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| <p>Period of Comment: May 07, 2021 through May 25, 2021</p> <p>Comments From: TransAlta Corporation</p> <p>Date: 2021/25/05</p> | <p>Contact: Luis Pando</p> <p>Phone: (403) 267-3627</p> <p>Email: Luis_Pando@transalta.com</p> |
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Instructions:

1. Please fill out the section above as indicated.
2. Email your completed comment matrix to rules_comments@aeso.ca.

The AESO is seeking comments from Stakeholders in regards to the following matters:

| | Question | Stakeholder Comments |
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| 1. | Please comment on Session #2 hosted on April 29, 2021. Was the session valuable? Was there something the AESO could have done to make the session more helpful? | <p><i>The requirements of the rule should be justified and rationalized.</i></p> <p>Stakeholder session 2 was helpful but still left the rationale behind the mothball outage reporting rule requirements unclear.</p> <p>We had expected/hoped that the AESO would engage in this consultation with a “red tape reduction” mindset that seeks to remove unnecessary regulatory requirements and burden and only includes requirements that are clearly justified. This exercise of reviewing and rationalizing the mothball outage reporting rule was specifically needed because the rule itself was adopted without significant consultation and on an expedited rule basis.</p> <p>Rather than apply a “red tape reduction” approach, the AESO has simply started with a list of all of the requirements in the existing rule as though all of those requirements are needed and is proposing increases/decreases to those requirements. We view the more appropriate approach to be avoiding unnecessary intervention in the market through rule-making and allowing competition to drive outcomes.</p> |

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| <p>2.</p> | <p>Do you have any feedback on the “transmission access” issues identified by the AESO?</p> | <p><i>The mothball outage reporting rule should not be used to drive retirement decisions.</i></p> <p>We are not aware of any circumstances where the transmission access issue that the AESO is trying to solve has ever occurred. We ask the AESO to share a real-life example of when this concern has arisen such that it would necessitate the changes the AESO has proposed. It appears that the AESO has conflated mothball outage reporting with transmission system access and to raise a new problem.</p> <p>A mothball outage is taken by a market participant on a temporary basis. The market participant is responding to unfavourable market conditions or asset-specific issues that have jeopardized the ability to operate the asset profitably. Market participants on mothball outage have an expectation of returning the asset back to market and expect to utilize the transmission capacity needed to export generation to the transmission system.</p> <p>The AESO has no right to second guess a generator’s mothball outage decision and force the generator to make a retirement decision in order to provide transmission access to another participant. We see no rationale for this particularly within the Alberta framework, in which no generator has transmission access rights. In fact, the <i>Transmission Regulation</i> requires the AESO to plan the system to accommodate all in-merit generation without consideration of mothball outages. In short, the AESO cannot/should not change its planning obligation by forcing the market participant to reduce its STS when the market participant themselves expects to return to service and sell its generation to the grid.</p> <p>We believe that issues of transmission access can be resolved on a case-by-case basis rather than through a rule change.</p> <p>Should a transmission access issue arise, the generator that is on mothball should be made aware of the issue. This would allow the market participant to decide whether they will</p> |
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| | | <p>reduce their STS contract or otherwise relinquish the transmission capacity to another participant. In reality there is no transmission or access right that the participant holds and even if that mothball generator refused to change its STS contract capacity or “reduces its STS” and subsequently increases the STS in the future the impact from a transmission capacity perspective is the same.</p> |
| 3. | <p>Are there any “transmission access” alternatives the AESO did not identify that would be effective in resolving the issues raised? If yes, please provide a detailed description of the solution and how it addresses the issues.</p> | <p><i>Mothballed generation is a source of supply to meet future resource adequacy needs.</i></p> <p>TransAlta considers a mothballed unit to have made significant investment and has significant certainty of being able to generate in the future. We view a mothballed unit to be more certain than development projects that have paid Generator Unit Owners’ Contributions (GUOC). We also see mothballed generators as the most cost effective, from the transmission capacity perspective, at meeting near-term or future resource adequacy needs.</p> |

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| 4. | <p>Do you have a preference for a transmission access alternative? Do you believe any of the alternatives should be removed from consideration? Please explain, taking into consideration the key principles of open competition, cost causation, fairness and stability, outlined in the April 29, 2021 presentation.</p> | <p><i>The Mothball Outage Reporting rule should not be used to drive transmission access alternatives.</i></p> <p>TransAlta does not agree with any option that would reduce STS or would require a mothballed generator to lose transmission access or any option that removes the ability to request extensions.</p> <p>As noted in Session 1, TransAlta considers fairness and open competition the most relevant principles for the mothball outage reporting rule initiative. A Mothball Rule that has increased flexibility will support a fair, efficient, and openly competitive electricity market and promote investor confidence, and is critical with more renewable energy resources as it incentivize dispatchable generators to stay in the market, providing reliability when non-dispatchable generation is unavailable.</p> <p>In an energy-only market such as Alberta, generators compete and plan their investments based on market conditions. The AESO should refrain from driving unnecessary intervention through rules. The AESO should limit its intervention to situation where the market fails to provide an adequate solution or because the public interest requires it.</p> |

