

Resolving Construction Disputes and Prompt Payment in Alberta

A Guide to Section 19 Adjudication Matters
Under the Prompt Payment Regulation



ARCANA
Alberta
Construction
Adjudication



Acknowledgements

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Introduction

Alberta's **Prompt Payment and Construction Lien Act (PPCLA)** provides a **fast-track dispute resolution process** through adjudication, designed to keep cash flowing and resolve issues without lengthy litigation.

This guide focuses on **Section 19** of the **Prompt Payment and Adjudication Regulation**, which outlines the types of disputes that can be referred to adjudication.

Whether you're a **contractor, subcontractor, or consultant**, this guide will help you understand what disputes qualify—especially those involving change orders, payment delays, and contractual disagreements—and how adjudication can be used to resolve them.



Why Adjudication Matters

Adjudication offers significant advantages over traditional dispute resolution:

- **Faster** – Binding decisions are typically issued within 30 days of document submissions.
- **Cost-Effective** – Avoids prolonged legal proceedings and associated expenses.
- **Binding & Enforceable** – Decisions carry legal weight and can be filed as a court order.
- **Keeps Projects Moving** – Disputes don't stall work or cash flow.
- **Accessible** – You don't need a lienable claim or formal approval to start.

Tip: Many payment and change order disputes can be resolved in weeks, not months.

How to Use This Guide

This guide is designed to help contractors, subcontractors, and consultants:

- Recognize adjudicable issues early.
- Understand the types of disputes covered under Section 19.
- Prepare documentation and initiate adjudication confidently.
- Access further resources and support.

Each scenario illustrates a common issue that may arise on a construction project—from payment delays to change order disputes—and shows how adjudication can be used to resolve it.

Section 19 of the Prompt Payment and Adjudication Regulation

Adjudication matters

19 A party to a contract or subcontract may refer to adjudication a dispute with the other party to the contract or subcontract respecting any of the following:

- (a) *the valuation of services or materials provided under the contract or subcontract, including in respect of a written change order, whether approved or not, or a proposed change order;*
- (b) *payment under the contract or subcontract, including in respect of a written change order, whether approved or not, or a proposed change order;*
- (c) *disputes that are the subject of a notice of non-payment under Part 3 of the Act;*
- (d) *payment or non-payment of an amount retained as a major lien fund or minor lien fund and owed to a party during or at the end of a contract or subcontract;*
- (e) *any other matter in relation to the contract or subcontract that the parties agree to, regardless of whether or not a proper invoice was issued or the claim is lienable.*

Section 19 – What Can Be Adjudicated?

Any party to a contract or subcontract may refer a dispute to adjudication if it concerns any of the following:

(a) Valuation of Services or Materials

Scenario: You perform excavation work and supply granular materials, invoicing based on unit rates. The contractor disputes measured quantities and pricing and refuses to pay in full. You also submitted a proposed change order for extra work that wasn't approved.

Adjudication: You can adjudicate the value of services and materials provided, including disputes over written or proposed change orders, whether approved or not.

(b) Payment Issues

Scenario: You submit an invoice for work or a monthly progress billing, but the contractor either delays payment, disputes the amount due, or does both.

Adjudication: You can initiate adjudication to enforce payment obligations.

(c) Notices of Non-Payment

Scenario: You receive a notice of non-payment alleging deficiencies but no supporting documentation is provided or you disagree with the deficiency allegations.

Adjudication: You can challenge the validity of the notice and seek payment.

(d) Lien Fund Payments

Scenario: At project closeout, your share of the lien fund is not released despite completion and acceptance of your scope.

Adjudication: You can adjudicate the amount owed from the lien fund.

(e) Other Agreed Matters

Scenario: You and the contractor agree to adjudicate a dispute over site access delays and associated costs, even though no invoice has been issued and the claim is not lienable.

Adjudication: Section 19 allows adjudication of any matter both parties agree to refer.

Understanding the Key Roles in Adjudication

Nominating Authority (NA) – Independent body authorized by the Alberta government to appoint adjudicators (e.g., ARCANA(AB)). Ensures the adjudicator is qualified, impartial, and available.

Adjudicator – Neutral third party who reviews evidence, applies the law, and delivers a binding decision, typically within 30 days of receiving documents.

Referring Party – Initiates adjudication by serving a Notice of Adjudication on the Responding Party and Nominating Authority. Within 5 days of the adjudicator's appointment, or within such time directed by the adjudicator, the Referring Party must provide its written submissions, including arguments and supporting documentation to substantiate its claim.

