

# ISO Rule Proposal

## Purpose of the Form

Section 20.81 of the *Electric Utilities Act* requires the AESO to establish a process for market participants and interested parties to propose ISO rules for the AESO’s consideration. To propose a new ISO rule, an amendment to an existing ISO rule or a removal of an existing ISO rule, please complete and submit this form.

Completed proposal forms will be posted to the AESO website with Individual Name, Title and Contact Details removed. Please ensure that any confidential or commercially sensitive information submitted with your proposal has been clearly identified.

## ISO Rule Proposal Description

1. Proposal Date:

January 16, 2020

2. Proposal Type:

<input type="checkbox"/> New ISO rule(s)	<input checked="" type="checkbox"/> Amend existing ISO rule(s)	<input type="checkbox"/> Removal of existing ISO rule(s)
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3. Provide a concise description of the issue that the proposed rule is intended to address, the level of urgency, and any industry impacts. Please provide a list of any relevant supporting data, analysis, or materials and include these documents as attachments to this form.

ISO Rule 203.6, Appendix A, places obligations on market participants who are operating as an importer / exporter to restate available capability of the interchange transactions in certain circumstances. In the event that there is a reduction to the volume associated with an electronic tag (e-tag) for an import or export asset it seems unnecessary to place the requirement to restate on the importer / exporter.

In support of the levels of urgency and impact associated with this proposed rule amendment the MSA notes the following:

- a) Over the period from 2010-2018, inclusive, contraventions related to ISO rule 203.6 (and the substantively similar ISO rule 6.3.3 that existed prior to the AESO’s Transition of Authoritative Documents) for import / export transactions have accounted for over 14% of the referrals for ISO rule contraventions received by the MSA and over 12% of the self-reports with total specified penalties of \$892,000. A significant number of contraventions are as a result of e-tag quantities

not corresponding to available capability values.<sup>1</sup> Should the rule be amended as suggested the MSA would expect a reduction in penalties for market participants and a reduction in time required for the AESO and MSA to monitor and enforce those rules.

A proposal to amend these rules was submitted to the AESO by Morgan Stanley Capital Group Inc. (Morgan Stanley) on October 9, 2018, Appendix D. The MSA's current concern is similar to what it was then, although we believe the AESO can go further in eliminating the requirements to restate on importers / exporters.

By letter dated December 13, 2018, Appendix E, the AESO rejected Morgan Stanley's October 9, 2018 proposal on the basis that the AESO intended to file ISO rules early in 2019 that would address the expressed concerns and be effective by some time in 2021. Given that "system changes" would be required that timeframe was reasonable. Those ISO rules were filed in early 2019. However, following the AUC decision to terminate the capacity market application, the MSA understands that those rules have been withdrawn and are now not planned to be amended.

No consultation around the ISO rule is currently contemplated on the ISO rule development workplan, Appendix F, (last updated September 2019) and it is unclear whether the rule would be consulted on as part of the AESO's proposed work on "Priced Interties" that forms part of the 2020 Plan for Market-Related Initiatives.

The MSA understands that the "system changes" contemplated in the capacity market were substantial. With the maintenance of an energy only market, removing the requirement for importers / exporters to report their available capability of the interchange transactions in some circumstances may have only limited consequences and none which impact the AESO's ability to manage a reliable electric system.<sup>2</sup> Should the AESO consult with stakeholders on amendment to these rules we would suggest the AESO consider whether the rule change could proceed without waiting for system changes.

- b) The MSA is concerned that ISO rules that are not required to protect the reliability of the system or to promote fair, efficient and open competition result in unnecessary costs being placed on market participants. This may result in an adverse impact to the performance of the market in so far as it discourages entities to participate on the interties.
4. Provide a description of your proposal to address the issue described in #3. Include the purpose or objective of the proposed new or amended ISO rule. Note that it is not necessary to provide draft rule language.

The purpose of the proposed amended ISO rule is to enhance efficiency and to reduce the administrative requirements placed on market participants to comply with specific ISO rules

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<sup>1</sup> See Appendix C: section 3.3.2 of the MSA's Compliance Review 2010; section 3.3.1 of the MSA's Compliance Review 2011; section 3.3.3 of the MSA Compliance Review 2012; section 3.3.3 of the MSA Compliance Review 2014; and section 3.3.1 of the MSA Compliance Review 2015.

<sup>2</sup> Currently, the MSA understands that available capability values, including those of importers, are inputs in AESO Price forecasts and possibly and the Supply Adequacy Report.

where their requirements are not necessary to either support reliability or promote fair, efficient and open competition.

In the proposed capacity market rules the ISO had already drafted amendments to ISO rule 203.6, Appendix G, that were aimed at addressing earlier concerns expressed about this rule. The MSA requests that the AESO initiate the AESO Rules Development process, including a stakeholder consultation, on the removal of the requirement to restate the available capability of the interchange transaction when the associated e-tag is curtailed regardless of the entity causing the reduction to the volume associated with an e-tag.

Provide a list of related ISO rules, Information Documents, and any other relevant AESO documents.

- [Appendix A ISO Rule 203.3 \(Effective 2014-07-02\)](#)
- [Appendix B: ISO Rule 203.6 \(Effective 2013-08-13\)](#)
- [Appendix C: Extracts from MSA compliance review](#)
- [Appendix D: ISO rule proposal dated October 9, 2018](#)
- [Appendix E: AESO Letter dated December 13, 2018, Re: Alberta Electric System Operator response to Morgan Stanley Capital Group Inc. ISO rule proposal dated October 9, 2018](#)
- [Appendix F: ISO Rules Development Workplan, Updated September 2019](#)
- [Appendix G: Proposed ISO rule 203.6 from Capacity Market Hearing](#)

# Appendix A

# ISO Rules

## Part 200 Markets

### Division 203 Energy Markets

#### Section 203.3 Energy Restatements



#### Applicability

1 Section 203.3 applies to:

- (a) a **pool participant**;

when participating in the energy market.

