i>market participant</i> has requested a refund.	Payment	<i>Electronic funds transfer</i>	Funds received by the <i>market participant</i> ’s bank.
9A.14	Receive refund	The <i>market participant</i> receives a refund from the <i>IESO</i> .	After Step 9A.13.	None	None	<i>Market participant</i> receives refund.

## 3.2 Prepayments to the IESO

The *market participant* must notify the *IESO* before submitting a prepayment or before converting an existing overpayment by the *market participant* into a prepayment. The *market participant* should make the prepayment into the *IESO settlement account at any earlier date than the market participant payment date*. The *IESO* will transfer this prepayment to *IESO prepayment account* and may apply these funds held on behalf of a *market participant* to any outstanding financial obligations of that *market participant* to the *IESO* for transactions carried out in the *IESO-administered markets*.

The steps in the following table are illustrated in Section 2.2, Figure 2-2.

**Table 3–2: Procedural Steps for Prepayments to the IESO**

Ref.	Task Name	Task Detail	When	Resulting Information	Method	Completion Events
9B.01	Notify <i>IESO</i> of prepayment or request to convert an overpayment into a prepayment.	The <i>market participant</i> notifies the <i>IESO</i> of its intent to submit a prepayment or convert an existing overpayment into a prepayment, specifying the prepaid dollar amount submitted to the <i>IESO</i> (refer to Step 9A.11 in Section 3.1).	At any earlier date than the <i>market participant payment date</i> specified in the <i>SSPC</i> .	“Notification of Prepayment” ( <i>IESO-FORM-1130</i> ) or “Notice of Overpayment” ( <i>IESO-FORM-1143</i> ) (See Appendix A)	Fax	Prepayment notification received by the <i>IESO</i> .
9B.02	Transfer funds to <i>IESO settlement account</i> .	The <i>market participant</i> initiates agreed one-off prepayment into the <i>IESO settlement account</i> designated by the <i>IESO</i> .	After Step 9B.01	Payment value notified to <i>IESO</i> in Step 9B.01.	Basic <i>electronic funds transfer</i> (direct deposit) along with faxed notice of payment details;  Wire, or EDI/ <i>electronic funds transfer</i> (EDI 820).	<i>Market participant</i> transfers prepayment funds to the <i>IESO settlement account</i> .

**Table 3–2: Procedural Steps for Prepayments to the IESO**

<b>Ref.</b>	<b>Task Name</b>	<b>Task Detail</b>	<b>When</b>	<b>Resulting Information</b>	<b>Method</b>	<b>Completion Events</b>
9B.03	Receive transferred payments.	The <i>IESO</i> receives transfer payment funds from the <i>market participant</i> .	After Step 9B.02	The IESO transfers prepayment funds received in <i>IESO settlement account</i> to the <i>IESO Prepayment account</i> .	None	Payments funds received from the <i>market participant</i> .

### 3.3 Issuing the Monthly Statement of Activity

On the first business day of the month, as at the end of the calendar month, the *IESO* will issue a monthly Statement of Activity to each *market participant* that contains statements of the amounts received from or paid out to the *market participant* on each *market participant payment date* and *IESO payment date* in the previous month, and any payments outstanding.

The steps in the following table are illustrated in Section 2.3, Figure 2-3.

**Table 3–3: Procedural Steps for Issuing the Monthly Statement of Activity**

Ref.	Task Name	Task Detail	When	Resulting Information	Method	Completion Events
9C.01	Issue monthly Statement of Activity.	The <i>IESO</i> issues a monthly Statement of Activity to each <i>market participant</i> . The Statement of Activity lists amounts received from or paid to the <i>market participant</i> on each <i>market participant payment date</i> and <i>IESO payment date</i> in the previous month, and any outstanding invoices.	On the first business day of each calendar month for the previous month.	Statement of Activity  A sample file is available in the Funds Administration area of Technical Interfaces page on <i>IESO</i> public Web site <a href="http://www.ieso.ca">http://www.ieso.ca</a> .	<i>Market participant</i> Interface (MPI) of the Market Information Management (MIM) system	Statement of Activity issued to the <i>market participant</i> .
9C.02	Review Statement of Activity.	The <i>market participant</i> reviews the monthly Statement of Activity and informs the <i>IESO</i> of disagreements (if any) with the information contained in this notice.	After Step 9C.01 and within the specified timeframe for submitting comments.	None	None	Statement of Activity accepted by the <i>market participant</i> or matter referred to the Dispute Resolution process  See “ <i>Market manual 2: Market Administration, Part 2.1 Dispute Resolution</i> ”

