



ENMAX Energy Corporation
141 – 50 Avenue SE
Calgary, AB T2G 4S7
Tel (403) 514-3000
enmax.com

September 16, 2016

Alberta Electric System Operator

2500, 330 – 5th Ave. SW
Calgary, AB T2P 0L4

Attention: William Chow
Market Design Analyst, Tariff and Market Design

Re: Mothball Outages

Dear Mr. Chow:

By way of letter dated August 23, 2016, the AESO requested submissions from parties on whether mothball outages should be implemented as a permanent feature in the Alberta market design framework.

ENMAX Energy Corporation (“EEC”) supports and encourages the AESO to facilitate a thorough stakeholder consultation process on the proposed implementation of Mothball Outages. Given that the AESO will be hosting two additional working sessions to identify and log issues related to mothball outages, EEC is not providing detailed analysis on the interim rule Section 306.7 Mothball Outage Reporting in this letter; rather, we are focusing our comments on the principles laid out by the AESO.

In Alberta’s energy-only market, participants are compensated for actual delivered energy based on real-time prices, but are not paid for capacity. In this market, participants (generators) should be given the ability to make decisions based on competitive market forces, and they should have the right to manage their asset portfolios with the intent of achieving a fair return of and on capital.

The AESO has asked stakeholders to consider the principles laid out in its initial stakeholder session: fairness, efficiency, open competition and transparency, and reliability. The AESO also encouraged participants to address the following four issues:

1) Can mothball outages be included in the market design framework in a manner that adheres to the principles?

Yes. EEC feels that mothball outages can be included in the current market framework, with appropriate consultation and detailed review of the ISO Rules. There are specific sections of the Electric Utilities Act (“EUA”) and the Fair, Efficient and Open Competition (“FEOC”) Regulation, that EEC interprets as allowing generators to make decisions in response to market signals, including the ability to schedule a mothball outage.

For example:

Section 5 of the EUA states:

5) *Purposes of this Act are:*

- (b) to provide for a competitive power pool so that an efficient market for electricity based on fair and open competition can develop, where all persons wishing to exchange electric energy through the power pool may do so on non-discriminatory terms and may make financial arrangements to manage financial risk associated with the pool price;*
- (d) to continue a flexible framework so that decisions of the electric industry about the need for and investment in generation of electricity are guided by competitive market forces;*

Given the *permissive* nature of 5(b) and the explicit reference to competitive market forces in 5(d) of the EUA, EEC interprets this as a means for a participant to remove their electricity from the market for economic reasons.

Section 2 of the FEOC Regulation states:

2) *Conduct by a market participant that does not support the fair, efficient and openly competitive operation of the market includes the following:*

- (f) not offering to the power pool all electric energy from a generating unit that is capable of operating, except where*
 - (iii) the Electric Utilities Act, its regulations or the ISO does not require the electric energy to be offered;*

Given (2)(f)(iii) of the FEOC Regulation, EEC believes that a participant is not required to offer into the pool if the AESO does not require the energy, in which case the AESO would approve a request to schedule a mothball outage.

2) What considerations need to be made to ensure that mothball outages adhere to the principles?

Subject to further discussion and analysis, EEC suggests the following:

- Defining a mothball outage as an Acceptable Operating Reasons (“AOR”).
- Establishing definitions and requirements for the terms “retirement,” “decommission,” and “mothball outage.”
- Setting rules around the timing of notification, termination, and approval of a mothball outage.
- Establishing a minimum duration for a mothball outage.
- Pre-defining the commercial arrangements to be put in place in the event the AESO directs a unit off of a mothball outage.

3) Are there elements of the principles that are inconsistent or do not align with mothball outages? If so, please provide detail.

EEC believes that mothball outages can be consistent with Alberta’s market principles. The following points help ensure that those principles are maintained:

- Transparency:
 - Outage reports should be more transparent, specifically mothball outages should be disaggregated from other outages (forced or planned).

- Fairness:
 - The rules related to notification, termination, duration and approval of a mothball outage need to be closely reviewed.
 - Reporting timeline of Mothball outages should be reviewed. Since a number of individuals within an organization may well be aware about a planned mothball outage prior to it becoming public information, the AESO should facilitate greater transparency, which will assist with the enforcement of FEOC.
- Open Competition:
 - Market signals and the incentive to build/invest in Alberta could be distorted if there is insufficient information about mothballed units that may or may not return to the market. Relevant information should be publicly available, not aggregated in outage reports.
 - As noted above, commercial arrangements should be in place if a unit is directed on while on a mothball outage or if such an outage is cancelled by the AESO.
- Reliability:
 - The potential for transmission reconfiguration upon the return of a mothballed unit could impact reliability.

4) Are there requirements that could be implemented to mitigate the inconsistencies that mothball outages present in relation to the principles?

- Please see comments above.
- In addition, the development of the criteria established related to the notification, termination, duration, and approval of a mothball outage, must ensure fairness and reliability of the system.

In summary, EEC feels that the AESO could implement Mothball Outages as a permanent feature of the Alberta market design framework, through extensive stakeholder consultation, under the Act, the FEOC regulation, and the ISO Rules.

Sincerely,

Mary-Beth Hansen
Specialist, Public Policy and Government Relations

ENMAX Corporation