

# **Transmission Must-Run Procurement Competition Information Session**

Grande Prairie Planning Area

March 14, 2022

In accordance with its mandate to operate in the public interest, the AESO will be audio recording this session and making the session recording available at [www.aeso.ca](http://www.aeso.ca). The accessibility of these discussions is important to ensure the openness and transparency of this AESO process, and to facilitate the participation of stakeholders. Participation in this session is completely voluntary and subject to the terms of this notice.

The collection of personal information by the AESO for this session will be used for the purpose of capturing stakeholder engagement for the TMR procurement information session. This information is collected in accordance with Section 33(c) of the *Freedom of Information and Protection of Privacy Act*. If you have any questions or concerns regarding how your information will be handled, please contact the Director, Information and Governance Services at 2500, 330 – 5th Avenue S.W., Calgary, Alberta, T2P 0L4, by telephone at 403-539-2528, or by email at [privacy@aesocanada.ca](mailto:privacy@aesocanada.ca).

- All attendees join the webinar in listen-only mode and the host will have attendee cameras disabled and microphones muted
- Questions can be submitted anonymously at any time, but questions will be addressed **at the end** of the presentation
- To ask questions, if you are accessing the webinar using your computer or smartphone, please do the following:
  - **Computer**
    - Hover your cursor over the bottom area of the Zoom app and the Controls will appear, use the in-meeting Q&A chat window and type in your question
  - **Smartphone**
    - Tap the “Q&A” button and type in your question

## Presenters:

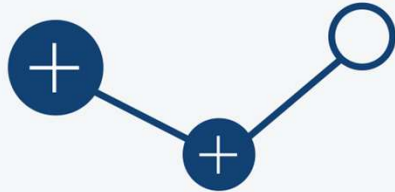
- Stephen Dickinson, Manager, Procurement
- Dan McKeown, Senior Analyst, Procurement

## Key People:

- Ryan Ferguson, Director, Commercial
- Jason Bucholtz, Real Time Manager, Transmission
- Ramiro Da Corte, Lead Engineer, Operations Coordination
- John Olsen, Senior Project Manager, Procurement

- Purpose:
  - Provide an overview of Transmission Must-Run (TMR)
  - Highlight key features of this procurement competition
  - Highlight key requirements within draft agreement
- In Scope:
  - Clarification on the procurement competition and key requirements
- Out of Scope:
  - Feedback on the procurement competition and requirements
  - ISO rules and other authoritative documents

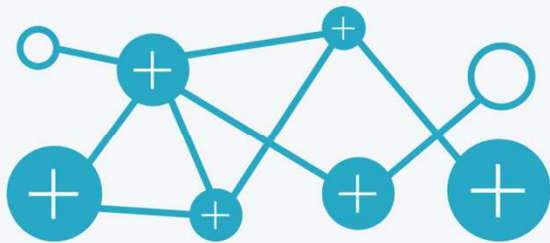
- Introductions, housekeeping items, Zoom Instruction
- Introductory Remarks and AESO Overview
- AESO Procurement
- TMR Competition Timeline
- TMR Procurement Overview
- Key Commercial and Technical Terms
- Next Steps
- Questions & Answers



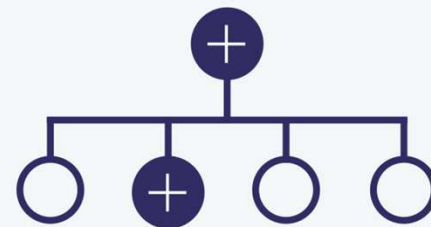
Connect  
**CUSTOMERS**



**PLAN**  
transmission



Operate the  
**GRID**



Plan and Operate the  
**MARKET**

- Ancillary services provide supplementary sources of supply to help maintain grid stability
  - They are essential for providing Albertans with safe, secure and reliable electricity
- The AESO, as the independent system operator, procures the following ancillary services on behalf of all users:
  - Transmission Must-Run (TMR)
  - Fast Frequency Response (FFR)
    - Load Shed Service for imports (LSSi)
    - FFR Pilot
  - Black Start services



- Utilize competitive market forces to determine the cost
- Conduct a fair and transparent competition overseen by a fairness advisor
- Minimize perceived or actual barriers to participation.
- Be straightforward and efficient
- Allocate risk to those best able to manage it
- Procure an optimal volume of TMR that balances foreseeable need and cost to the rate base
- Maintain flexibility of term given potential changes to the foreseeable need for the TMR

