



Member Default of Non-Performance Charges

Underperformance Risk Management
Senior Task Force

August 17, 2016

- **OATT ATTACHMENT DD §10A. CHARGES FOR NON-PERFORMANCE AND CREDITS FOR PERFORMANCE**
 - (g) Revenues collected from assessment of Non-Performance Charges for a Performance Assessment Hour shall be distributed ... [using] the following formulae:
 - Formula 1: Market Participant Bonus Performance = Actual Performance – Expected Performance
 - And
 - Formula 2: Performance Payment = (Market Participant Bonus Performance / All Market Participants Bonus Performance) * Non-Performance Charge Revenues.
 - ...

- Tariff Attachment DD, § 10A(g) provides that non-performance charge revenues collected are to be distributed according to the bonus distribution formula
- However, charges and credits are invoiced simultaneously
- Non-payments of charges will be recovered from Bonus recipients on a subsequent invoice



Performance Assessment Hour Charge Default - Example

Example: \$100,000 PAH Charge default

	Non-Performance Charge	Target Bonus Performance Credit	Initial Invoice Amount	Amount Paid	Default	Bonus Reduction*	Net Bonus Performance Credit
Member A	100,000	0	100,000	0	(100,000)	0	0
Member B	200,000	0	200,000	200,000	0	0	0
Member C	0	100,000	(100,000)	(100,000)	0	(10,000)	90,000
Member D	0	200,000	(200,000)	(200,000)	0	(20,000)	180,000
Other Members	700,000	700,000	0	0	0	(70,000)	630,000
TOTAL	1,000,000	1,000,000	0	(100,000)	(100,000)	(100,000)	900,000

* Since charges and credits are invoiced in the same bill, reduction is effected through recovery on a subsequent invoice