



December 3, 2020

To: Market Surveillance Administrator, Market Participants and Other Interested Parties
("Stakeholders")

Re: **Letter of Notice of Proposed Final Draft of Amended ISO Rule – Section 505.2,
Performance Assessment for Refund of Generating Unit Owner’s Contribution (“Section
505.2”)**

Pursuant to Rule 017: *Procedures and Process for Development of ISO Rules and Filing of ISO Rules with the Alberta Utilities Commission* ("AUC Rule 017"), the Alberta Electric System Operator ("AESO") is providing notice and seeking feedback from Stakeholders on the proposed final draft of Section 505.2.

Issue

On November 30, 2020, the Alberta Utilities Commission ("AUC") approved¹ the changes the AESO applied for in the compliance filing for its 2018 comprehensive ISO tariff application ("Compliance Filing Application")². The AESO has determined that Section 505.2 needs to be revised to align with these approved ISO tariff changes which will become effective on January 1, 2021.

In alignment with the AESO's current red tape reduction initiative, the AESO has also taken this opportunity to revise Section 505.2 to provide for a simpler and more efficient assessment of generating unit performance in order to establish how much of a legal owner's contribution for a generating facility ("GUOC") should be refunded to the legal owner of the generating facility. The proposed final draft of Section 505.2 would result in a reduction of 1505 regulatory requirements, as defined by the Government of Alberta, and represents almost a 5% reduction of the AESO's overall red tape count.

Background and Objectives

Section 29 of the *Transmission Regulation* ("TRReg") requires the AESO to include in the ISO tariff the GUOC payable by the legal owner of a generating unit to the AESO, along with any related terms and conditions. Section 29 of the TRReg also requires the AESO to make rules to assess the satisfactory performance of a generating unit by generating unit type, for purposes of determining how much GUOC can be refunded to the legal owner of a generating unit. The requirement to make rules for the purposes of determining how much GUOC can be refunded is currently met by Section 505.2.

As part of its Compliance Filing Application, the AESO applied to the AUC for approval to change the method that is used under the current ISO tariff to calculate the GUOC, the GUOC rate, and the terms for payment of the GUOC. Under the recently approved ISO tariff changes, a GUOC would no longer be

¹ AUC Decision 25175-D02-2020, Alberta Electric System Operator, 2018 Independent System Operator Tariff Compliance Filing Pursuant to Decision 22942-D02-2019 and 2020 Independent System Operator Tariff Update, November 30, 2020

² AUC Proceeding 25175, Exhibits 25175-X0001-X0009, 2018 ISO Tariff Compliance Filing and 2020 Rates Update Application

calculated based on the Rate STS contract capacity of the legal owner of a generating unit. Instead, it would be calculated based on maximum capability.³

In its October 8, 2020 Stakeholder consultation session, the AESO provided Stakeholders with preliminary information required to develop an understanding of two proposed approaches to amending Section 505.2:

1. *Option 1 – Simplify rule language to incorporate proposed ISO tariff changes*

Option 1 removes the calculation of availability assessments based on Rate STS contract capacity, except for sites where onsite generation supplies load and excess generation is offered in the energy market on a net basis. As a result of this change, the over-contract assessment is no longer required. Option 1 also includes administrative amendments to simplify language and eliminate redundancy.

2. *Option 2 – Simplify rule language and methodology to incorporate proposed ISO tariff changes*

Option 2 introduces a new binary approach to assess a generating unit's performance based on the generating unit's metered energy. In accordance with the AUC's Decision from Proceeding 22942,⁴ Option 2 also includes the application of a penalty factor to generating units that do not energize to critical maximum capability.

On October 26th, the AESO requested Stakeholder feedback on draft language for each option. The feedback received indicated that the majority of Stakeholders support Option 2. The AESO agrees that Option 2, with the revisions described below, is the preferred option. Along with its alignment with existing ISO rules, Option 2 also provides additional clarity and is more adept at handling future technologies. This results in the greatest regulatory efficiency gain without significantly impacting the amount of GUOC that is refunded year-over-year.

The AESO has considered all Stakeholder feedback received on the options for proposed amended Section 505.2 and developed a proposed final draft of Section 505.2. Revisions captured in the proposed final draft of Section 505.2 include the following:

- The title of the rule is changed to “Performance Assessment for Refund of Generating Unit Owner’s Contribution” to align with Section 29(5) of the TReg.
- The “availability factor” has been renamed “performance factor” to avoid confusion.
- If, during the year that performance is being assessed, on-site load exceeds generation and no generation is exported to the interconnected electric system (i.e., metered energy is 0 MW in all settlement intervals), performance will be 100%. If the site will no longer export, the AESO notes that Section 201.1 of the ISO rules, *Pool Participant Registration* (“Section 201.1”) requires pool participants to provide updated information to the AESO about pool assets, which includes revisions to maximum capability.⁵
- The “penalty factor” has been renamed “performance adjustment factor”. The AESO has revised the language for the performance adjustment to clarify the following:
 - “Critical MC” is the maximum capability of the generating unit used to calculate the GUOC.