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| 5. | <p>Are you supportive of the AESO’s recommendation to maintain the existing 24-month maximum duration? Please explain.</p> | <p><i>Market participants should have the maximum flexibility to mothball uneconomic generators.</i></p> <p>We view the ability for a market participant to mothball an uneconomic generator as a sound market design feature. Such actions are consistent with a competitive market design and support the fair, efficient and openly competitive operation of the market.</p> <p>TransAlta is supportive of maintaining the existing 24-month maximum duration alongside the ability to request additional extensions of mothball outages. TransAlta would equally support the mothball outages with no maximum durations, which are the practices in ERCOT or PJM.</p> |
| 6. | <p>Do you agree with the current ISO rule requiring the return to service for 3 months before taking a subsequent mothball outage? Or, if the time between mothball outages is extended, what is an appropriate timeline? Please explain.</p> | <p><i>No, the ISO rule should not include a requirement to return to service for 3-months before taking a subsequent mothball outage.</i></p> <p>TransAlta does not see any need for a return to service requirement before an asset can take a subsequent mothball outage.</p> <p>We are not aware of AESO’s rationale or justification for instituting a 3-month return to service requirement in the current rule. We view the current restriction and requirement as unnecessarily restrictive and serves no practical purpose.</p> <p>We note that mothball outages are taken when there is economic or market uncertainty about the operating an asset. These conditions do not neatly conform to nor resolve themselves within pre-specified timelines. As such, we recommend that the rule be amended to remove any unnecessary or arbitrary conditions.</p> |

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| 7. | Do you have any additional feedback on the interdependencies between transmission access, maximum duration, and subsequent outages? Please explain. | <p><i>Transmission access and mothball outages are independent under the existing framework.</i></p> <p>The premise behind the AESO’s identified interdependencies is that mothballs create barriers to transmission access. As stated above, we have not seen any evidence that this is actually the case.</p> <p>The issue of transmission access is not caused by mothball outages but by the way the legislative framework treats transmission access. It has nothing to do with the duration of a mothball outage or the minimum time the unit must return to service before going into a new mothball.</p> <p>Applying the AESO’s logic, the AESO should also scrutinize every connection request and all projects that caused delays and barriers to other participants. Any existing participant or potential participant that creates barriers or delays to a connection should then be penalized with termination of transmission.</p> |
| 8. | Are you supportive of the AESO’s recommendation to align market participant outage cancellation notification with the declared return to service timelines? Please explain. | <p><i>No, TransAlta does not support the recommendation to align outage cancellation notification with declared return to service timelines.</i></p> <p>We do not support a framework with different outage cancellation requirement on different generators. We are well aware that return to service timelines can change over time – for example, returning a unit back to service is likely quicker early on in a mothball outage. We see no benefit of implementing an administrative scheme to track return to service timelines to ensure that they align with outage cancellation notification requirements. In fact, we view this as creating less certainty and confusion around outage cancellation notifications.</p> |

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| 9. | The AESO is considering shortening the minimum outage cancellation notification timeline. Please provide a recommended minimum timeline that allows for the flexibility needed to make business decisions. Note, the AESO requires a minimum of 30 days-notice. | <p>Yes, the cancellation notification should be based on the 30-day minimum.</p> <p>TransAlta states flexibility is important but should not come to the expense of the ability of a mothballed generator to act within reasonable timelines. Mothballs are very restrictive in terms of entries and exits. The period of notification is preventing a generator from returning if economic conditions change. This is very onerous and restrictive.</p> |
| 10. | Are you supportive of the AESO's recommendation to maintain the existing 3-month notification requirement with the ability to request a waiver for taking a mothball outage? Please explain. | <p>TransAlta is supportive of a waiver process. However, we note that the need for a waiver would be significantly diminished if the minimum outage cancellation notification timeline was adopted.</p> |
| 11. | Are you supportive of the AESO's proposal for separate mothball outage reporting? Please explain. | <p>Separate mothball outage reporting should be implemented</p> <p>TransAlta supports the proposal for separate mothball outage reporting. We note that there have only been a few mothball outages reported historically such that tracking these outages is relatively straightforward. However, we agree that separate mothball outage reporting would be an improvement on existing AESO outage reporting practices.</p> |
| 12. | Are you supportive of maintaining the 36-hour maximum start-up time for long lead time assets and a proposed modification to the rule to apply a maximum start-up time to long lead time type 2 assets? Please explain. | <p>TransAlta considers 36 hours is a short time and Long Lead Time assets still need to be available, need to be prepared and waiting in case they need to be dispatched.</p> <p>It is currently unclear how the framework for long lead time assets interacts with the standard outage rules and the mothball outage rule. There is an arbitrary distinction between physical and economic outages. All outage decisions are economic in nature. Long Lead Time assets are very similar to a mothball, and therefore should be treated equally.</p> |

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| 13. | Do you have any additional comments? | TransAlta recommends having additional sessions to discuss stakeholder comments and AESO responses, and to clearly demonstrate the need for a rule change. |