Responding Party – Responds to the Notice of Adjudication and the Referring Party's written submissions by providing arguments and supporting evidence to refute the Referring Party's claim, within 12 days of receiving the Referring Party's submission, or within such other time period as may be directed by the adjudicator.



Competing Claims and Complex Disputes

Examples:

- Two subcontractors claim payment for overlapping scope under separate subcontracts.
- Contractor and owner dispute scope of a change order, while subcontractor seeks payment for the same work.
- Multiple adjudications on related issues run at the same time.

How Adjudication Handles These:

- Focuses on a single dispute between parties.
- Related disputes may run sequentially, in parallel, or be consolidated.
- If proceeding separately, coordination is advised to avoid conflicting outcomes.
- Adjudicators can consolidate related adjudications under Section 30 of the Regulation.

Example: Consolidated Adjudication Scenario

Scenario: A subcontractor (Sub A) claims unpaid change order work from the contractor. Meanwhile, the contractor is in dispute with the owner over the same scope and pricing. A second subcontractor (Sub B) also claims overlapping scope and delay costs.

Adjudication: Rather than running three separate adjudications, the parties agree to consolidate the disputes under Section 30. A single adjudicator is appointed to hear all related claims, ensuring consistency and reducing cost and duplication.

Why Consolidation Helps:

- Avoids conflicting decisions.
- Streamlines document exchange and timelines.
- Reduces adjudication fees and administrative burden.

Best Practices:

- Clearly define the dispute in your Notice of Adjudication.
- Communicate early if multiple parties are involved.
- Use adjudication for discrete, well-documented disputes.

Examples of Adjudicable Payment Disputes Related to Change Orders

1. Delay-Related Change Orders

Scenario: The owner, owners' representative, or contractor delays your work by a month. You submit a proposed change order for additional costs and time impacts due to a one-month delay. The owner, owners' representative, or contractor rejects it, claiming delays were unavoidable.

Adjudication: You can adjudicate the entitlement and value of the delay-related claim if it is framed as a contractual entitlement for additional costs (e.g., extended site overhead, idle equipment) rather than a claim for damages.

Why is this Adjudicable: This dispute falls under Section 19(a), which allows adjudication of valuation issues for services or materials provided under the contract.

Note: Claims seeking compensation for consequential losses (e.g., opportunity costs or productivity impacts) may fall outside adjudication and require litigation or arbitration.

2. Scope Changes

Scenario: You're instructed to install additional drainage structures not in the original scope. You submit a change order, but the owner, owners' representative, or contractor refuses to pay, arguing it was part of base scope.

Adjudication: You can seek payment for the extra work.

Why is this Adjudicable: This is covered by Section 19(a) or 19(b), which allows adjudication of disputes that are the subject of a notice of non-payment under Part 3 of the Act.

3. Unapproved Change Orders

Scenario: You perform work based on verbal instructions from the owner, owners' representative, or contractor. They later deny responsibility and refuse to pay.

Adjudication: You can adjudicate the value and entitlement of the work performed.

Why is this Adjudicable: This is covered by Section 19(a) or 19(b), which allows adjudication of disputes that are the subject of a notice of non-payment under Part 3 of the Act.

4. Proposed Change Orders

Scenario: You propose a change order for unforeseen rock excavation. The owner, owners' representative, or contractor refuses to review or approve it, stating it's not their responsibility.

Adjudication: You can adjudicate the validity and pricing of the proposed change.

Why is this Adjudicable: This falls under Section 19(a) or 19(b), which allow adjudication of disputes involving the valuation of services or materials and payment under the contract, including proposed change orders, whether approved or not.

5. Pricing Disputes

Scenario: You and the contractor agree to adjudicate a dispute over site access delays and associated costs, even though no invoice has been issued and the claim is not lienable.

Adjudication: Section 19 allows adjudication of any matter both parties agree to refer.

Why is this Adjudicable: This is permitted under Section 19(e), which allows adjudication of any matter the parties agree to, regardless of invoice status or lienability.

6. Timing of Payment

Scenario: The contractor says they won't pay for change order work until the owner approves it, even though your subcontract doesn't make payment conditional on upstream approval.

Adjudication: You can adjudicate whether payment is due regardless of owner approval.

Why is this Adjudicable: This is adjudicable under Section 19(a) or (b) of the Prompt Payment and Adjudication Regulation, which allows disputes involving valuation, payment, or agreed matters to be referred to adjudication.

7. Partial Payment or Withholding

Scenario: You receive partial payment for a change order with no explanation or breakdown of withheld amounts.

