

Date: December 1, 2020

Time: 1:00 p.m. – 2:30 p.m.

Location: Zoom Meeting

Companies Represented by Attendees:

Company
Best Consulting Solutions Inc. (“Best Consulting”)
Capital Power Corp. (“Capital Power”)
DePal Consulting Ltd. (“DePal Consulting”)
Direct Energy Ltd. (“Direct Energy”)
ENMAX Power (“ENMAX”)
Heartland Generation Ltd. (“Heartland”)
Lionstooth Energy (“Lionstooth”)
Market Surveillance Administrator (“MSA”)
Maxim Power Corp. (“Maxim”)
Suncor Energy Inc. (“Suncor”)
TransAlta Corp. (“TransAlta”)
TransCanada Energy Ltd. (“TransCanada”)

Proposed Amendments to Section 306.7 of the ISO Rules, *Mothball Outage Reporting* (“Mothball rule”)

Introduction

The AESO initiated the session explaining that the intention of the session was to establish a clear scope for the engagement and to provide Stakeholders with rationale for out of scope items. The purpose of the initiative is to meet the AESO’s commitment to conduct a comprehensive review of Mothball outages, following expediting the Mothball rule, amendments to Section 202.4, *Managing Long Lead Time Assets*, a new definition for “mothball outage” and an amended definition for “planned outages” in 2016, and address concerns that have arisen since implementation. In addition, the initiative will include the review of other requirements related to the physical removal of capacity from the market where appropriate for consistency and alignment. Currently there is a significant amount of change happening in the generation fleet across the province, and therefore the initiative is very timely to support the long-term stability of the market.

The red tape reduction implications of any potential changes made in this initiative will also be considered carefully.

The AESO discussed the following information as part of the presentation¹:

- The AESO provided an overview of the Mothball rule including the history of its development.

¹ Details of the information presented can be found in the December 1, 2020 power point presentation posted on the AESO website.

- The AESO outlined the intended objectives of the Mothball rule initiative.
- The AESO discussed the Mothball rule language, and some of the concerns identified by the AESO with the Mothball rule and related requirements for physically removing capacity from the market.
- The AESO discussed the items that it is proposing to be in-scope and out of scope for the Stakeholder engagement over the coming months, and rationale as to why. Additionally, the AESO informed the session participants that it would be working with Stakeholders to both identify and assess alternatives to the in-scope items to ensure the impacts are identified prior to making any recommendations for change.
- The AESO discussed the economic principles and the efficiency considerations that will guide the AESO's conversations with Stakeholders throughout the Mothball initiative.
- The AESO closed out the session with the next steps for the Stakeholder engagement on the Mothball initiative.

Scope Discussion

- Suncor raised a question regarding scope and potential seam issues between regular outages and the Mothball outage rule. To facilitate the discussion, Suncor posed a scenario where by if during a normal maintenance outage it is determined that it is uneconomic to fix a unit, is it possible to take a mothball outage and delay maintenance or repairs until economic conditions improve? This scenario is currently not contemplated under the Mothball rule as there is a 3-month notification period prior to taking a mothball outage. Additionally, the standard outage rules implicitly assume that the unit would be fixed, otherwise the owner of a generating unit could effectively mothball the unit by not fixing it.
- Suncor suggested that it is currently unclear how the framework for long lead time assets interacts with the standard outage rules and the Mothball rule. How the outage types work together should be considered in the Mothball rule initiative.
- The AESO confirmed that the 3-month notification requirement is in-scope for review as part of the Mothball rule initiative, including whether a waiver provision is needed to enable notification less than 3-months in advance of the mothball outage in certain circumstances. This discussion will be held during a future Stakeholder engagement session.
- Suncor and the AESO further discussed the need to clarify how units are allowed to exit the market, and the requisite notice requirements, including whether the current maximum 36 hour start time for long lead time assets is appropriate, or if it should be better aligned with the Mothball rule. Additionally, the long lead time framework allows assets to remove themselves from the market, without notification, for as long as they like with no requirement to return unless directed by the AESO.
- Capital Power noted that due to the notification requirements in the Mothball rule, there is implicitly a 3-month minimum duration for a mothball outage. However, if a return to service notification was submitted in advance of the mothball outage, a 1-month mothball outage would be possible. Capital Power suggested that clarification on the minimum duration of a mothball outage should be included in the scope of the Mothball rule initiative.
- Capital Power noted that prior to 2016, the long lead time rule allowed for start times longer than 36 hours and questioned if the AESO knew what the historical limit was. The AESO noted that, as far as they understood, prior to 2016 there wasn't a maximum limit to the long lead time rule, and the current limit of 36 hours was a new provision that was added with the expedited rules in 2016. However, the AESO took an action to confirm this statement.
- Capital Power requested that the AESO provide information on how mothballed units are considered by the AESO in its base cases for transmission studies. The AESO explained that the current connection studies have to factor in the assumption that a generator on a mothball outage

has the ability to return to service within 3-months due to the ability of the participant to cancel its mothball outage at any time with 3-months' notice.

- TransAlta raised a concern that including retirement and long lead time in the scope of the Mothball rule initiative is broader than the proposed scope of the initiative. TransAlta noted that the AESO is trying to figure out how the Mothball rule fits within the spectrum of different methods to removing capacity from the market. However, TransAlta is concerned about possible scope creep. The AESO explained that it intends to consider areas such as retirement notification, and the maximum start-up time for long lead time assets in the Mothball rule initiative. It does not intend to bring other aspects of the long lead time framework into the scope of the Mothball initiative unless the need to do so arises based on additional stakeholder feedback.
- TransAlta raised a specific concern relating to including retirement notification in the scope of the Mothball rule initiative, as retirement is not related to mothball outages. The AESO explained that it is including retirement notification in the Mothball rule initiative as timely notification of asset retirement has implications on the discussion regarding transmission access, which will be a topic of discussion in the Mothball rule initiative. Having advance notice of retirement creates more certainty in the AESO's connection studies and reduces barriers to entry for new entrants.

Economic Principles Discussion

- TransAlta noted that FEOC was the most relevant principle for the Mothball rule initiative and questioned whether the principles of cost causation and stability need to be included in the discussions. The AESO agreed that FEOC is the predominant consideration, however noted that the AESO believes the other principles outlined tie-in with FEOC. The AESO stated that if it runs into a trade-off between principles, proper documentation of the acknowledgment of the trade-off is useful in determining what weight to give to each principle.
- The AESO welcomed feedback regarding how much weight to give each of those principles going forward and how much weight of each should be applied to each individual issue as well.

Schedule Discussion

- Capital Power asked if the AESO anticipated the Mothball rule initiative, including any rule changes, to be ongoing through to the end of 2021, or lead into 2022. The AESO explained that the length of the Mothball rule initiative is dependent on how the Stakeholder engagement sessions go, the feedback received, and how far into the summer of 2021 the initial high-level consultations go before rule drafting begins. The AESO speculated that filing with the Commission late next year [2021] was possible.