#### Requirements

##### Available Capability Restatements for Offers

**2(1)** A **pool participant** must only submit an **available capability** restatement revising the **available capability** of a **source asset** if such revision is:

- (a) as a result of an **acceptable operational reason**;
- (b) in relation to an **operational deviation** and required under subsection 5(3) of section 203.4 of the **ISO rules**, *Delivery Requirements for Energy*; or
- (c) in order to reflect the output of the **source asset** which is restricted during either one (1) or both of **commissioning** and testing under section 505.3 of the **ISO rules**, *Coordinating Synchronization, Commissioning, WECC Testing and Ancillary Services Testing* or under section 505.4 of the **ISO rules**, *Coordinating Operational Testing*.

**(2)** A **pool participant** that submits an **offer** must, if there is a change to the **available capability** of the **source asset** as a result of any of the circumstances outlined in subsections 2(1)(a), (b) or (c), submit an **available capability** restatement revising the **available capability** for the applicable hours, as soon as reasonably practicable.

**(3)** A **pool participant** must submit the reason or reasons for submitting an **available capability** restatement for a **source asset**.

##### Price Restatements for Offers

**3** A **pool participant** that submits an **offer** may submit a price restatement but must only do so prior to two (2) hours before the start of a **settlement interval**.

##### MW Restatements for Offers

**4(1)** A **pool participant** that submits an **offer** may submit a MW restatement prior to two (2) hours before the start of a **settlement interval**.

**(2)** A **pool participant** that submits an **offer** must submit a MW restatement redistributing the MW to represent the operating state of the **source asset**, as soon as reasonably practicable, if the **source asset** cannot comply with the current **offer** as a result of:

- (a) either
  - (i) an **acceptable operational reason**; or
  - (ii) an **operational deviation** and such restatement is required under subsection 5(3) of section 203.4 of the **ISO rules**, *Delivery Requirements for Energy*; andan **available capability** restatement under subsection 2 cannot reasonably accommodate the **source asset's** operating state; or

- (b) carrying out either one (1) or both of **commissioning** and testing under section 505.3 of the **ISO rules**, *Coordinating Synchronization, Commissioning, WECC Testing and Ancillary Services Testing* or under section 505.4 of the **ISO rules**, *Coordinating Operational Testing*.

(3) A **pool participant** must submit the reason or reasons for submitting a MW restatement in accordance with subsection 4(2)(a) if such MW restatement is submitted within two (2) hours of the start of the **settlement interval** or within the current **settlement interval**.

(4) If a **pool participant** is responding to the **ISO** under subsection 2(2)(c) of section 202.5 of the **ISO rules**, *Supply Surplus*, then the **pool participant** must submit a restated **offer** for its **source asset** within the current hour which reduces the quantity of only the zero dollar (\$0) **operating block** of the **source asset**.

#### Minimum Stable Generation Restatements for Offers

5(1) A **pool participant** that submits an **offer** must, if there is a change to the **minimum stable generation** as a result of any **acceptable operational reason**, submit a **minimum stable generation** restatement for the **source asset** for the applicable hours, as soon as reasonably practicable.

(2) If the restated **minimum stable generation**:

- (a) is lower than the previously submitted **minimum stable generation**; and
- (b) the restatement is submitted within two (2) hours of the start of the **settlement interval**,

then the **pool participant** is prohibited from restating the MW of the **operating block** with the lowest **offer price** for the **source asset**.

(3) If the restated **minimum stable generation**:

- (a) is higher than the previously submitted **minimum stable generation**; and
- (b) the restatement is submitted within two (2) hours of the start of the **settlement interval**,

then the **pool participant**, when restating an increase to the MW of the **operating block** with the lowest **offer price** for the **source asset** in order to comply with subsection 3(4)(b) of section 203.1 of the **ISO rules**, *Offers and Bids*, must take any such additional MW from the **operating blocks** with the next highest **offer price** in ascending order.

(4) A **pool participant** must submit the reason or reasons for submitting a **minimum stable generation** restatement under subsection 5(1).

#### Price Restatements for Bids

6 A **pool participant** that submits a **bid** may submit a price restatement but must only do so prior to two (2) hours before the start of a **settlement interval**.

#### MW Restatements for Bids

7(1) A **pool participant** that submits a **bid** may submit a MW restatement prior to two (2) hours before the start of a **settlement interval**.

(2) A **pool participant** that submits a **bid** must submit a MW restatement redistributing, or in the case of exports reducing, the MW to represent the operating state of the **sink asset**, as soon as reasonably practicable, if the **sink asset** cannot comply with the current **bid** as a result of an **acceptable operational reason**.

# ISO Rules

## Part 200 Markets

### Division 203 Energy Markets

#### Section 203.3 Energy Restatements



**(3)** A **pool participant** must submit the reason or reasons for submitting a MW restatement under subsection 7(2) if such MW restatement is submitted within two (2) hours of the start of the **settlement interval** or within the current **settlement interval**.

**(4)** If a **pool participant** is responding to the **ISO** under subsection 2(2)(b) of section 202.5 of the **ISO rules**, *Supply Surplus*, then the **pool participant** must submit a MW restatement for its **bid** for the applicable **sink asset** in the current hour, increasing the MW of the export **interchange transaction**.