Adjudication: You can challenge the withholding and seek full payment.

Why is this Adjudicable: This is adjudicable under Section 19(a) or (b) of the regulation, which covers valuation and payment disputes.





8. Cumulative Impact Claims

Scenario: Multiple small changes and delays have caused significant cost overruns and schedule impacts. You propose a change order for the cumulative cost and time impacts, which is denied.

Adjudication: You can adjudicate the aggregate cost and time impacts if the claim is framed as a contractual entitlement, for example, extended site overhead, remobilization, or additional supervision costs, arising from changes in scope, conditions, or schedule.

Why is this Adjudicable: This falls under Section 19(a), (b), or (e), which allows adjudication of valuation, payment, or any agreed matter.

Note: If the cumulative impact claim includes damages such as opportunity costs or productivity losses requiring expert quantification, it may exceed the scope of adjudication under the PPCLA and require litigation or arbitration.

9. Backcharges and Offsets

Scenario: The owner, owners' representative, or contractor offsets your change order claim with alleged deficiencies and backcharges that were never documented or discussed.

Adjudication: You can challenge the legitimacy and calculation of those offsets.

Why is this Adjudicable: This is adjudicable under Section 19(a) or (b), which allows disputes over valuation and payment to be referred to adjudication.

10. Payment Certification Disputes

Scenario: The owner, owners' representative, or contractor refuses to certify your invoice for change order work, claiming the work was not properly documented, despite prior approval.

Adjudication: You can adjudicate whether certification is being unreasonably withheld.

Why is this Adjudicable: This is adjudicable under Section 19(a) or (b), which includes disputes over payment and valuation of services or materials.

11. Delay and Disruption Costs

Scenario: You incur extended site overhead and idle equipment costs due to project delays caused by late design approvals. The owner, owners' representative, or contractor denies your change order.

Adjudication: You can seek compensation for disruption-related expenses as a contractual entitlement, provided the costs are directly tied to scope or schedule changes and are quantifiable.

Why is this Adjudicable: This is adjudicable under Section 19(a), (b), or (e), which allows adjudication of valuation, payment, and mutually agreed disputes.

Note: Broader claims for damages, such as lost profits or cumulative productivity losses, are not adjudicable under the PPCLA.

12. Change Order Pricing Methodology

Scenario: The owner, owners' representative, or contractor insists on time & material pricing, but you priced the change as lump sum per the subcontract. They refuse to pay the lump sum.

Adjudication: You can adjudicate the appropriate pricing method.

Why is this Adjudicable: This is adjudicable under Section 19(a), (b), or (e), which allows disputes over valuation, payment, and agreed matters to be adjudicated.

13. Change Order Scope Interpretation

Scenario: The owner, owners' representative, or contractor claims your change order overlaps with base scope work and refuses to pay. You argue it's clearly outside the original scope.

Adjudication: You can adjudicate the scope boundaries and entitlement.

Why is this Adjudicable: This is adjudicable under Section 19(a) or (b), which allows disputes over valuation and payment, including change orders.

14. Timing of Change Order Approval

Scenario: The owner, owners' representative, or contractor delays approval of your change order for weeks, causing missed milestones and increased costs. You submit a claim for the additional costs incurred.

Adjudication: You can adjudicate whether the delay in approval was unreasonable and whether you are contractually entitled to compensation for quantifiable impacts (e.g., extended overhead, remobilization).

Why is this Adjudicable: This falls under Section 19(a) or (b), which permits adjudication of valuation and payment disputes, including those related to change order timing.

Note: If the claim includes damages for lost opportunity or schedule compression, it may exceed the scope of adjudication and require a different dispute resolution process.

15. Conditional Approval Clauses

Scenario: The contractor approves your change order “subject to owner approval,” but the owner never responds. You’re left unpaid.

Adjudication: You can challenge the enforceability of the condition and seek payment.

Why is this Adjudicable: This is adjudicable under Section 19(b), which covers payment disputes under the contract, including conditional approvals.

16. Rejection Without Justification

Scenario: Your proposed change order is rejected without explanation or reference to contract terms.

Adjudication: You can adjudicate the validity of the rejection and entitlement to payment.

Why is this Adjudicable: This is adjudicable under Section 19(a) or (b), which allows disputes over valuation and payment, including proposed change orders.

17. Design Deficiency-Driven Changes

Scenario: You incur costs due to late design revisions and conflicting specifications. Your change order is denied on the basis that design issues are not compensable.

Adjudication: You can seek compensation for design-related impacts.

