

October 14, 2020

To: Market Surveillance Administrator, Market Participants and Other Interested Parties

Re: **Letter of Notice for Development of a Proposed Amendments to Section 306.7 of the ISO Rules, *Mothball Outage Reporting* (“Section 306.7”)**

Pursuant to Section 4 of Alberta Utilities Commission 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 the Market Surveillance Administrator, market participants, and other interested parties (“Stakeholders”) on the development of amendments to Section 306.7 of the ISO rules, *Mothball Outage Reporting* (the “Mothball rule”).

Background

In June 2016, the AESO filed the Mothball rule with the Alberta Utilities Commission (“Commission”) on an expedited basis in order to address market participant concerns that forward prices were making it uneconomic for certain generators to continue operating in the market.

The Mothball rule was expedited as an interim solution to ensure transparency of mothball outages. In the expedited filing letter, the AESO committed to conducting a comprehensive review of mothball outages, including Stakeholder engagement and a full consultation process under AUC Rule 017. Throughout 2016 and 2017 the AESO held Stakeholder consultation sessions. 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 market framework that would include an energy market and a capacity market. Consultation on mothball outages was put on hold while the AESO designed the new market framework. Material from the past Stakeholder engagement sessions can be found on the [AESO website](#).

On March 16, 2018, the Market Surveillance Administrator (“MSA”) submitted a complaint to the Commission stating that the Mothball rule did not support the fair, efficient, and openly competitive operation of the market, was not in the public interest, and may have an adverse effect on the structure and performance of the market. In response to the MSA’s complaint the AESO amended the Mothball rule, on an expedited basis, to include an attestation requirement.

On July 24, 2019, the Government of Alberta announced the cancellation of the capacity market and the continuation of the energy-only market framework. As such, the AESO is re-evaluating the Mothball rule to determine whether changes are required in the context of an energy-only market.

More recently, during the AESO’s 2021 Budget Review Process, Stakeholders provided comments in relation to the AESO’s Proposed Business Initiatives which currently include the Mothball rule. Stakeholder comments ranged from those that supported making review of the Mothball rule a priority to those that recommended that a careful assessment is necessary to determine whether the initiative is necessary at this time.

Issue

Due to the expedited filing of the Mothball rule and delays due to the capacity market design, a full Stakeholder consultation process under AUC Rule 017 was not completed. The AESO is proposing to initiate consultation on the Mothball rule in order to meet its commitment to Stakeholders and assess whether changes to the Mothball rule and broader ISO rule framework are required to deal with certain matters that may not have been fully addressed when the Mothball rule was originally developed.

Objectives/Purpose

The AESO proposes to consult with Stakeholders on the Mothball rule in order to assess the need to address various matters, including:

- the economic requirements to temporarily remove generating asset from the market;
- mothball assets' effects on the efficient use of the transmission system;
- requirements to ensure transparency in reporting and effective notification to the market related to the initiation and cancellation of a mothball outage;
- the maximum duration of mothball outages;
- other elements of the existing Mothball rule that may be identified as being in need of amendment; and
- whether changes are required to other ISO rules in order to support a consistent and coordinated approach to the physical removal of generating capacity from the energy market, particularly in consideration of long lead time assets and generation retirement.

Proposed Consultation and Timeline

The AESO proposes to host approximately 6 online Stakeholder sessions to discuss the matters set out above. Following each online Stakeholder session, the AESO will determine further consultation steps and anticipates such steps could include written feedback on specific issues identified in the online Stakeholder sessions, written feedback on proposed draft ISO rule language, and comments pursuant to section 6.3 of AUC Rule 017.

Stakeholder Comments

Stakeholders may submit:

- (i) written comments;
- (ii) a notice of intent to participate in consultation; and
- (iii) comments on the form of consultation.

Please use the *Stakeholder Comment Matrix – Development of Proposed Amendments to the Mothball Rule* when submitting comments to the AESO. Stakeholders should ensure that comments provided represent all interests within their organization.

The deadline for Stakeholders to provide comments is October 29, 2020, 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 Stakeholder comments received after the deadline.

The AESO will publish all Stakeholder comments, on the AESO website on or before November 3, 2020.

Related Materials

1. [Stakeholder Comment Matrix – Development of Proposed Amendments to the Mothball Rule](#)
2. [Copy of existing ISO rule Section 306.7 - Mothball Outage Reporting](#)

Sincerely,

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