### 3.4 Payment Default

The *IESO* will ascertain whether the full amount due by any *market participant* has been remitted to the *IESO settlement clearing account* (or may be notified by the *market participant* of a delay in payment). If the full amount due by a *market participant* has not been remitted after accounting for any prepayments made by the *market participant* the *market participant* will be considered in default.

The steps in the following table are illustrated in Subsection 2.4, Figure 2-4.

**Table 3–4: Procedural Steps for Payment Default**

<b>Ref.</b>	<b>Task Name</b>	<b>Task Detail</b>	<b>When</b>	<b>Resulting Information</b>	<b>Method</b>	<b>Completion Events</b>
9D.01	Notify <i>IESO</i> of payment delay.	The <i>defaulting market participant</i> notifies the <i>IESO</i> immediately upon becoming aware that a payment for which it is responsible will not be remitted to the <i>IESO settlement clearing account</i> on time and shall provide the reason for the delay in payment.	Upon becoming aware that a payment will not be remitted to the <i>IESO settlement clearing account</i> on time.	Notification that payment will not be submitted to the <i>IESO</i> on time.	Fax or telephone	Notification sent to the <i>IESO</i> .
9D.02	Receive notification of payment delay.	The <i>IESO</i> receives notification about a delay in payment from the <i>defaulting market participant</i> .	After Step 9D.01.	None	None	<i>IESO</i> notified of delay in payment.

**Table 3–4: Procedural Steps for Payment Default**

<b>Ref.</b>	<b>Task Name</b>	<b>Task Detail</b>	<b>When</b>	<b>Resulting Information</b>	<b>Method</b>	<b>Completion Events</b>
9D.03	Issue “ <i>Notice of Intent to Commence Suspension Proceedings</i> ” to defaulting market participant.	The <i>IESO</i> issues “ <i>Notice of Intent to Commence Suspension Proceedings</i> ” specifying the alleged default and required remedial actions, to the <i>defaulting market participant</i> in the event that the <i>defaulting market participant</i> did not remit the full amount due (after accounting for any prepayments made by the <i>defaulting market participant</i> ).	After Step 9D.02, or within 2 <i>business days</i> , whenever the full amount due from the <i>defaulting market participant</i> was not remitted by the <i>defaulting market participant payment date</i> specified in the <i>SSPC</i> .	“ <i>Notice of Intent to Commence Suspension Proceedings</i> ”	Fax and phone call	“ <i>Notice of Intent to Commence Suspension Proceedings</i> ” issued to the <i>defaulting market participant</i> by the <i>IESO</i> .
9D.04	Receive “Notice of Intent to Commence Suspension Proceedings”.	The <i>defaulting market participant</i> receives the “ <i>Notice of Intent to Commence Suspension Proceedings</i> ” issued by the <i>IESO</i> .	After Step 9D.03.	None	Fax and phone call	“ <i>Notice of Intent to Commence Suspension Proceedings</i> ” received by the <i>defaulting market participant</i> .
9D.05	Notify the <i>IESO</i> that the default is not likely to be remedied.	The <i>defaulting market participant</i> should notify the <i>IESO</i> if the remedial actions specified in the “ <i>Notice of Intent to Commence Suspension Proceedings</i> ” notice cannot be completed in the specified time frame.	After Step 9D.03 if default is not likely to be remedied.	Notification of continued default	Phone call and/or fax	<i>IESO</i> notified that default not likely to be remedied.