# TMR Competition Timeline

<b>AESO opens REOI to Respondents</b>	<b>March 7, 2022</b>
REOI information session	March 14, 2022, 1:00 p.m. MT
Deadline for Questions	March 17, 2022, 3:30 p.m. MT
REOI Response Date	March 21, 2022, 3:30 p.m. MT
<b>AESO opens RFP to Proponents</b>	<b>April 4, 2022</b>
RFP Proposals due	May 16, 2022
Selection of successful Proponent(s) and execution of Final TMR Agreement	Late Q2 2022
<b>Service Term commences</b>	<b>July 1, 2022</b>

## Request for Expressions of Interest

FOR THE **TRANSMISSION MUST-RUN SERVICE** PROCUREMENT COMPETITION  
GRANDE PRAIRIE PLANNING AREA

*MARCH 7, 2022*



- Request for Expressions of Interest (REOI) stage
  - The REOI is non-binding
  - The REOI is not a prerequisite for participation in the RFP stage
  - Participation in the REOI stage is strongly encouraged if you are interested in proceeding to the next stage of the TMR Competition
  - Failure to submit a EOI during the REOI stage may result in the AESO proceeding directly to a bilateral negotiation instead of commencing an RFP stage
  - If the AESO determines the REOI to be contestable based on REOI responses, an RFP will be issued during the RFP stage
  - The AESO is requesting parties to express interest and provide feedback and facility information

- Request for Expressions of Interest (REOI) stage
  - REOI response date is March 21, 2022 at 3:30 p.m. MT
    - REOI document and fillable Expression of Interest form is available on the AESO's TMR webpage at
      - [www.aeso.ca/market/ancillary-services/transmission-must-run-service/](http://www.aeso.ca/market/ancillary-services/transmission-must-run-service/)
    - Submission is to [TMR@aeso.ca](mailto:TMR@aeso.ca) via email (further instructions in the REOI)

# REOI Stage Overview

## Appendix C – TMR Service Expression of Interest Form

<b>Date</b>	[Insert date]
<b>Respondent (full legal name)</b>	[Insert legal name of Respondent]
<b>Name of Respondent's representative and title</b>	[Insert name of Respondent's representative and title]
<b>Phone number and email address of Respondent's representative</b>	[Insert phone number and email address of Respondent's representative]
<b>Respondent's mailing address</b>	[Insert Respondent's mailing address]

Expression of interest	Selection / response
As a Respondent, please select the box that best represents your level of interest in participating in the RFP stage of the TMR Procurement.	<input type="checkbox"/> High <input type="checkbox"/> Medium <input type="checkbox"/> Low
As a Respondent, are there features of the TMR Competition that materially reduce your level of interest in participating in the RFP stage?  If yes, what feature(s) materially reduce your level of interest and what would you recommend to increase your level of interest in the TMR Competition?	<input type="checkbox"/> Yes <input type="checkbox"/> No  [Insert feature(s) that materially reduce Respondent's level of interest and recommendation(s)]

- TMR is generation that is required to be:
  - Online in a specific location in parts of the Alberta Interconnected Electric System (AIES) and
  - Operating at a specific level (MW) to compensate for insufficient local transmission relative to local demand
- There are currently no TMR agreements in effect for the area for the identified need
  - The most recent technical study has identified a foreseeable need for TMR in the area
  - The shortfall in local generation relative to demand has been managed through conscription



- If need for TMR is “foreseeable” as defined in Section 8.4(2) of the Tariff, then Section 8.5 of the Tariff requires the AESO to procure TMR services in accordance with Appendix B of the Tariff.

## “Foreseeable”

*Transmission must-run services are **foreseeable** if the ISO, taking into account reasonable procurement timing requirements, determines transmission must-run services are required to meet ISO transmission reliability criteria which includes consideration of expected operating conditions and transmission planned outages.*