#### Revision History

Effective	Description
2013-01-08	Initial Release
2013-11-08	Amended subsection 4(2), added clarity to “the operating block” in subsections 5(2) and 5(3), and corrected a subsection reference.
2014-07-02	Corrected typos in subsection 2(1)(b) by updating the references to be “section 203.4” of the ISO rules instead of “section 203.3”.

# Appendix B

# ISO Rules

## Part 200 Markets

### Division 203 Energy Markets

#### Section 203.6 Available Transfer Capability and Transfer Path Management



#### Applicability

- 1 Section 203.6 applies to:
  - (a) a **pool participant** seeking to exchange or transact an import or export **interchange transaction**; and
  - (b) the **ISO**.

#### Capability Limits Determinations by the ISO

- 2(1) The **ISO** must determine and post on the AESO website the following capability limits in MW prior to each **settlement interval**, and also on an as required basis when **interconnected electric system** operating conditions change:
  - (a) the **Alberta interchange capability**;
  - (b) the import and export capability of the combined British Columbia and Montana transfer paths; and
  - (c) the import **available transfer capability** and export **available transfer capability** for each of the British Columbia, Montana and Saskatchewan transfer paths.
- 2(2) Once the **ISO** has determined the limits under subsection 2(1), it must ensure that:
  - (a) the amount in MW of all transmission service for all import and export **interchange transactions** for all transfer paths does not exceed the **Alberta interchange capability** limit referenced in subsection 2(1)(a);
  - (b) the amount in MW of all transmission service for all import and export **interchange transactions** for the combined British Columbia and Montana transfer paths does not exceed the combined limit referenced in subsection 2(1)(b); and
  - (c) the amount in MW of all transmission service for all import and export **interchange transactions** for an individual transfer path does not exceed the limit for that transfer path referenced in subsection 2(1)(c).

#### Total Transfer Capability Determinations by the ISO

- 3(1) The **ISO** must determine the import **total transfer capability** and the export **total transfer capability** for an individual transfer path, in order to determine the import **available transfer capability** and the export **available transfer capability** for that transfer path.
- 3(2) The **ISO** must make the determinations under subsection 3(1) with reference to the applicable provisions of any related **reliability standards**.

#### Available Transfer Capability Determinations by the ISO for a Transfer Path

- 4(1) The **ISO** must use the import **available transfer capability** and the export **available transfer capability** limits as referenced under subsection 2(1)(c) for an individual transfer path, as the maximum capability for scheduling **interchange transactions** on that transfer path.
- 4(2) The **ISO** must post on the AESO website the import **available transfer capability** and the export **available transfer capability** as determined for an individual transfer path.

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(3) The **ISO** must post on the AESO website as soon as is reasonably practical any change to the import **available transfer capability** or the export **available transfer capability** for an individual transfer path.

#### Submission of Interchange Transaction Bids and Offers by a Pool Participant

**5(1)** Notwithstanding subsection 3.5.2 of the **ISO rules**, *Submission Timing*, a **pool participant** with an import or export energy **interchange transaction** must submit through the **Energy Trading System** the import **offer** or export **bid** for the **interchange transaction**, as applicable, no later than two (2) hours prior to the start of the **settlement interval** in order for the **interchange transaction** to be included in the **energy market merit order**.

(2) A **pool participant** with any form of **interchange transaction** must use all reasonable efforts to procure transmission service from applicable transmission service providers in an amount in MW at least equal to the **available capability** of the **interchange transaction**, which reasonable efforts must include:

- (a) determining whether there is transmission service posted by the applicable transmission service providers and available for that **interchange transaction**; and
- (b) submitting a request to the applicable transmission service providers to procure the transmission service, if it has been posted and is available.

(3) If after complying with subsection (2):

- (a) the **pool participant** is unable to procure all or a portion of the requested transmission service for an energy **interchange transaction**; or
- (b) the transmission service for an energy **interchange transaction** is curtailed after procurement either by any transmission service provider or the **ISO**;

then such a circumstance is a reason the **pool participant** must submit a restatement of **available capability**, and may be the basis for the determination of an **acceptable operational reason** under subsection (iv) of that definition.

(4) For any **pool participant** with an **interchange transaction**, if due to a determination by the **ISO** under subsection 10 the amount in MW of the **interchange transaction** on an individual transfer path exceeds the individual transfer path **available transfer capability** allocation as determined under that subsection, then that circumstance is a reason the **pool participant** may submit a restatement of **available capability** to the level of the allocation, and may be the basis for the determination of an **acceptable operational reason** under subsection (iv) of that definition.

#### Submission of E-tags by Pool Participants

**6(1)** **Pool participants** with any import or export **interchange transactions** who have acquired transmission service must submit **e-tags** to the **ISO** for the **interchange transactions**.

(2) The **ISO** must receive **e-tags** no later than twenty (20) minutes prior to the start of the **settlement interval** in order for the energy components of the **interchange transactions** to be included in an **interchange schedule** referenced in subsection 8.

(3) A **pool participant** must submit one (1) or more **e-tags** for an energy **interchange transaction** such that the final total amount in MW agrees with the **available capability** of the

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### Division 203 Energy Markets

#### Section 203.6 Available Transfer Capability and Transfer Path Management



single **source asset**:

- (a) as stated two (2) hours prior to the start of the **settlement interval**; or
- (b) as may be restated in accordance with the provisions of this section 203.6, but in any event the final total amount in MW must not exceed the **available capability** of the single **source asset** as stated at two (2) hours prior to the start of the **settlement interval**.