³ AUC Proceeding 22942, Exhibit 22942-X0163, Amended 2018 comprehensive ISO tariff application, para. 300

⁴ AUC Decision 22942, Alberta Electric System Operator 2018 Independent System Operator Tariff (September 22, 2019) at para 502.

⁵ Section 201.1 of the ISO rules, *Pool Participant Registration*, s. 7(1).

- “Energized MC” is the maximum capability of the generating unit that is submitted to the AESO in accordance with the applicable pool asset registration process. In other words, “energized MC” is the static maximum capability of the pool asset that is required for market purposes.⁶ As noted above, Section 201.1 requires a pool participant to update the AESO if maximum capability changes.
 - The AESO will assess a performance adjustment factor if, at the time of the GUOC refund assessment, the AESO’s information indicates that energized MC is not equivalent to critical MC. This includes a situation where a generating unit energizes to a maximum capability above its critical MC and the market participant did not provide proper notification to the AESO.
 - In conjunction with the ISO tariff and AESO Connection Process, Section 505.2 is intended to establish greater incentives for market participants to provide accurate and timely information to the AESO. The AESO acknowledges the various scenarios that Stakeholders raised where it would not be fair to apply the performance adjustment factor formula without adjustments, including where: (i) generation development is staged/phased; (ii) maximum capability decreases due to equipment degradation or other technical issues outside of the control of the market participant; (iii) load growth lowers the maximum capability of a site that self-supplies and exports; or (iv) more generally, where the AESO is given reasonable notice of modifications to maximum capability before the GUOC refund is assessed. Accordingly, Section 505.2 now provides a mechanism for the legal owner of a generating unit to update its critical MC or energized MC.
 - The application of the performance adjustment factor is intended to be simple and straightforward to reduce red tape associated with the calculation process. Therefore, the AESO has not accepted recommendations to calculate the performance adjustment factor using a time-weighted average maximum capability, or provide for a tolerance band for energized MC. In the AESO’s view, the new mechanism to adjust critical MC and energized MC described above: (i) aligns with obligations to manage maximum capability under existing ISO rules; and (ii) allows market participants to manage their refund risk appropriately.
- Administrative amendments to improve the wording and flow of Section 505.2.

The AESO will continue to assess performance in January of each year of the refund period.

A spreadsheet with sample calculations demonstrating the application of the GUOC refund concept is attached.

A blackline indicating revisions from the initial draft of Option 2 to the proposed final draft of Section 505.2 is attached. It is the AESO’s intent that the proposed final draft of Section 505.2 provides participants with a clear understanding of the performance assessment for the refund of GUOC. Additional guidance information, in the form of an information document, may be posted to the AESO website upon approval of the proposed final draft of Section 505.2 by the AUC.

Stakeholder Comments

Stakeholders may submit written comments to the AESO using the *Stakeholder Comment Matrix – Proposed Final Draft of Section 505.2*. The AESO will only consider written comments in finalizing the proposed final draft of Section 505.2. Stakeholders should ensure that comments provided represent all interests within their organization. The scope of comments is limited to the proposed final draft of Section 505.2. The AESO will not consider any comments that are outside of this scope.

⁶ The performance adjustment factor is not based on a generating unit’s “available capability”, or the management thereof.

The deadline for Stakeholders to provide comments is January 8, 2021, to rules_comments@aeso.ca. Adherence to deadlines is essential to the integrity of the comment process, and as such, the AESO may choose not to consider any Stakeholder comments received after the deadline.

The AESO will publish all Stakeholder comments received by the deadline and the AESO's responses on the AESO website.

If no comments are received by the AESO regarding the proposed final draft of Section 505.2, the AESO will proceed to apply to the AUC for approval of the proposed final draft of Section 505.2 pursuant to AUC Rule 017, Section 6.2.

Related Materials

The below documents are located on the AESO's [Stakeholder engagement page](#):

1. *Stakeholder comment matrix – proposed final draft of Section 505.2*;
2. GUOC refund sample calculations;
3. Clean copy of the proposed final draft of Section 505.2;
4. Blackline copy of proposed final draft of Section 505.2; and
5. Blackline of the proposed final draft of Section 505.2 from “Option 2” version posted October 26.

Sincerely,

Jodi Marshall

Legal Manager, ISO Rules and Alberta Reliability Standards
Legal and Regulatory Affairs
rules_comments@aeso.ca

Attachments