## “Unforeseeable”

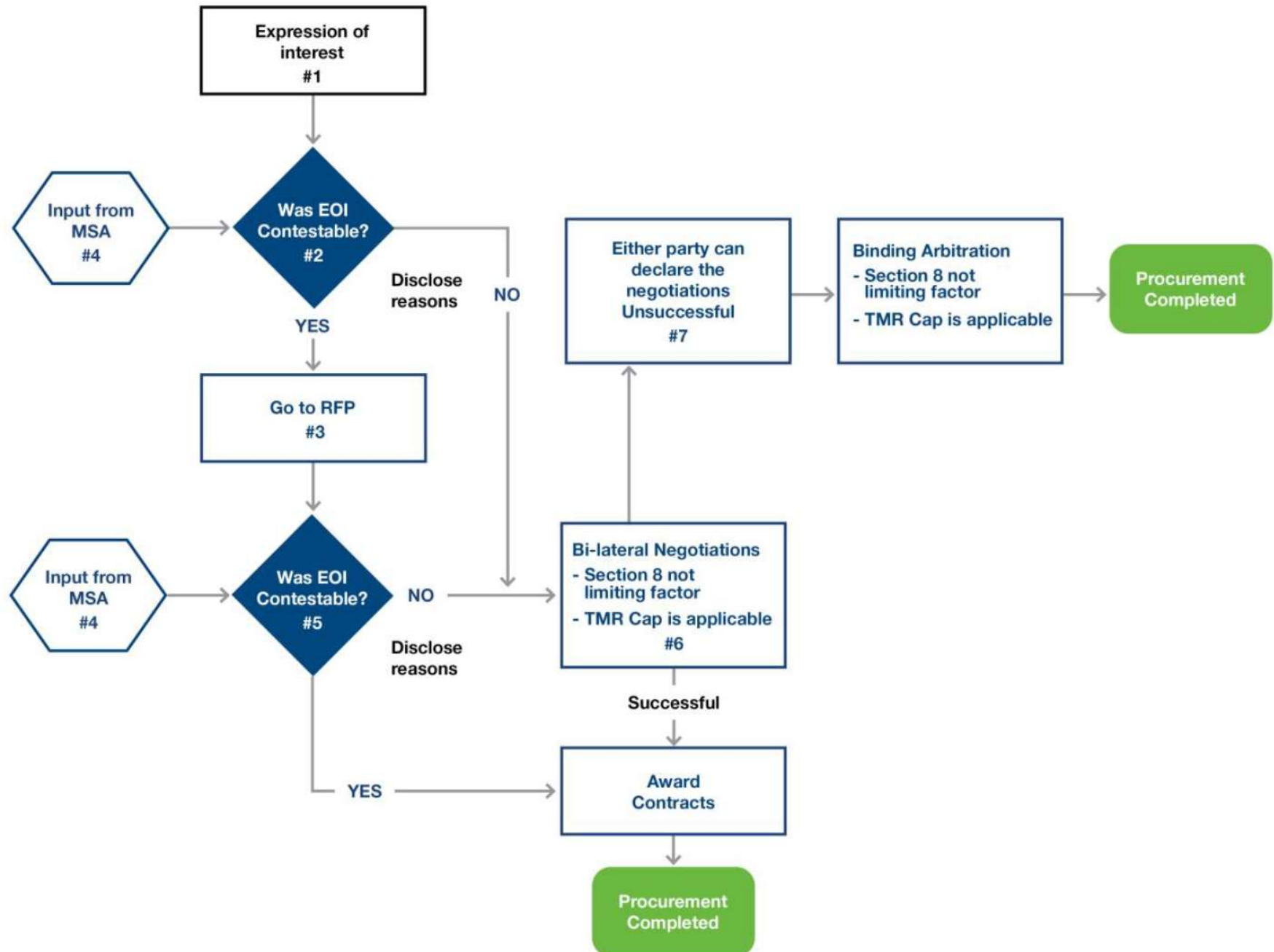
*Transmission must-run services are **unforeseeable** transmission must-run services if they do not constitute foreseeable transmission must-run services.*



- The Tariff establishes the procurement process for contracting TMR when there is a foreseeable need
  - Tariff requires that the AESO issue a Request for Expressions of Interest (REOI) to determine contestability
  - If the REOI determines contestability, the AESO must then initiate a Request for Proposals (RFP)
  - Only if there is no contestability at either the REOI or RFP stage (and confirmed by the MSA), can the AESO proceed to a bilateral negotiation and binding arbitration, if required