(4) If:

- (a) the **pool participant** is unable to procure transmission service, or the transmission service is curtailed by any transmission service provider or the **ISO**, as referenced under subsection 5(3); or
- (b) there is any other change in the **available capability** for the **sink asset** or the **source asset**, as applicable;

then the **pool participant** must submit, as applicable:

- (i) an energy restatement in accordance with either subsection 3.5.3.2 or subsection 3.5.4.2 of the **ISO rules**, *Mandatory Energy Restatements*; or
- (ii) an **ancillary services** restatement in accordance with subsection 3.6.3 of the **ISO rules**, *Restatements*.

#### Validation of E-Tags by the ISO

**7(1)** The **ISO** must validate **e-tags** for **interchange transactions** in accordance with the provisions of this subsection 7.

**(2)** An **e-tag** must be validated by the **ISO** prior to the **e-tag** being included in an **interchange schedule**.

**(3)** The **ISO** must validate an **e-tag** with reference to the provisions of the **reliability standards**, INT-006-AB-2 *Response to Interchange Authority*.

**(4)** The **ISO** must reject an **e-tag**:

- (a) if the **interchange transaction** is not being transacted by a **pool participant**;
- (b) for an import **interchange transaction** if the source **balancing authority** is in the **WECC** and the sink **balancing authority** is the **ISO**, and the source **balancing authority** is not carrying reserves allocated for that import **interchange transaction**;  
or
- (c) if the **e-tag** is not fully completed.

**(5)** If the provisions of this subsection 7 otherwise are complied with, then the **ISO** may validate and include in the **interchange schedule** any **e-tags** that are submitted after the twenty (20) minute deadline set out in subsection 6(2).

#### Interchange Schedules and Dispatches by the ISO

**8(1)** Subject to the provisions of this section 203.6, the **ISO** must include in the **interchange schedule** the energy components of **interchange transactions** if the **e-tags** for the **interchange transactions** have been:

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- (a) received by the submission deadline set out in subsection 6(2); and
- (b) validated under subsection 7.

(2) The **ISO** must determine the **interchange schedule** for each transfer path before the start of the **settlement interval**, taking into account the allocation and constraint management procedures and sequencing set out in subsection 10 and subsection 11.

(3) Each **interchange schedule** period must be equal to the **settlement interval**, unless the **ISO** has an agreement with an adjacent **balancing authority** specifying an alternative **interchange schedule** start and end time for an individual transfer path, and in that event the timing of the **interchange schedule** for the transfer path must be governed by the form of agreement.

(4) The **ISO** must treat the energy component of a scheduled **interchange transaction** as a **dispatch** in accordance with the applicable **energy market merit order**.

(5) The **ISO** must not make any changes to an **interchange schedule** for a transfer path except if required to accommodate:

- (a) the delivery of external **supplemental reserves, spinning reserves or contingency reserves**;
- (b) a matter of **reliability** on the **interconnected electric system**, or a similar matter which may occur in any other **balancing authority area**;
- (c) an emergency or a **system emergency** on the **interconnected electric system** or in any other **balancing authority area**;
- (d) a **supply shortfall** or supply surplus matter; or
- (e) any curtailments resulting from the procedures and sequencing set out in subsection 10 and subsection 11.

(6) If the **ISO** is required to accommodate any matter referred to in subsection 8(5), then the **ISO** must issue the resulting **interchange schedule** changes.

#### Saskatchewan Inadvertent Energy Management

9 If the **ISO** is required to manage an amount of **inadvertent energy** on the Saskatchewan transfer path, then:

- (a) the **inadvertent energy** is not eligible to set the **pool price**; and
- (b) **inadvertent energy** payback on the Saskatchewan transfer path must not exceed twenty-five (25) MW.

#### Available Transfer Capability Allocations for Transfer Paths

10(1) At approximately eighty-five (85) minutes prior to a **settlement interval**, the **ISO** must determine whether the capability limits under subsection 2 may be exceeded, and if so then the **ISO** must determine the individual transfer path **available transfer capability** allocations in accordance with the following procedures:

- (a) the **ISO** must calculate the net **interchange transaction** amount in MW, at each potential **system marginal price**, taking into account:

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- (i) the energy **interchange transaction** amounts in MW, and the prices for **bids** and **offers**;
  - (ii) the **interchange transaction** amount in MW for **ancillary services**; and
  - (iii) applicable counterflows; and
- (b) the **ISO** may exclude any **wheel through transaction** amounts in MW if those amounts will not result in any limits or allocations under this section 203.6 being exceeded.

(2) The **ISO** must comply with the following additional procedures in the following sequence to determine the allocation of each of the individual transfer path **available transfer capability** allocations:

- (a) the net amount in MW of all **interchange transactions** for the individual transfer path must be compared to the limit determined for that individual transfer path as referenced in subsection 2(1)(c), and:
  - (i) if that net amount is equal to or greater than the limit, then the allocation must be set at that limit; and
  - (ii) if that net amount is less than the limit, then the allocation must be set at that net amount;
- (b) for the British Columbia and Montana transfer paths, the sum in MW of their individual transfer path allocations calculated under subsection 10(2)(a) must be compared to the combined British Columbia and Montana transfer path limit referenced in subsection 2(1)(b);
- (c) if the combined transfer path limit of subsection 2(1)(b) is not exceeded, then the allocations must remain as determined in accordance with subsection 10(2)(a), but if it is exceeded, then a further allocation must be done in accordance with the following sequence in order to ensure the combined transfer path limit as determined under subsection 2(1)(b) is not exceeded:
  - (i) first, the British Columbia, or the Montana, or both the British Columbia and the Montana transfer path allocations must be reduced as necessary by the applicable **ancillary services** type **interchange transaction** amounts in MW;
  - (ii) second, the British Columbia, or the Montana, or both the British Columbia and the Montana transfer path allocations must be reduced as necessary by the applicable energy **interchange transaction** amounts in MW, with the reduction being in reverse merit order based on **bid** and **offer** prices; and
  - (iii) third, if there are equally priced British Columbia and Montana energy **interchange transactions**, then the British Columbia and Montana allocations must be reduced on a pro rata basis using the following formula:

the MW allocation for each of the Montana and British Columbia transfer paths as determined in accordance with subsection 10(2)(a), as may be reduced under subsections 10(2)(c)(i) and 10(2)(c)(ii);

divided by

the sum in MW calculated under in subsection 10(2)(b) as may be

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reduced under subsections 10(2)(c)(i) and 10(2)(c)(ii);

multiplied by

the amount by which that sum exceeds the combined British Columbia and Montana transfer path limit referenced in subsection 2(1)(b);

- (d) the allocation resulting from subsection 10(2)(c) plus the Saskatchewan transfer path allocation calculated under subsection 10(2)(a) must then be compared to the **Alberta interchange capability** limit referenced in subsection 2(1)(a); and
- (e) if the **Alberta interchange capability** limit is not exceeded, then the allocations must remain as determined in accordance with subsections 10(2)(a) and 10(2)(c), but if that limit is exceeded, then a further allocation of **available transfer capability** must be done in accordance with the following sequence in order to ensure that the **Alberta interchange capability** limit as determined under subsection 2(1)(a) is not exceeded:
  - (i) first, any individual one (1), or any combination of the British Columbia, Montana, and Saskatchewan transfer path allocations must be reduced as necessary by the applicable **ancillary service type interchange transaction** amount in MW;
  - (ii) second, any individual one (1), or any combination of the British Columbia, Montana, and Saskatchewan transfer path allocations must be reduced as necessary by the applicable energy **interchange transaction** amounts in MW, with the reduction being in reverse merit order based on **bid** and **offer** prices; and
  - (iii) third, if there are equally priced British Columbia, Montana and Saskatchewan energy **interchange transactions**, then the British Columbia, Montana and Saskatchewan allocations must be reduced on a pro rata basis using the following formula:

the MW allocation for each of the Montana and British Columbia transfer paths as determined in accordance with subsection 10(2)(c) and the Saskatchewan transfer path allocation under subsection 10(2)(a), as may be reduced under subsections 10(2)(e)(i), and 10(2)(e)(ii);

divided by

the sum in MW referred to in subsection 10(2)(d), as may be reduced under subsections 10(2)(e)(i) and 10(2)(e)(ii);

multiplied by

the amount by which that sum exceeds the **Alberta interchange capability** limit referenced in subsection 2(1)(a);

**(3)** At approximately eighty-five (85) minutes prior to a **settlement interval**, the **ISO** must post on the AESO website:

- (a) the total in MW of all energy import **offers** and export **bids** received for each transfer path and the combinations of transfer paths referenced under subsection 2, at two (2) hours prior to the start of the **settlement interval** in accordance with subsection 5(1);

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- (b) the limits referenced under subsection 2; and
- (c) all allocations made under this subsection 10.

**(4)** If, after eighty-five (85) minutes prior to a **settlement interval**, any of the limits referenced in subsection 2 have decreased, then the **ISO** must curtail **interchange transactions** in accordance with the procedures and sequence set out in subsection 11.

#### Transfer Path Constraint Management

**11(1)** If, after carrying out the procedures set out in subsection 10, within fifteen (15) minutes prior to the start of the **settlement interval** and based on the **e-tags** submitted under subsection 6 the limits referenced in subsection 2 are still exceeded, then the **ISO** must curtail **interchange transactions** in accordance with the sequential procedures set out in this subsection 11.

**(2)** The **ISO** must determine the effective **interchange transactions** for mitigating a constraint caused by limits being exceeded at the **Alberta interchange capability** level, the combined Montana and BC transfer path capability level, or at each individual transfer path level.

**(3)** The **ISO** may determine that any **wheel through transaction** is not effective in mitigating a constraint, based on its analysis under subsection 11(2).

**(4)** The **ISO** must comply with the following procedures in the following sequence to mitigate the remaining constraint:

- (a) assess all **interchange transactions** for transmission services against the limits referenced under subsection 2 and allocations made under subsection 10, and determine the **interchange transactions** that will be effective in mitigating the constraint;
- (b) curtail the transmission service of **interchange transactions** under the sequencing set out in subsection 11(4)(c), mitigating the constraint in the following order at the following levels, where effective:
  - (i) an individual transfer path limit level;
  - (ii) the combined Montana and British Columbia transfer path level; or
  - (iii) the **Alberta interchange capability** level; and
- (c) curtail at the effective level:
  - (i) **inadvertent energy** payback **interchange transactions**, prior to the curtailment of any **interchange transactions** on the Saskatchewan transfer path;
  - (ii) transmission services of any effective **interchange transactions** for **ancillary services**;
  - (iii) transmission services of any effective energy **interchange transactions** based on **bid** and **offer** prices in reverse merit order; and
  - (iv) transmission services of any effective energy **interchange transactions** on a pro rata basis in accordance with the following formula:  
scheduled amount of each effective **interchange transaction**;

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multiplied by  
total amount necessary to mitigate the constraint;  
divided by  
total scheduled amount of all effective **interchange transactions**.