Table 3–4: Procedural Steps for Payment Default

Ref.	Task Name	Task Detail	When	Resulting Information	Method	Completion Events
9D.06	Issue a <i>Default Notice</i> to defaulting market participant	The <i>IESO</i> issues “ <i>Default Notice</i> ” specifying the alleged default and required remedial actions, to the <i>defaulting market participant</i> in the event that the <i>defaulting market participant</i> did not remit the full amount due (after accounting for any prepayments made by the <i>defaulting market participant</i> ) or if the <i>event of default</i> was not remedied within the specified time allotted in the “ <i>Notice of Intent to Commence Suspension Proceedings.</i> ”.	After Step 9D.05, or within 2 <i>business days</i> of, whenever the full amount due from the defaulting market participant was not remitted by the defaulting market participant payment date or within 2 <i>business days</i> after the specified time allotted in the “ <i>Notice of Intent to Commence Suspension Proceedings.</i> ”.	“ <i>Default Notice</i> ” ( <i>IESO</i> FORM 1259)	Fax and phone call	“ <i>Default Notice</i> ” issued to <i>defaulting market participant</i> by the <i>IESO</i> .
9D.07	Notify OEB	<i>IESO</i> notifies OEB of <i>Default Notice</i> issued	After Step 9D.06 is completed.	Notification of <i>Default Notice</i> issued	Fax and phone call	Notification of <i>Default Notice</i> issued received by OEB.
9D.08	Receive “ <i>Default Notice</i> ”	The <i>defaulting market participant</i> receives the “ <i>Default Notice</i> ” issued by the <i>IESO</i> .	After Step 9D.06	None	Fax and phone call	“ <i>Default Notice</i> ” received by the <i>defaulting market participant</i> .

**Table 3–4: Procedural Steps for Payment Default**

Ref.	Task Name	Task Detail	When	Resulting Information	Method	Completion Events
9D.09	Pay monies due, as specified in the “ <i>Notice of Intent to Commence Suspension Proceedings</i> ” or “ <i>Default Notice</i> ”	<p>The <i>defaulting market participant</i> remedies an event of default by paying:</p> <ul style="list-style-type: none"> <li>w all monies due, as specified in the <i>invoice</i></li> <li>w any <i>default interest</i> calculated in accordance with the <i>market rules</i>; and</li> <li>w Any costs and expenses determined by the <i>IESO</i> to have been incurred by it by reason of the default.</li> </ul>	After Step 9D.04 or 9D.06	Payment as specified in “ <i>Notice of Intent to Commence Suspension Proceedings</i> ” or “ <i>Default Notice</i> ”	<p>Basic <i>electronic funds transfer</i> (direct deposit) along with faxed notice of payment details;</p> <p>Wire or electronic funds transfer</p>	Required funds transferred to <i>IESO Settlement Clearing Account</i>
9D.10	Notify the <i>IESO</i> that the default is not likely to be remedied within the time specified in the “ <i>Default Notice</i> ”.	The <i>defaulting market participant</i> should notify the <i>IESO</i> if the remedial actions specified in the “ <i>Notice of Intent to Commence Suspension Proceedings</i> ” notice cannot be completed in the specified time frame.	After Step 9D.08 if default is not likely to be remedied.	Notification of continued default	Phone call and/or fax	<i>IESO</i> notified that default not likely to be remedied.

