

Date: October 8, 2020

Time: 9:00 a.m. to 11:00 a.m.

Location: Virtual

Companies Represented by Attendees:

Company
Capital Power
Capstone Infrastructure Corporation
Customized Energy Solutions
DePal Consulting Ltd.
Department of Energy
ENMAX Corporation
Heartland Generation Ltd.
Lionstooth Energy Inc.
PGSC
Saturn Power Inc.
Stantec Consulting Ltd.
Suncor Energy Inc.
TransAlta Corporation
TransCanada Energy

Proposed Amended Section 505.2 of the ISO Rules, Performance Criteria for Refund of Generating Unit Owner's Contribution ("Section 505.2")

Generating Unit Owner's Contribution Background

- The AESO reviewed the objectives of the generating unit owner's contribution ("GUOC") and provided a summary of the contributions and refunds from 2006 to 2019.

Changes to the ISO tariff

- The AESO explained the changes from the current ISO tariff to the proposed 2018 ISO tariff as they relate to the applicability of the GUOC to market participants. Upon approval of the proposed ISO tariff: (i) the GUOC will be calculated based on maximum capability rather than Rate Supply Transmission Service ("Rate STS") contract capacity; and (ii) GUOC is to be paid by any generator above 1MW with revenue metering.
- The AESO discussed the impact of the proposed ISO tariff changes on the performance criteria in Section 505.2. The AESO noted that these changes extend the payment of the GUOC and the application of Section 505.2 to a broader range of assets. The AESO also noted that while some generators have one-to-one Rate STS contracts, for distribution-connected generation, situations

exist where there are multiple generators behind one Rate STS contract, and as such Section 505.2 needs to provide clarity on how such assets would be assessed.

- TransAlta Corporation asked about the intention of the changes to Section 505.2 and whether these changes are solely to include the performance assessment criteria for distribution-connected generation.
- The AESO clarified that the intent of the changes was also to align Section 505.2 with the proposed changes in the ISO tariff. Since the GUOC would eventually be calculated based on maximum capability, the performance assessment should also be based on maximum capability.
- TransAlta Corporation expressed concerns about how these changes could affect existing units that have already paid the GUOC.
- The AESO explained that the changes and their impacts would be discussed in the two options being proposed. Option 1 would solely update the existing rule language to align with the proposed ISO tariff while Option 2 would change the refund assessment methodology.
- TransAlta Corporation asked for the AESO's reason for wanting to replace the existing rule language with a new methodology.
- The AESO explained that as well as capturing the ISO tariff changes in the amended rule, the intention is also to simplify the rule to make it more technology agnostic.

Implementation of Changes to the ISO tariff

- The AESO stated that there may be a need for grandfathering provisions in Section 505.2 to ensure that generators are aware of the performance criteria that apply to them at the time of payment of their GUOC.
- The AESO also stated that changes to Section 505.2 would need to be made as soon as possible to provide generators with clarity on the performance criteria applicable to them. The AESO noted that if changes need to be expedited due to insufficient time to follow the full stakeholder engagement process, only the changes required to align the rule with the proposed ISO tariff would be expedited. The AESO recognized the importance of stakeholder engagement, and as such, any additional changes would be delayed pending an opportunity to consult with stakeholders.
- The AESO shared its problem statement and what the focus of the stakeholder feedback should be on. This included aligning the rule with the proposed ISO tariff changes, updating the rule to create efficiencies and additional clarity on performance assessments, and ensuring the rule applies to future generation types with minimal need for future revisions.
- The AESO explained that the current performance assessment criteria include a period that allows the AESO and market participants to conclude on the details of the AESO's performance assessment. This fosters transparency and as such, the AESO confirmed that it would like to continue with this practice.
- The AESO discussed its intention to shift its regulatory requirements from process-based to more outcome-based in response to the Red Tape Reduction regulation issued by the Alberta government. The AESO stated that since this rule is fairly straightforward, it seemed appropriate to use the opportunity to reduce red tape and create efficiencies without adding any incremental risk to load and generation.
- The AESO reviewed a summary of the current version of Section 505.2 based on the generation unit type and hourly availability targets.

- The AESO subsequently highlighted the changes to Section 505.2 as a result of the ISO tariff changes. The AESO noted that upon approval of the proposed ISO tariff and the amended Section 505.2, performance assessment of generating units would primarily be based on maximum capability except for generation co-located with load and offering on a net basis. In that case, the evaluation would be based on Rate STS.
- The AESO stated that the hourly availability targets used in the current version of the rule are reasonable and comparable to those used in other jurisdictions. The AESO confirmed that there is no intention of changing these hourly targets under Option 1.