#### Revision History

<i>Effective</i>	<i>Description</i>
2013-08-13	Initial release

# Appendix C

Extract from MSA Compliance Review 2010

### **3.3.2 ISO rule 6.3.3**

ISO rule 6.3.3 - Interconnection Dispatching, describes the conduct expected of importers and exporters when scheduling and offering (bidding) an import (export). Excluding the extraordinary issuance of the 332 notices of specified penalty, the MSA issued 23 notices of specified penalty for contravention of ISO rule 6.3.3 in 2010 and extended forbearance in 19 other cases. Of the 23 notices of specified penalty issued in 2010, 59 percent were issued for contraventions where the sum of e-tag quantities did not correspond to the Available Capability (AC) declared at T-2 for the import or export asset. The remaining 41 percent were issued for contraventions where the AC was restated up or down within the T-2 window. Of the 332 notices of specified penalty issued to one participant in Q3/10 all were contraventions of ISO rule 6.3.3 where the AC was restated within the T-2 window.

Contraventions typically follow one of three fact patterns:

- The e-tag quantities do not correspond to the AC declared at T-2 for the import or export asset.
- The AC is restated up in volume within T-2 without direction from the system controller.
- The AC is restated down within T-2 without an acceptable operation reason.

Extract from MSA Compliance Review 2011

### **3.3.1 ISO rule 6.3.3**

Rule 6.3.3 - Interconnection Dispatching, describes the conduct expected of importers and exporters when scheduling and offering (bidding) an import (export). As can be seen in Figure 2, the overall number of 6.3.3 related matters increased substantially in 2011, however, fewer matters were referred by the AESO in 2011 as compared to 2010 and all of the increase was attributed to self reporting. The MSA issued 17 notices of specified penalty for contraventions of ISO rule 6.3.3 in 2011. Of these 17 notices of specified penalty, 7 were issued for contraventions where the sum of e-tag quantities did not correspond to the Available Capability (AC) declared at T-2 for the import or export asset. The remaining 10 notices of specified penalty were issued for contraventions where the AC was restated up or down within the T-2 window.

Non-compliance with this rule often stems from transmission curtailment along the intended path. Participants schedule an intended import or export and submit an associated energy market offer to the AESO. Subsequently, near to real time or within the delivery hour, one or more electronic tags representing the intended flow for the intended hour, is curtailed due to a transmission constraint. Operationally, the curtailed intertie schedule will proceed based upon approved e-tags, however, participants may miss restating energy market offers in order to align offers with the sum of e-tag quantities for the curtailed schedule or due to human error, a participant may make an error by restating an adjacent settlement interval having the same intended schedule. The frequency of transmission curtailments in recent years appears to be a contributing factor to more frequent contraventions of this rule. The MSA recommends that the AESO consider whether e-tag curtailments could automatically adjust participant offers.

Extract from MSA Compliance Review 2012

### **3.3.3 ISO Rule 6.3.3**

ISO Rule 6.3.3-related matters were the recipients of three notices of specified penalty in 2012, down substantially from the 17 notices of specified penalty issued in 2011. The MSA is of the view that this change is attributed in part to better awareness of the rule requirements among participants active on the intertie together with broader implementation of compliance monitoring tools by participants, but also some attrition in intertie activity during 2012.

Extract from MSA Compliance Review 2014

### **3.3.3 ISO Rule Section 203.6**

ISO rule section 203.6: Available Transfer Capability and Transfer Path Management became effective on August 13, 2013. Through the balance of 2013, 8 compliance matters relating to this rule was addressed by the MSA and in 2014, 40 compliance matters were addressed. Contraventions to ISO rule section 203.6 is typically of subsection 6(4)(b) which indicates that participants are required to submit a restatement for energy or ancillary services in the event that their available capability has changed in accordance with ISO rule section 203.3, as well as ISO rules 3.6.2 and 3.6.3, respectively.

Extract from MSA Compliance Review 2015

### **3.3.1 ISO Rule Section 203.6**

The MSA addressed 44 compliance matters related to ISO rule section 203.6 – Available Transfer Capability and Transfer Path Management. This was an increase from 40 matters addressed in 2014. The MSA issued no notices of specified penalty on ISO rule section 203.6 matters in 2014, however, 7 notices of specified penalty regarding contraventions of the rule were issued in 2015. Contraventions of 203.6 typically involve inaccurately declaring available capability in relation to the sum of the e-tag volumes or restating available capability without an acceptable operational reason within T-2. Further, in late 2015, the MSA encountered compliance situations stemming from increased export activity prompted by the decrease in average pool price over the year. In some cases, import and export assets were confused among other contraventions common with imports as outlined above.

# Appendix D

# ISO Rule Proposal



## Purpose of the Form

Section 20.81 of the *Electric Utilities Act* requires the AESO to establish a process for market participants and interested parties to propose ISO rules for the AESO's consideration. To propose a new ISO rule, an amendment to an existing ISO rule or a removal of an existing ISO rule, please complete and submit this form.

Completed proposal forms will be posted to the AESO website with Individual Name, Title and Contact Details removed. Please ensure that any confidential or commercially sensitive information submitted with your proposal has been clearly identified.

## ISO Rule Proposal Description

1. Proposal Date: October 9, 2018

2. Proposal Type:

<input type="checkbox"/> New ISO rule(s)	<input checked="" type="checkbox"/> Amend existing ISO rule(s)	<input type="checkbox"/> Removal of existing ISO rule(s)
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3. Provide a concise description of the issue that the proposed rule is intended to address, the level of urgency, and any industry impacts. Please provide a list of any relevant supporting data, analysis, or materials and include these documents as attachments to this form.