Table 3–4: Procedural Steps for Payment Default

Ref.	Task Name	Task Detail	When	Resulting Information	Method	Completion Events
9D.11	Start process to suspend <i>defaulting market participant</i> and start <i>default levy</i> process, as necessary	If the <i>event of default</i> on a payment is not remedied within the specified time period, the <i>IESO</i> will start the process of suspending the <i>market participant</i> (see “Market Manual 2: Market Administration, Part 2.6: Treatment of Compliance Issues”).  The <i>IESO</i> may also start the <i>default levy</i> process set out in Section 2.5, where necessary.	If the <i>event of default</i> is not remedied within the time period specified in the “ <i>Default Notice</i> ” or after Step 9D.10  <i>IESO</i> -FORM-1260	None	None	See “Market Manual 2: Market Administration, Part 2.6: Treatment of Compliance Issues”  See <i>default levy</i> process in Section 2.5
		•				
9D.12	Impose any authorization conditions on <i>market participant</i> , including additional <i>prudential support</i> , as appropriate.	The <i>IESO</i> imposes any authorization conditions on the <i>market participant</i> to participate in the <i>IESO administered markets</i> or to cause or permit electricity to be conveyed into, through, or out of the <i>IESO-controlled grid</i> as it determines appropriate.  This may include an increase in the <i>market participant’s prudential support obligation</i> .	After Step 9D.07, if deemed appropriate.	Authorization Conditions  Revised <i>Prudential Support Obligation - Schedule A</i> ( <i>IESO</i> -FORM-1443).	Fax and/or mail	Additional authorization conditions submitted to the <i>market participant</i> , as required.

Table 3–4: Procedural Steps for Payment Default

Ref.	Task Name	Task Detail	When	Resulting Information	Method	Completion Events
9D.13	Receive and comply with revised authorization conditions. Post additional <i>prudential support</i> , as required.	The <i>market participant</i> receives, and complies with, any revised authorization conditions imposed by the <i>IESO</i> .  Posts additional <i>prudential support</i> , where specified in a revised Schedule A.	After Step 9D.08 if undertaken.	Revised <i>Prudential support</i> Posted - Schedule B (IESO-FORM-1444).  <i>Prudential support</i> payment.	Fax or mail.  As determined by the nature of the <i>prudential support</i> payment.	-
9D.14	Confirm additional <i>prudential support</i> has been posted, as required.	<i>IESO</i> confirms that the addition <i>prudential support</i> is posted by the <i>market participant</i> .  If <i>prudential support</i> is requested by the <i>IESO</i> but is not posted within the time specified, the <i>IESO</i> may start the process of suspending the <i>market participant</i> .	After Step 9D.09 and following date specified for posting the additional <i>prudential support</i> .	None	None	<i>Event of default</i> remedied or the process to suspend the <i>market participant</i> is started (see “Market Manual 2: Market Administration, Part 2.6: Treatment of Compliance Issues”).

### 3.5 Default Levies

When a *defaulting market participant* has failed to remit to the *IESO settlement clearing account* the full amount due by that *market participant* within the time specified in a *Default Notice*, the *IESO* may impose *default levies* on the *non-defaulting market participants* to recover the amounts in default.

The steps in the following table are illustrated in Section 2.5, Figure 2-5.

**Table 3-5: Procedural Steps for Default Levies**

Ref.	Task Name	Task Detail	When	Resulting Information	Method	Completion Events
9E.01	Issue first <i>notice of default levy</i> .	The <i>IESO</i> issues a first <i>notice of default levy</i> (containing the information identified in Section 1.5.2) to each <i>non-defaulting market participant</i> that participated in the <i>IESO</i> -administered market during the <i>billing period</i> to which such default relates.	After the time specified in the “ <i>Notice of Intent to Suspend</i> ,” and at least 10 days prior to the date on which the <i>invoice</i> imposing the first <i>default levy</i> will be issued.	“ <i>First notice of default levy</i> ”  ( <i>IESO</i> -FORM-1135)	Fax and copy by courier	Notification sent to <i>non-defaulting market participant</i> .
9E.02	Receive first <i>notice of default levy</i> .	The <i>non-defaulting market participant</i> receives the first <i>notice of default levy</i> issued by the <i>IESO</i> .	After Step 9E.01.	None	None	First <i>notice of default levy</i> received by <i>non-defaulting market participant</i> .
9E.03	Issue <i>invoices</i> imposing first <i>default levy</i> .	The <i>IESO</i> issues regular <i>physical settlement invoices</i> with the first <i>default levy</i> on <i>non-defaulting market participants</i> imposed as well.	After Step 9E.01.	<i>Regular physical settlement invoices</i> for the first <i>default levy</i>	Normal delivery method selected by the <i>market participant</i> : <ul style="list-style-type: none"> <li>Secured web delivery via MPI; or</li> </ul>	<i>Non-defaulting market participants</i> issued <i>invoice</i> with first <i>default levy</i> imposed.