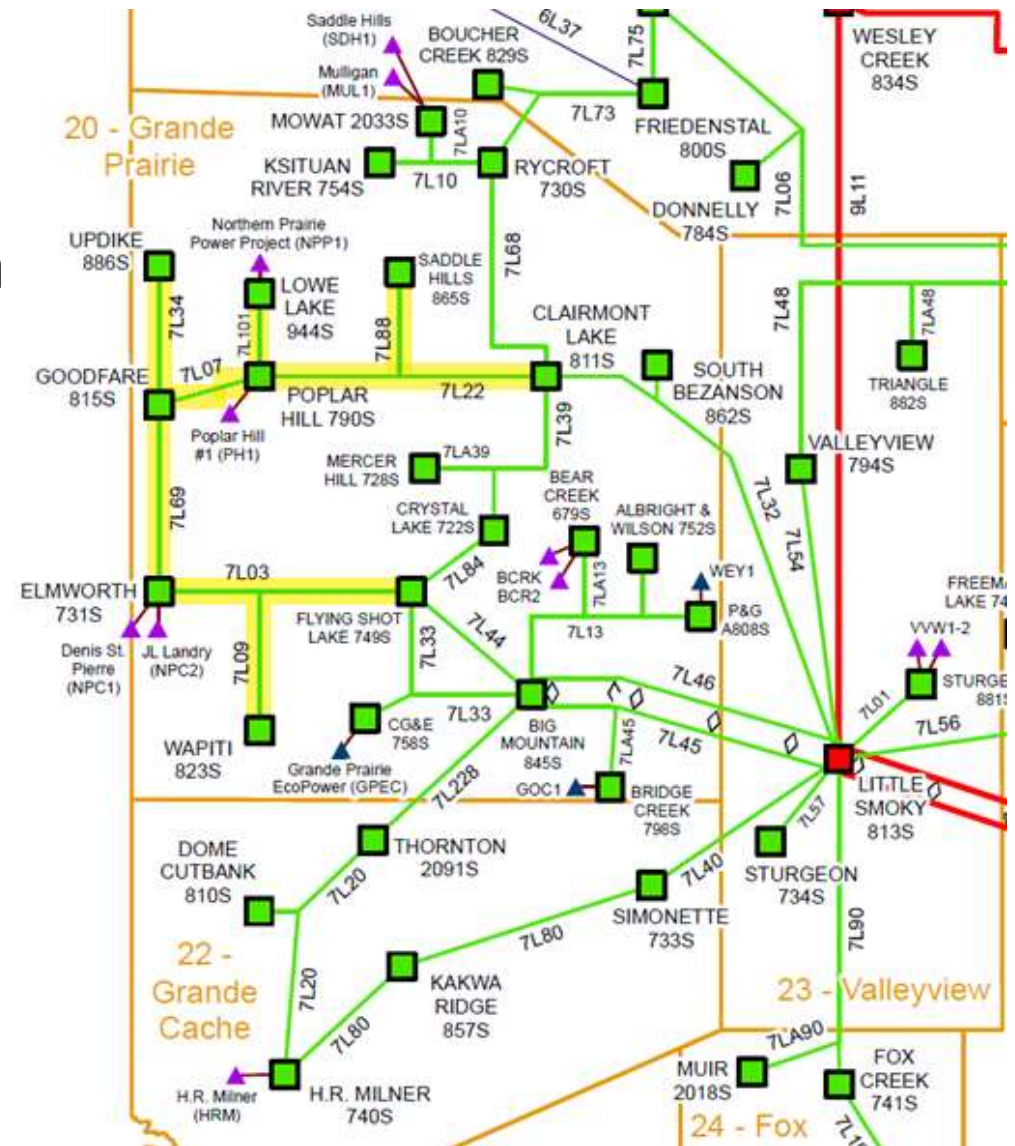


*\*Applies only if there is an RFP.*



# TMR Procurement - Eligibility Criteria

- Must be a single source asset
- Must be connected to 1 of the following substations located in the Grande Prairie “loop”:
  - Poplar Hills 790S
  - Goodfare 815S
  - Elmworth 731S
  - Lowe Lake 944S
  - Updike 886S
  - Saddle Hills 865S
  - Wapiti 823S



- Must be capable of ramping in accordance with the ISO Rules and maintaining a minimum of 35 MW of real power, except when a permitted unavailability, derate or event of force majeure is in effect
- Must be able to maintain the real power at the dispatched volume, subject to the allowable dispatch variance, for the full duration that a dispatch is in effect
  - Historically, the duration of a dispatch has been effective for consecutive days or weeks
- Must be able to provide the service by the commencement of the service term (i.e., July 1, 2022)

- Minimum continuous operating capability:
  - Minimum operating capability that TMR facility can maintain continuously during a TMR dispatch
  - MW value set for term of agreement as provided by respondent
- Maximum continuous operating capability:
  - Maximum operating capability that a TMR facility can maintain continuously during a TMR dispatch
  - MW value equivalent to the contract volume
- Continuous operating capability range:
  - Range between the minimum and maximum continuous operational capability of the TMR facility
  - A valid TMR dispatch must be within this range

