

December 9, 2019

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Via email

**Attention: Ms. Nicole LeBlanc,
Director, Market and Tariff Design**

Dear Ms. LeBlanc,

**Re: Update Letters for Proposed New & Amended ISO Rules and Definitions;
TransCanada Energy Ltd. ("TCE") Comments**

TCE writes in response to the November 27, 2019, November 28, 2019, and December 2, 2019, letters of notice the Alberta Electric System Operator ("AESO") posted regarding a suite of proposed ISO Rule and definition changes. These proposed changes are a subset of Amended Energy and Ancillary Services Market Rules and Category 2 Rules that were proposed during the development of the capacity market. Because the AESO has already consulted on these proposed changes, it intends to now submit applications for the changes directly to the Alberta Utilities Commission ("AUC"). The AESO asks stakeholders with significant concerns to provide those concerns in writing. TCE appreciates the opportunity to provide its comments. TCE's concerns are with respect to the adequacy and context of consultation and certain amendments to specific proposed ISO Rules and definitions. These concerns are addressed in detail below.

Adequacy and Context of Consultation

As stated above, the proposed ISO Rules and definition changes are a subset of rules and definitions that were proposed during the development of the capacity market. This was a unique period for both the AESO and stakeholders as the market was preparing for a wholesale change to the market design. Approximately fifty new or amended ISO Rules, plus numerous new or amended definitions, were being considered with the expectation that they would be implemented within a market design that included a capacity market. As such, market participants' comments were provided in the context of an operational capacity market. Now that the capacity market has been cancelled the context has materially changed. While these proposed rules are specific to the energy and ancillary services markets, the interplay between the markets would have been significant. Accordingly, it cannot be assumed that the comments provided a year or more ago under the context of a capacity market will be the same as those provided today without a capacity market.

The sheer volume of proposed changes to ISO Rules and definitions during the development of the capacity market challenged the resources of many stakeholders. TCE expects the AESO faced similar challenges. AUC Rule 017 requires the AESO to provide written responses to the comments provided by stakeholders during consultation of a proposed change to an ISO Rule or definition. The AESO's normal practice has been to respond to each individual comment provided. This practice was generally carried out with respect to the proposed Category 2 Rules. However, TCE does not believe this to be the case for all of the comments provided regarding the proposed Amended Energy and Ancillary Services Market Rules. In many cases, the AESO's responses were vague and without specific reference to a stakeholder's comments. In TCE's submission, the responses were inadequate to meet the requirements of Rule 017. However, at the time the AESO's responses were tolerated on the basis that fulsome responses to each comment was not practical given the prevailing resource challenges. In the present context, TCE recommends that the AESO revert to its normal practice and ensure that it has adequately consulted by providing fulsome responses to each comment.

Section 203.1, Offers and Bids for Energy

TCE does not, in general, oppose the requirement to provide a ramp table. However, it is opposed to this proposed change that permits the AESO to establish the manner and timing of the requirement to provide a ramp table at a later date without appropriate AUC oversight to ensure such requirements meet the principles of FEOC and are in the public interest. The manner and timing of providing a ramp table is authoritative in nature and must not be relegated to an information document. Accordingly, such information should be included in this rule.

While it will likely be the case that the AESO specifies a matter and timing that is reasonable, the proposed language would permit the AESO to specify the manner and timing without first consulting market participants. This may result in a requirement with which market participants cannot reasonably comply. TCE submits that this (i.e., the obligation to consult) is another fundamental reason why requirements placed upon market participants must be specified in rules rather than in information documents or guidelines.

TCE recommends that the AESO delay this proposed change until such time that it can determine the manner and timing of the ramp table and is able to include such information in the proposed rule amendment.

Section 202.7, Markets Suspension or Limited Markets Operations

The AESO proposes to remove from this rule the requirement that the AESO provide a reasonable estimate as to when the market would return to normal operations following a state of limited market operations. This requirement is currently included in subsections 3(2)(c) and 9(2)(c).

TCE considers this requirement to be helpful to market participants and recommends that the AESO maintain the existing language. To the extent that there are circumstances where the AESO is unable to provide a reasonable estimate, TCE recommends that the AESO simply state that it will provide a reasonable estimate when one becomes available. Without further clarification from the AESO, TCE does not support the removal of this requirement.

AESO CADG Definition – "acceptable operational reason"

TCE has significant concerns with the appropriateness of the AESO's proposed addition of vii(b) regarding a transmission outage. This proposed change would negatively impact a generator's refund of its Generating Unit Owner's Contribution ("GUOC") through no fault of its own. For the following reasons, TCE does not support the AESO's proposal to include a transmission outage that causes the transmission system to become disconnected from a source asset as an acceptable operational reason ("AOR").

TCE submits that the AESO's wording in vii(b), which refers to a transmission outage that causes a source asset to become disconnected from the transmission system, is contextually misleading. When caused by a transmission outage, it is the transmission system that has disconnected from the source asset, not the other way around. Conversely, if the generator caused the disconnection, then the source asset would have disconnected from the transmission system. A distinction based on causation should guide the determination of an AOR and is consistent with just and reasonable rates and the FEOC principles. This distinction is also consistent with the other AORs, which are limited to circumstances internal to, or under the control of, the generator, not circumstances arising from the transmission system.

For the above reasons, TCE submits that an outage on the transmission system that causes the transmission system to become disconnected from a source asset does not impact the maximum MWs that a source asset is physical capable of providing. Rather, a transmission outage impacts the MWs that the transmission system is capable of receiving. As such, a transmission outage does not affect the Available Capability of a source asset as defined in the Consolidated Authoritative Document Glossary and the proposed addition of vii(b) should not be considered an AOR.

Further, it is not in the spirit of just and reasonable rates or the FEOC principles to penalize a market participant for a transmission outage it did not cause. In this case, the impacts to a market participant would be patently unfair. Not only would the market participant suffer lost revenue, as is the case currently, but the proposed changes could also reduce its GUOC refund.

The AESO has not indicated its rationale for the proposed change. TCE requests that the AESO provide such rationale as it would allow market participant to provide alternatives to address the AESO's concern that prompted the proposed changes.

TCE has considered the possibility that the AESO's rationale may stem from its view that a transmission outage that causes the transmission system to disconnect from a source asset is under a generator's control due to the generator's choice of connection (some connection alternatives may provide greater reliability than others). Should this be the case, TCE respectfully disagrees that in this case a transmission outage should be considered under the control of the generator.

First, the disconnection would not have occurred without the preceding transmission outage. Second, while different connection alternatives may reduce the likelihood of disconnection, each generator's connection is approved by the AESO and meets the requisite Alberta Reliability Standards. In other words, a generator with a less reliable connection has done nothing wrong and is operating in accordance with good utility practice. A generator should not be punished for not going above and beyond good utility practice in order to protect itself from the transmission system operated by the AESO.

TCE sympathizes with the notion that the AESO may attach higher value to the capacity of a source asset with a stronger connection to the transmission system. However, the appropriate treatment in this situation ought to be to reward the asset with the stronger connection, not to punish the asset that is meeting all of its requirements.

TCE recommends the AESO hold a stakeholder session so that parties can better understand the issue the AESO is intending to address and discuss alternatives.

If you have any questions, please feel free to contact the undersigned at (403) 920-5005 or via e-mail at markj_thompson@tcenergy.com.

Yours truly,

Original Signed by

Mark Thompson
Manager, Market Services and Compliance

cc: Alison Desmarais