Table 3–5: Procedural Steps for *Default Levies*

Ref.	Task Name	Task Detail	When	Resulting Information	Method	Completion Events
9E.04	Receive <i>invoice</i> with first <i>default levy</i> imposed.	The <i>non-defaulting market participant</i> receives <i>invoice</i> imposing the first <i>default levy</i> from the <i>IESO</i> .	After Step 9E.03.	None	None	<i>Invoice</i> received by <i>non-defaulting market participant</i> .
9E.05	Submit payment of <i>invoice</i> with first <i>default levy</i> imposed.	The <i>non-defaulting market participant</i> submits payment to the <i>IESO</i> bank.	After Step 9E.04 and by end of banking business of <i>payment date</i> specified in <i>invoice</i> .	Payment	Basic <i>Electronic funds transfer</i> (Direct deposit) along with faxed notice of payment details;  Wire, or EDI/ <i>electronic funds transfer</i> (EDI 820).	Payment submitted by the <i>non-defaulting market participant</i> to the <i>IESO</i> bank.
9E.06	Confirm payment of first <i>default levy</i> .	The <i>IESO</i> confirms that the full payment has been submitted by the <i>market participant</i> .  Where a full payment has not been received, an <i>event of default</i> is declared and the default process set out in Section 2.4 will be followed.	Day following <i>payment date</i> specified in <i>invoice</i> .	None	None	Full payment received or, where full payment is not received, an <i>event of default</i> is declared.

Table 3–5: Procedural Steps for *Default Levies*

Ref.	Task Name	Task Detail	When	Resulting Information	Method	Completion Events
9E.07	Issue second <i>notice of default levy</i> .	If the amount of the first <i>default levy</i> is less than the <i>defaulting non-defaulting market participant's default amount</i> , the <i>IESO</i> issues a second <i>notice of default levy</i> (containing the information identified in Section 1.5.2) to each <i>non-defaulting market participant</i> on whom a first <i>default levy</i> has been imposed.	If the amount of the first <i>default levy</i> is less than the <i>defaulting non-defaulting market participant's default amount</i> , and on the seventh <i>business day</i> after the issuance of <i>invoices</i> imposing the first <i>default levy</i> .	“Second Notice of <i>default levy</i> ” ( <i>IESO</i> -FORM-1136)	Fax and copy by courier	Second <i>notice of default levy</i> issued by the <i>IESO</i> .
9E.08	Receive second <i>notice of default levy</i> .	The <i>non-defaulting market participant</i> receives the second <i>notice of default levy</i> issued by the <i>IESO</i> .	After Step 9E.07.	None	None	Second <i>notice of default levy</i> received by the <i>non-defaulting market participant</i> .
9E.09	Issue regular physical <i>settlement invoices</i> with second <i>default levy</i> imposed.	The <i>IESO</i> issues the <i>invoices</i> with the second <i>default levy</i> on <i>non-defaulting market participants</i> imposed.	After Step 9E.07 if the <i>event of default</i> is not remedied by the close of business on the date specified on the date specified on the second <i>notice of default levy</i> .	<i>Invoices</i> imposing second <i>default levy</i> .	Delivery method selected by the <i>market participant</i> : <ul style="list-style-type: none"> <li>Secured web delivery via MPI;</li> </ul>	<i>Market participants</i> issued <i>invoice</i> with second <i>default levy</i> imposed.
9E.10	Receive <i>invoice</i> with second <i>default levy</i> imposed.	The <i>non-defaulting market participant</i> receives <i>invoice</i> with the second <i>default levy</i> imposed from the <i>IESO</i> .	After Step 9E.09	None	None	<i>Invoice</i> received by <i>non-defaulting market participant</i> .