Why is this Adjudicable: This is adjudicable under Section 19(a) or (b), which includes valuation and payment disputes arising from scope changes.

18. Site Condition-Driven Changes

Scenario: You encounter contaminated soil requiring extra disposal costs. The owner, owners’ representative, or contractor denies your change order, claiming you should have anticipated it.

Adjudication: You can adjudicate the entitlement and pricing.

Why is this Adjudicable: This falls under Section 19(a) or (b), which allows adjudication of valuation and payment issues, including unforeseen conditions.



19. Regulatory Compliance Changes

Scenario: You install additional safety features to meet updated code requirements, as directed by the contractor. They refuse to pay, claiming it's not in the budget.

Adjudication: You can adjudicate the necessity and cost of compliance-related changes.

Why is this Adjudicable: This is adjudicable under Section 19(a), (b), or (e), which allows disputes over valuation, payment, and agreed matters.

20. Owner-Directed Changes

Scenario: The owner instructs scope changes, and the contractor passes the work to you. You complete the work and submit a change order, but the contractor refuses to pay, stating they are waiting for reimbursement from the owner.

Adjudication: You can adjudicate the contractor's obligation to pay for the change order work under the subcontract, regardless of whether the owner has paid the contractor.

Why is this Adjudicable: This is adjudicable under Section 19(b), which covers payment disputes under the contract or subcontract. Under Alberta's PPCLA, payment obligations arising from issuance of proper invoices are subject to mandatory timelines, and "pay-when-paid" clauses are not enforceable if they conflict with those timelines. Contractors must either pay within 7 days of receiving payment or issue a valid notice of non-payment dispute. They cannot indefinitely delay payment based on upstream conditions.

21. Temporary Works

Scenario: You install temporary access roads and weather protection as directed by the owner, owners' representative, or contractor. They dispute the necessity and refuse to pay.

Adjudication: You can adjudicate the cost and entitlement for temporary works.

Why is this Adjudicable: This is adjudicable under Section 19(a), (b), or (e), which allows adjudication of valuation, payment, and mutually agreed matters.

22. Testing and Inspection

Scenario: You incur costs for third-party testing and re-inspections that you were directed to perform but are not included in the contract. The owner, owners' representative, or contractor refuses to reimburse.

Adjudication: You can seek payment for these directed services.

Why is this Adjudicable: This is adjudicable under Section 19(a), (b), or (e), which allows disputes over valuation, payment, and agreed matters.

23. Mobilization/Demobilization

Scenario: You're forced to remobilize due to scope changes and schedule shifts. The owner, owners' representative, or contractor denies your claim, saying it's part of your risk.

Adjudication: You can adjudicate the additional costs.

Why is this Adjudicable: This is adjudicable under Section 19(a), (b), or (e), which allows adjudication of valuation, payment, and agreed matters.

24. Extended Warranty or Maintenance

Scenario: Scope changes require a longer warranty period and additional maintenance visits. You submit a change order, but the owner, owners' representative, or contractor refuses to pay.

Adjudication: You can adjudicate the entitlement and pricing.

Why is this Adjudicable: This is adjudicable under Section 19(a) or (b), which allows disputes over valuation and payment, including change orders.



Key Takeaways

- Section 19 offers a **broad and flexible** framework for resolving disputes quickly under Alberta's PPCLA.
- You don't need formal approval or a lienable claim to initiate adjudication—disputes over valuation, payment, and mutually agreed matters are eligible.
- Adjudication rights under Section 19(a)–(d) are **statutory and mandatory**—they cannot be waived or excluded by contract.
- Only Section 19(e) requires both parties' consent.
- Especially powerful for **change order disputes, payment delays, and contractual ambiguity**.

Final Thoughts & Call to Action

Adjudication under Alberta's PPCLA empowers contractors and subcontractors to resolve disputes **quickly, fairly, and without the delays of traditional litigation**.

If you are facing:

- Delayed payment
- Unpaid change orders
- Disputes over scope, valuation, or lien fund release.

Act quickly:

1. Review your documents and determine the applicable Section 19 category.
2. Prepare and submit your Notice of Adjudication.
3. Contact the Nominating Authority to appoint an adjudicator. You can also agree with the other party on the adjudicator to be appointed.

In construction, time is money—don't let disputes drain both.

For More Information

- [Alberta Government – Prompt Payment Rules](#)
- [ARCANA \(AB\) – AB Construction Prompt Payment Adjudication](#)
- [Prompt Payment and Construction Lien Act \(PPCLA\)](#)
- [Prompt Payment and Adjudication Regulation](#)