



July 21, 2009

Dear Market Participants and Interested Parties:

Re: Overview of AESO's approach to pending ISO Rules and OPPs related to Transmission Constraints Management and Remedial Action Schemes

This letter provides an overview of the AESO's plans for finalizing and implementing ISO rule 9.4 Transmission Constraints Management (TCM rule) and Remedial Action Scheme (RAS) rule(s) and practices currently under development. In that context, this letter also outlines the overall approach the AESO will take with respect to related changes to various Operating Policies and Procedures (OPPs) required for new customer interconnections, particularly those occurring in the near term prior to the finalization of the above noted rules.

Introduction and Background

On April 9, 2009 the Alberta Utilities Commission (AUC or Commission) released [Decision 2009-042](#)¹ (the TCM Decision) after holding Proceeding 41 to consider objections to the proposed TCM rule. The Commission determined that parties objecting to the TCM rule had failed to demonstrate that it was inconsistent with the fair, efficient and openly competitive (FEOC) market² or otherwise not in the public interest.³ Complaints relating to the fundamentals of the TCM rule, such as those relating to dispatch based on Energy Market Merit Order and Reverse Merit Order, were rejected.⁴ The Commission also specifically found that there is nothing inconsistent with a RAS scheme and the provision of a reasonable opportunity to access the AIES where there may be insufficient transmission available.⁵ The TCM Decision directed the AESO to define basic terms and provide clarification or certainty as to the scope of the TCM rule and the process steps to manage congestion and to re-file the revised TCM rule.⁶ The TCM rule will become effective when the Commission is satisfied that it complies with the Commission's directives.⁷ At this point, the AESO and industry know the intended protocol for managing congestion in the future, but the specific wording of the TCM rule is yet to be finalized.

¹ Decision 2009-0-042, Alberta Electric System Operator, Objections to ISO Rule 9.4, Transmission Constraints Management, April 9, 2009.

² TCM Decision, paragraphs 178 to 180.

³ TCM Decision, paragraph 188.

⁴ TCM Decision, paragraph 114.

⁵ TCM Decision, paragraph 158.

⁶ See, for example, the TCM Decision, paragraph 205.

⁷ TCM Decision, paragraph 209.

The AESO has initiated consultation to revise the TCM rule for resubmission to the AUC. In parallel, the AESO has also commenced consultation on the use of RAS, with a view to submitting final rules and OPPs for both TCM and RAS by year end.

The demands on the Alberta Interconnected Electric System will not be static until the TCM rule and RAS rules are in place. Consistent with its duties under the *Electric Utilities Act*, the AESO must continue to reliably operate the system and to interconnect market participants on a timely basis in the period (transition period) before the TCM rule and RAS rules are finalized.

In order to provide customer service in a timely and prudent fashion during the transition period a number of urgent changes are required to the Transmission OPPs (OPP 500 series) of approved ISO rules. Specifically, OPP 501 (Northwest Area Operation), OPP 505 (Fort McMurray Area Operation), OPP 515 (South Area Operation) must be amended and consulted on and a new OPP 525 (Crossfield Area Operation) must be filed. The changes to the OPP 500 series involve the use of RAS in various areas of the province to accommodate the interconnection of new customers. In these and other cases where OPP 500 series amendments or additions are required in the transition period to accommodate new customer interconnections, the AESO plans to ensure that the OPP amendments are to the extent possible aligned with the intended TCM protocol.

Real Time Congestion Management – The TCM Rule

The AESO has initiated this consultation with some Market Advisory Committee members and will follow with normal industry consultation to clarify and finalize rule language, consider alternative proposals related to market pricing during constrained events and consider use of TMR during congestion events. With respect to scope, as noted in the TCM Decision,⁸ and subsequently in response to the AUC proceeding 164, the scope of the TCM rule is solely to address real time congestion management and this will be clarified in the final TCM rule. In general terms, the protocol relies on TMR to mitigate a congestion event in real time if it is appropriate, and otherwise relies on dispatch of the merit order and the corresponding market response to meet load requirements.