**Table 3-5: Procedural Steps for *Default Levies***

<b>Ref.</b>	<b>Task Name</b>	<b>Task Detail</b>	<b>When</b>	<b>Resulting Information</b>	<b>Method</b>	<b>Completion Events</b>
9E.11	Submit payment of <i>invoice</i> with second <i>default levy</i> .	The <i>non-defaulting market participant</i> submits payment for <i>invoice</i> with the second <i>default levy</i> to the <i>IESO</i> bank.	After Step 9E.10 and by end of banking business of <i>payment date</i> specified in <i>invoice</i> .	Payment	Basic <i>Electronic funds transfer</i> (Direct deposit) along with faxed notice of payment details;  Wire, or EDI/ <i>electronic funds transfer</i> (EDI 820).	Payment of <i>invoice</i> with second <i>default levy</i> submitted by the <i>non-defaulting market participant</i> to the <i>IESO</i> bank.
9E.12	Confirm payment of <i>invoice</i> with second <i>default levy</i> .	The <i>IESO</i> confirms that the full payment has been submitted by the <i>market participant</i> .  Where a full payment has not been received, an <i>event of default</i> is declared and the default process set out in Section 2.4 will be followed.	Day following <i>payment date</i> specified in <i>invoice</i> .	None	None	Full payment received or, where full payment is not received, an <i>event of default</i> is declared.

– End of Section –



## Appendix A: Forms

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This appendix contains a list of forms, letters and agreements associated with this procedure, which are available on the *IESO*'s public Web site (<http://www.ieso.ca>). The forms included are as follows:

Form Name	Form Number
Notification of Prepayment	IESO-FORM-1130
Notice of Overpayment	IESO-FORM-1143
Notice of First Default Levy	IESO-FORM-1135
Notice of Second Default Levy	IESO-FORM-1136
Event of Default Notice	IESO-FORM-1259
Notice of Intent to Suspend	IESO-FORM-1260
Prudential Support Obligation – Schedule A	IESO-FORM-1443
Prudential Support Posted – Schedule B	IESO-FORM-1444

– End of Section –



## Appendix B: IESO Bank Account Details

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**Institution Name:** TD Canada Trust

**Bank Address:** 55 King Street West, Toronto, Ontario M5K 1A2

**Swift Code:** TDOMCATTOR

All wire payments, EDI, and *electronic funds transfers* into the *IESO* accounts for *physical market-related invoices* and pre-payments should be made to the following account:

Account Type: Settlement Clearing Account  
Institution ID: 0004  
Transit #: 10202  
Account #: 0690-0458762

All wire payments, EDI, and *electronic funds transfers* into the *IESO* accounts for financial market-related *invoices* and *transmission rights* deposits should be made to the following account:

Account Type: Transmission Rights Account  
Institution ID: 0004  
Transit #: 10202  
Account #: 0690-0449119

For *market participant* application fees and connection assessment deposits, payments should be made to the following account:

Institution Name: TD Bank  
Account Type: Corporate General Account  
Transit #: 10202  
Account #: 0690-0429444

– End of Section –



# References

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Document ID	Document Title
IESO_LST_0001	List of Financial Institutions Eligible to Provide Prudential Support
MDP_RUL_0002	<i>Market Rules</i>
MDP_PRO_0014	Market Manual 1: Market Entry, Maintenance and Exit, Part 1.1: Participant Authorization, Maintenance and Exit
MDP_PRO_0017	Market Manual 2: Market Administration, Part 2.1: Dispute Resolution
MDP_PRO_0022	Market Manual 2: Market Administration, Part 2.6: Treatment of Compliance Issues
MDP_MAN_0005	Market Manual 5: Settlements, Part 5.0: Settlements Overview
MDP_PRO_0031	Market Manual 5: Settlements, Part 5.1: Settlement Schedule and Payment Calendars (SSPC's)
MDP_PRO_0045	Market Manual 5: Settlements, Part 5.4: Prudential Support
MDP_PRO_0035	Market Manual 5: Settlements, Part 5.6: Physical markets Settlement Invoicing
MDP_PRO_0046	Market Manual 5: Settlements, Part 5.7: Financial Markets Settlements Statements
MDP_PRO_0047	Market Manual 5: Settlements, Part 5.8: Financial Markets Settlement Invoicing

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