- Target procurement volume range: 35 - 45 MW
  - Not intended to address all constraints under “every scenario”
  - Conscripted TMR may be required on a limited basis
- Price cap determined using conscription methodology in the Tariff and then prorated based on ratio of contract volume to maximum generating capability of the facility
- During the RFP stage, proponents shall:
  - Propose a contract volume between the minimum continuous operating capability of the facility and up to 45 MW
  - Bid a fixed price (\$/MW per month) between zero dollars (\$0) and the Price Cap
  - Any fixed price bid greater than the price cap will be deemed to be equivalent to the price cap



- Methodology for calculating the price cap is included in REOI:
  - Step 1: Average monthly fixed costs are equal to  $1/12$  of the sum of the average annual fixed costs of the TMR facility
  - Step 2: Average monthly fixed costs are multiplied by 50% to align with the minimum must-run ratio of 50% as defined in the Tariff for conscripted TMR
  - Step 3: Fixed costs are multiplied by the proposed contract volume as a ratio of the proposed contract volume to the maximum generating capability of the TMR Facility
  - Step 4: The fixed costs calculated in step 3 above are then divided by the proposed contract volume to represent the price cap on a \$ per MW basis

- Payment mechanism:
  - Purchase price = availability payment + variable cost payment
- Availability Payment
  - Fixed payment adjusted based on monthly availability
- Variable Cost Payment
  - Principle is reasonably 'keep whole' provision for direct costs
  - Includes the following costs:
    - Fuel costs
    - Transmission losses
    - Variable operations and maintenance costs
    - Carbon and emissions (CO<sub>2</sub>e) charges
    - Trading charges
  - Generation that exceeds the dispatched volume by more than 5 MW is entitled to pool price only



- 2-year term (plus two 6-month optional extensions at AESO's sole discretion)
- Scheduled Outages:
  - ISO Rule 306.5 applicable for reporting scheduled outages
  - Changes within 3 months must be approved by AESO
  - AESO may request a change to the scheduled outage to the extent system reliability is materially affected
    - Service provider is not required to accommodate a change to the scheduled outage if such change presents a risk to equipment, people, environment or breach of applicable law

- A Failure to Supply is defined as a failure to:
  - Acknowledge a dispatch within 10 minutes and comply with dispatch
  - Begin ramping as per ISO Rules and achieve dispatched volume within 30 minutes or less if required by ISO Rules from the effective time of the dispatch
  - Maintain generation within allowable dispatch variance (-5MW) and failure results in conscription of another facility for the provision of TMR
- Commercial terms to manage performance:
  - Setoff for incremental costs if another unit is required to be conscripted due to a failure to supply
  - AESO has a contractual right to request a recovery plan from the service provider to remedy a service deficiency

- REOI stage:
  - Information session presentation and recording, and any competition updates will be posted on the TMR procurement website:
    - [www.aeso.ca/market/ancillary-services/transmission-must-run-service/](http://www.aeso.ca/market/ancillary-services/transmission-must-run-service/)
  - Email [TMR@aeso.ca](mailto:TMR@aeso.ca) to submit questions and submit the EOI Form
- RFP stage:
  - If the REOI is contestable, the RFP will launch April 4, 2022, with proposals due on May 16, 2022
  - RFP stage will utilize a Bonfire site, and following the REOI stage:
    - The registration process will open, and
    - The Bonfire access agreement, along with further information will be posted on the TMR procurement website
  - To obtain access to the Bonfire site, participants will need to do the following:
    - Complete the registration process
    - Execute an agreement for access
  - Access to the Bonfire site is necessary to receive the RFP documents and participate in the RFP

- Adhere to timelines
- Pay attention to detail
  - Sign forms where requested
  - Note all requirements
  - Provide complete information in the manner instructed
- Seek clarification during the process
  - General inquiries until open of the RFP stage through [TMR@aeso.ca](mailto:TMR@aeso.ca)
  - The communications protocol for the RFP stage will be detailed in the RFP document
  - During the RFP stage, inquiries should be submitted through the Bonfire site

- Please submit your questions using Zoom
- Interested parties that have feedback regarding the TMR competition should use the EOI form
  - Fillable form available on the AESO's [TMR Procurement webpage](#)
- We will answer as many questions time permits during this information session
  - Any we cannot answer today, we will answer following the information session
  - Questions specific to the draft agreement will be answered following the information session
  - Questions and answers will be posted on the AESO's website

## Question & Answer Period

Thank you