Congestion during the planning horizon – The RAS Rules

Congestion that may be identified during the planning horizon (e.g. during the interconnection process or through system and interconnection studies) will be addressed through the RAS rules and practices. To that end, on July 3, 2009 the AESO published a discussion paper on the use of RAS (the RAS Paper)⁹ documenting current practices and identifying some policy related questions for consultation with industry. [Click Here](#) to view the RAS Paper. This consultation will occur in parallel with consultation to finalize the TCM rule targeted for completion by year end as well. As noted in the RAS Paper, RAS addresses congestion events that cannot be addressed through normal market dispatch (as will be provided for in the TCM rule) and accordingly require automated intervention. The RAS Paper explains how the AESO intends to consider the need for and use of RAS on a case by case basis to facilitate the interconnection of customers to the system in advance of the construction of wires required for full service.

⁸ TCM Decision, paragraph 72 states, “The AESO stated that the TCM Rule is intended to deal with real time congestion that can be resolved by operator action. The TCM Rule does not address congestion management issues that may arise in the planning stage and, as such, RAS issues were not included in the TCM Rule.”

⁹ AESO Discussion Paper Transmission Constraints Management: RAS in the Planning Stage, July 3, 2009.

Implementation

The TCM rule will include a general protocol for managing real time congestion which will to a large extent govern all related OPPs, particularly the OPP 500 series. The RAS rules and practices will also influence the OPP 500 series.

At present, in the OPP 500 series there are nine OPPs addressing congestion in specific areas of Alberta. Once the final TCM rule and RAS rules come into effect, the AESO will amend the OPP 500 series to ensure consistency with the final rules. Amendments to the OPP 500 series will be phased in starting in 2010. A phased approach will provide sufficient time to develop new system controller tools for managing congestion in accordance with the TCM protocol and RAS rules and practices.

In the transition period, any OPP 500 series amendments that are required to provide reliable service and accommodate new interconnections will, to the extent possible, be directionally aligned with the intended TCM protocol. Where reasonable, the AESO will also propose any further amendments (beyond those strictly required to interconnect a new customer) to the OPP that would provide greater alignment with the intended TCM protocol. For example, in the case of OPP 521 (SOK-240 Operation), the AESO has already advanced changes that were aligned with the intended TCM protocol, and after consultation, OPP 521 was implemented. This approach will minimize the duration of the future implementation period required to transition all OPPs to be in accordance with the final rules once in place, and will provide more consistency among new customer interconnections as they occur. Of note is that any OPP that is developed or proposed to be modified in the transition period prior to the TCM rule having been finalized, will be the subject of its own consultation process, and inherent in that will be the right of market participants to file an objection with the AUC.

ISO Rules Process

The AESO intends to follow its normal ISO rules process in accordance with AUC Rule 017 for any change to existing ISO rules and the development of new ISO rules, including OPPs. This process, which is familiar to industry, provides stakeholders with notice, opportunity for input, and an avenue for challenge.

Occasionally a matter that is addressed in an ISO rule is urgent or there are other sufficient reasons that require that the ISO rule take effect expeditiously, and an expedited ISO rule is required. Some of the OPP 500 series OPPs required in the transition period are within this category. In order to meet the in-service dates for new generation in the Fort McMurray and South areas, and to ensure that the System Controller is not faced with new customer additions without the procedures needed to ensure reliable system operation consistent with market principles, the AESO currently foresees the need to expedite OPP 505 and 515. However, as there may be sufficient time to have a normal ISO rules review if the in-service date for the new generation is postponed, the AESO will be proceeding with the normal ISO rules process for these two OPPs and only follow the expedited ISO rules process if necessary. Consistent with the AESO's past practices, every time an expedited ISO rule change is made, it will subsequently follow a (or as in these cases, revert back to an already initiated) normal ISO rules process, and is open to challenge through that process.

Should you have any questions with respect to this letter, please feel free to contact me at the AESO.

Sincerely,

Kelly Gunsch,
Vice President - Market Services

cc: Cliff Monar
Heidi Kirrmaier
Doug Simpson
Doug Hincks