Discussion on Proposed Options

- The AESO shared preliminary details of Option 1 with stakeholders. This option 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.
- The AESO introduced the concept of a “critical maximum capability” and the rationale behind including the concept in the rule which is to incent generators to provide accurate information early in the process.
- The AESO shared a sample draft language of Option 1 showing a simpler, more efficient approach to aligning Section 505.2 with the proposed ISO tariff.
- The AESO asked for feedback on Option 1 but received no immediate response.
- The AESO also shared preliminary details of Option 2 with stakeholders. This option introduces a new binary approach to assess a unit’s performance based on the unit’s metered energy. The over-contract assessment is also not required in this option.
- The AESO shared a performance assessment calculation for this option which was still under development.
- The AESO also re-emphasized the concept of critical maximum capability with this option.
- The AESO highlighted that grandfathering may not be required if this option was chosen because it would be less onerous for existing generators.
- The AESO asked for feedback on the simplified approach in Option 2.
- TransAlta Corporation asked for the rationale behind requesting for the critical maximum capability information earlier in the process when contracts would not be fully fleshed out at that stage.
- TransAlta Corporation commented that projects go through an iterative process and do not intentionally provide inaccurate information. TransAlta stated that requesting this information early could present a different set of risks.
- The AESO clarified that this request originated from the Commission’s decision on the 2018 tariff application in which the Commission expressed that there is value in generators providing accurate information early in the process to ensure that rates for load are not impacted by changes in timing and sizing of generation and load. The intention is creating a shared financial obligation with the market participant at the time the needs identification document is filed with the Commission. The AESO noted that it understands that developers do not intentionally provide inaccurate information.
- Stantec Consulting Ltd. asked when the AESO anticipates approval of the ISO tariff compliance filing.
- The AESO responded saying that it had requested that the Commission ensure the effective date is at least 30 days after the decision, to allow the AESO put some process and implementation

steps in place. The AESO also stated that it hoped the new tariff would be effective by January 1, 2021.

- Stantec Consulting Ltd. also asked whether the AESO had given any thought as to how GUOC paid to the AESO could be better utilized for the AIES, instead of being held in trust until the funds are refunded to the market participants.
- The AESO responding saying that the question was out of the scope of the discussion, however a portion of the funds held in trust are used to offset some of the load rates.
- The AESO subsequently shared some assessment questions that stakeholders could use in framing their feedback to the AESO on both options.
- Stantec Consulting Ltd. asked if the AESO had a preferred option out of the two proposed options.
- The AESO explained that it needs feedback from stakeholders in order to simplify the rule without jeopardizing the certainty and stability that the rule provides to generators.
- DePal Consulting Ltd. asked for additional information on the change in Option 1 given that most units' Rate STS contract capacity would be equal to their maximum capability.
- DePal Consulting Ltd. also asked if the AESO anticipated any controversy with Option 1.
- The AESO clarified that it did not anticipate any controversy on Option 1, however it was seeking feedback on Option 1 because the AESO is required to consult with stakeholders during rule development.
- DePal Consulting Ltd. asked for additional information on the performance assessment in Option 2.
- The AESO explained that if a generator flowed energy, as little as 1MW, onto the Alberta interconnected electric system ("AIES") in a calendar year, the generator would be entitled to a 100% refund unless the generator fell short on the critical maximum capability criteria. The AESO further explained that this approach is underpinned by the "must offer must comply" requirement in the market rules. This implies that if a unit is operating under the market rules, it could be deemed to have operated satisfactorily from a GUOC refund perspective.
- The AESO further emphasized that from both a generator and load point of view, this option puts more of the onus on the market rules to ensure the generator's satisfactory performance.
- TransCanada Energy sought clarification on the concept of critical maximum capability and asked whether this maximum capability is calculated when the Rate STS contract is signed.
- The AESO reiterated that the critical maximum capability would be the amount that the GUOC is paid on.
- TransCanada Energy enquired as to how changes in maximum capability within a calendar year would be treated, and whether such instances would be captured as a prorated maximum capability.
- The AESO explained that that the rule drafting has not yet reached that level of detail, however the AESO would take this question into consideration while drafting.
- TransAlta Corporation commented on the current rule being complex and supported the intention to simplify the rule using a different methodology.
- TransAlta Corporation also asked if the AESO would be posting a stakeholder comments matrix on these options.

- The AESO clarified that it would incorporate the feedback from the session in the draft rule language for both options, after which the updated rule language would be provided to stakeholders and feedback requested.
- Suncor asked how Option 2 would apply to the unlikely case of a market participant who is an ancillary service provider but does not flow any energy onto the AIES in a calendar year.
- The AESO responded saying that for purposes of simplicity, this market participant would get a full refund, however the AESO would revisit the question later.
- DePal Consulting Ltd. asked for clarification on the formula in Option 2 which appeared to have an error.
- The AESO accepted the correction and promised to revise the formula to correct the error in Option 2.

Next Steps

- The AESO reviewed the next steps in the consultation process and re-iterated its intention to collate feedback from the session for the development of the amended rule, after which the draft rule language would be provided to stakeholders for feedback on both options.
- The AESO ended the session.