As written, Section 203.3 of the ISO Rules, *Energy Restatements*, does not take *importer* activity into account, but rather, is focused on traditional generator services. The rule was written to require generators to notify the balancing authority by updating the schedule in a timely manner, so that the balancing authority (i.e. AESO) will know what volumes are being supplied to the pool in any given hour. In the event that a generator experiences operating difficulties and is not able to deliver scheduled power, then the generator should be adjusting its schedule to reflect these changes so that the balancing authority has the necessary information readily available. In this scenario, it makes perfect sense that the AESO would need this information in a timely manner.

However, we believe the AESO is misapplying this requirement in the case of *importers* in instances when those entities receive the Available Transfer Capability restatement allocations directly from the balancing authority. In such cases, it is the AESO itself that is first aware of the adjustment, and then makes the importer aware of the change. In light of this, any citations addressed to the importer, for failure to adjust the schedule in a timely manner seem to go against our understanding of the original intent of the requirement.

4. Provide a description of your proposal to address the issue described in #3. Include the purpose or objective of the proposed new or amended ISO rule. Note that it is not necessary to provide draft rule language.

We believe that Section 203.6 and Section 203.3 should either be clarified or amended to specify that while schedules must be adjusted in a timely manner so that the AESO is made aware of volumes being supplied to the pool, in cases where the *importers* receive the Available Transfer Capability restatement allocations directly from the AESO, or curtailment of E-tags directly by the AESO post T-20, the balancing authority is sufficiently equipped with the necessary restatement information; and therefore, in these cases restatement of the schedule would not be required. Alternatively, we believe the AESO should update its software to allow importers to employ automated solutions to review all schedules for adjustments. This would alleviate manual adjustments, and prompt timely response to ATC messages.

5. Provide a list of related ISO rules, Information Documents, and any other relevant AESO documents.

Section 203.3 of the ISO Rules, *Energy Restatements*

Section 203.6 of the ISO Rules, *Available Transfer Capability and Transfer Path Management*

# Appendix E

Thursday, December 13, 2018

Ryan Killam  
Executive Director  
Morgan Stanley Capital Group Inc.  
1585 Broadway, 3<sup>rd</sup> Floor  
New York, NY 10036, U.S.A

Dear Mr. Killam,

Re: **Alberta Electric System Operator response to Morgan Stanley Capital Group Inc. ISO rule proposal dated October 9, 2018**

On October 9, 2018, the Alberta Electric System Operator (“AESO”) received a proposal (the “Proposal”) from Morgan Stanley Capital Group Inc. (“MSCG”) proposing to amend Section 203.3 of the ISO rules, *Energy Restatements* (“Section 203.3”) and Section 203.6 of the ISO rules, *Available Transfer Capability and Transfer Path Management* (“Section 203.6”). MSCG has proposed that Section 203.3 and Section 203.6 be clarified or amended to specify that restatement of the schedule is not required in cases where importers receive the Available Transfer Capability restatement allocations directly from the AESO or curtailment of E-tags directly by the AESO post T-20; or that the AESO update its software to allow importers to employ automated solutions to review all schedules for adjustments.

On November 9, 2018, the AESO informed MSCG of the AESO invitation for stakeholder comments on the proposed new and amended ISO energy market rules related to the implementation of the capacity market that was posted on October 22, 2018, which includes Section 203.3 and Section 203.6. On November 14, 2018, MSCG submitted comments to the AESO indicating agreement with the proposed change to subsection 5(1) of Section 203.6 because it is consistent with MSCG’s Proposal. In addition, MSCG noted that the proposed rule amendment would not go into effect until 2021, so requested expedited clarification on the proposed amendment put forth in its Proposal, specifically that restatements of the schedule would not be required for importers under the circumstances specified in the Proposal. On November 29, 2018, the AESO responded to MSCG’s comments through its reply to stakeholder comments posted on the AESO website.

With respect to MSCG’s Proposal to amend Section 203.3 and Section 203.6, the AESO has completed its review and is of the opinion that the Proposal does not require the development of a proposed rule at this time. In early 2019, the AESO plans to file the proposed new and amended ISO energy market rules related to the implementation of the capacity market with the Alberta Utilities Commission, including Proposed Amended Section 203.6. The AESO considers that Proposed Amended Section 203.6 would address MSCG’s concerns outlined in the Proposal on the anticipated effective date in 2021. The AESO acknowledges that the system it employs for energy market restatements would require updating in order to address the MSCG’s concerns in advance of 2021. Given that system changes would be required, the AESO considers that MSCG’s concerns outlined in the Proposal will be addressed in a reasonable timeframe.

If you have any questions, please contact the undersigned at 403-539-2623.

Yours truly,

*“Kevin Dawson”*

Kevin Dawson  
Director, Market Design

cc: Karen Kochonies, Executive Director, MSCG  
Samantha Vazquez, Vice President, Legal and Compliance, MSCG

