

AESO Stakeholder Update on Mothball Outages

September 14, 2017

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Agenda

1. Background
2. Purpose of the Working Session
3. Scope of the Working Session
4. Rule Overview
5. Considerations for Discussion
6. Stakeholder Feedback
7. Next Steps

- On June 7, 2016, expedited ISO Rule 306.7 *Mothball Outage Reporting* and the definition of *mothball outage* came into effect
 - **Mothball outage** means a reduction in the **available capability** of a **source asset** which is anticipated and occurs as a result of a deliberate manual action and is not a **planned outage**

- Prior stakeholder engagement:
 - **July 25, 2016** – Stakeholder session seeking input to explore whether mothball outages should be implemented as a permanent feature in the Alberta market design. Written comments provided and posted on September 20, 2016.
 - **September 23, 2016** – Stakeholder session focusing on capturing relevant considerations. Written comments provided and posted on November 15, 2016.
- On November 23, 2016, the Government of Alberta announced its endorsement of the AESO's recommendation to transition from an energy only market to a new framework that includes an energy market and a capacity market. The capacity market is targeted to be in place by 2021.

Purpose of the Working Session

ISO Rules Section 306.7 *Mothball Outage Reporting* (“Section 306.7”) has been in effect for one year

- Discussion on feedback from previous working sessions:
 - Transparency in mothball outage reporting
 - Notification requirements
 - Cost Recovery
- Open floor discussion on any additional stakeholder comments and feedback on Section 306.7

Scope of the Working Session

- In scope:
 - Overview of Section 306.7
 - Stakeholder feedback related to existing rule
- Out of scope:
 - Mothball outages within future capacity market
 - Whether or not mothball outages have a place in Alberta's market

- Pool participant must submit notification to ISO no later than 3 months prior to the start of the mothball outage
 - Must include minimum time required to return to full capability if issued a directive by the ISO (maximum 6 months)
- Pool participant must cancel mothball outage no later than 24 months after commencement of mothball outage, and either:
 - Return the asset to service, or
 - Terminate the STS contract for the source asset
- Pool participant must provide minimum 3 months' notice prior to cancelling a mothball outage
- Pool participants must not schedule a planned outage or mothball outage less than 3 months after a previous mothball outage
- ISO may issue a directive to cancel a mothball outage if required for reliability or adequacy

- Guiding principles for outage reporting:
 - **Transparency** - appropriate reporting of unavailability of generating capability
 - **Fairness** – the market should have access to the same information in a timely manner
 - **Economic Efficiency** – maintaining the fidelity of the price signal and enabling rational decision making for participants based on economic fundamentals

Consideration: Transparency in Mothball Outage Reporting

- Stakeholders indicated requirement for transparency in mothball outage reporting
- ISO Rule change is not required to implement Mothball Outage Reporting
- Mothball outages are currently aggregated with all other generator outages in the AESO's outage reports
- Key questions
 - For greater transparency, should mothball outages be reported separately from other generator outages?
 - 7 day hourly available capability report
 - Daily outage report
 - Monthly outage report
 - How is mothball outage capacity represented in outage reporting?
 - Should there be a separate mothball outage report?

Notification Requirements In Mothball Outage Rule

- Guiding principles for mothball outage terms:
 - **Economic Efficiency** – Maintain fidelity of price signal and enable rational decision making for participants and future investors based on economic fundamentals
 - **Reliability** – provide AESO transparency for short and long term adequacy assessments
 - **Transparency** – transparency of outage activity through appropriate notification
 - **Fairness** – limit market uncertainty for future supply conditions

Consideration: Notification Requirements In Mothball Outage Rule

- Some stakeholders proposed different notification requirements
- Section 306.7 has the following notification requirements:
 - 3 month notification for outage request
 - 3 month notification for cancelling an outage
 - 6 month return to service
 - 24 month maximum term
- Key questions:
 - Are there still outstanding stakeholder concerns regarding length of notification for mothball outage terms?

- If mothball outage directive cost recovery is considered, these are the guiding principles for directive cost recovery:
 - **Fairness** – consistent application of cost recovery mechanisms applied to all assets
 - **Economic Efficiency** – Enable long-term economically efficient outcome that is fair for both generator and load participants. The AESO to consider cost of directing a generating unit to return to service from a mothball outage and assess against alternatives.
 - **Reliability** – Directives to generating units on mothball outages could assist the AESO in addressing identified supply adequacy issues

Consideration: Mothball Outage Directive Cost Recovery

- Some stakeholders proposed the AESO consider a cost recovery mechanism when an asset is directed by the AESO to return from a mothball outage.
- Section 306.7 gives the ISO authority to issue a directive to cancel a mothball outage upon assessment, and if required to maintain a necessary level of system reliability and adequacy
- There are currently no provisions in the ISO rules for generator cost recovery upon receiving a directive to cancel a mothball outage
- Key questions:
 - Considering upcoming changes to the Alberta market framework, is cost recovery still a concern for stakeholders?

Stakeholder Feedback on Section 306.7

- Comments/feedback from stakeholders

- AESO will capture the feedback and comments from stakeholders in this working session
- AESO will review potential changes/updates to the rule
- AESO will publish stakeholder feedback and outline next steps for outstanding issues:
 - Determine that issue is closed, or
 - Initiate changes to AD/ID, or AESO systems where appropriate

Further Questions?

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Thank you