# Appendix F

# ISO Rules Development Work Plan

Update: September 2019

Contact: rules\_comments@aeso.ca

ISO Rules	Related Alberta Reliability Standards	Initiating Stage 1 Stakeholder Consultation <sup>1</sup>	Upcoming Stakeholder Consultation Session	Initiating Stage 2 Stakeholder Consultation <sup>2</sup>	Stage 2 Post Replies	Forecast Filing AUC Application	Date of Filing with the Commission	
<b>Rules Under Development</b>								
502.7	Load Facility Technical Requirements	N/A	15-Nov-2018	N/A	10-Dec-2018	21-Feb-2019	Q3	1-Jul-2019
103.14	Waivers and Variances	N/A	4-Dec-2018	20-Jun-2019	11-Jul-2019	6-Aug-2019	Q3	11-Sep-2019
502.4	Automated Dispatch and Messaging System and Voice Communication System	COM-002-AB-4, COM-002-AB1-2a, COM-001-AB1-1.1	9-Oct-2018	9-Jul-2019	19-Mar-2019	18-Apr-2019	TBD	TBD
502.17	Voice Communication System Requirements	COM-002-AB-4, COM-002-AB1-2a, COM-001-AB1-1.1	9-Oct-2018	9-Jul-2019	19-Mar-2019	18-Apr-2019	TBD	TBD
502.11	Substation Technical and Operating Requirements	N/A	22-Nov-2018	24-Sep-2019	TBD	TBD	TBD	TBD
502.10	Revenue Metering Technical Requirements	N/A	29-Nov-2018	TBD	TBD	TBD	TBD	TBD
OPP804	Off-Nominal Frequency Load Shedding and Restoration	PRC-006	8-Aug-2019	TBD	TBD	TBD	TBD	TBD
305.10	Energy Emergency Alerts	EOP-011-AB-1	8-Aug-2019	TBD	TBD	TBD	TBD	TBD
502.2	Bulk Transmission Line Technical Requirements	N/A	19-Jul-2019	TBD	TBD	TBD	TBD	TBD

The ISO Rules Development Work Plan (the "Work Plan") is for general information purposes only and the Alberta Electric System Operator reserves the right to change or modify the Work Plan at any time without notice. Under no circumstances will the Alberta Electric System Operator, its members, officers, employees, contractors or agents, or any of their respective affiliates, be liable for any errors or omissions in, or any losses, damages or claims whatsoever, whether in contract, tort or otherwise, arising from use of or reliance upon, the Work Plan or any information contained herein. Parties using or relying on the Work Plan do so solely at their own risk, and all information contained herein should be independently verified.

<sup>1</sup> Stage 1 is consultation carried out in accordance with sections 4, 5, 6.1 and 6.2 of Alberta Utilities Commission Rule 017 - *Procedures and Process for Development of ISO Rules and Filing of ISO Rules with the Alberta Utilities Commission*

<sup>2</sup> Stage 2 is consultation carried out in accordance with sections 6.3, 6.4 and 6.5 of Alberta Utilities Commission Rule 017 - *Procedures and Process for Development of ISO Rules and Filing of ISO Rules with the Alberta Utilities Commission*

# Appendix G

# ISO Rules

## Part 200 Markets

### Division 203 Energy Markets

#### Section 203.6 Market Requirements for Interchange Transactions



#### Applicability

- 1 Section 203.6 applies to:
  - (a) a **pool participant** that submits an **offer** or **bid** for an import or export **interchange transaction** in the energy or **ancillary services** market; and
  - (b) the **ISO**.

#### Requirements

##### Procurement of Transmission Service by a Pool Participant

- 2 A **pool participant** must use all reasonable efforts to procure transmission service from applicable transmission service providers in order to meet the volume of a **dispatch** for an **offer** or **bid**, which reasonable efforts must include:
  - (a) determining whether there is transmission service posted by the applicable transmission service providers and available for that **interchange transaction**; and
  - (b) submitting a request to the applicable transmission service providers to procure the transmission service, if it has been posted and is available.

#### Restatements

- 3 If, after complying with subsection 2, the **pool participant** is unable to procure all or a portion of the requested transmission service, or the transmission service is curtailed by any transmission service provider other than the **ISO**, then the **pool participant** must submit, as applicable:
  - (a) an energy restatement in accordance with Section 203.3 of the **ISO rules**, *Energy Restatements*; or
  - (b) an **ancillary services** restatement in accordance with Section 205.3 of the **ISO rules**, *Restatements for Operating Reserve*.

#### Submission of E-tags by Pool Participants

- 4(1) A **pool participant** that submits an **offer** or **bid** for a **settlement interval** may submit 1 or more **e-tags** for the relevant **settlement interval** for an **offer** priced at \$0.00 or a **bid** priced at \$999.99.
- (2) A **pool participant** that submits an **offer** or **bid** for a **settlement interval** must comply with the following:
  - (a) submit an **e-tag** only pursuant to a **dispatch** that the **ISO** issues for an **offer** priced between \$0.01 and \$999.99 and a **bid** priced between \$0.00 and \$999.98;
  - (b) submit or adjust an **e-tag** as soon as reasonably practicable upon receipt of or continuation of a **dispatch**;
  - (c) ensure that the **e-tag** is aligned with the **dispatch** volume for energy or **ancillary services**; and
  - (d) take all actions required to ensure that the start of the schedule in the **e-tag** begins

# ISO Rules Part 200 Markets Division 203 Energy Markets Section 203.6 Market Requirements for Interchange Transactions



as soon as reasonably practicable, but no earlier than the effective time of the **dispatch** and no later than 40 minutes after the instruction time of the **dispatch**.

## Validation of E-Tags by the ISO

**5(1)** The **ISO** must validate an **e-tag** in order to maintain **reliability** and market operations under the existing **ISO rules**.

**(2)** The **ISO** may deny an **e-tag** if:

- (a) the **e-tag** is incomplete or incorrect;
- (b) the **interchange transaction** is not being transacted by a **pool participant**;
- (c) the **e-tag** does not comply with subsection 4; or
- (d) required for the reliable operation of the **interconnected electric system**.

## Revision History

Date	Description
xxxx-xx-xx	Moved content to section 303.2 and section 303.3. Revisions to restatement requirements, submission of e-tags, and validation of e-tags to accommodate dispatched imports and exports.
2013-08-13	Initial release