

August 25, 2022

To: The Market Surveillance Administrator, market participants and other interested parties (“Stakeholders”)

Re: **Letter of Notice for Development of the following:**

- 1) Proposed draft amended Section 306.7 of the ISO rules, *Mothball Outage Reporting*;
- 2) Proposed draft amended Section 2.4 of the ISO Tariff;
- 3) Consolidated Authoritative Document Glossary (“CADG”) Term & Definition - “mothball outage”; and
- 4) CADG Term & Definition - “supply transmission service”

(collectively, the “Proposed Mothball Rule Amendments”).

Pursuant to Alberta Utilities Commission (“AUC”) Rule 017, *Procedures and Process for Development of ISO Rules and Filing of ISO Rules with the Alberta Utilities Commission*, the Alberta Electric System Operator (“AESO”) is providing notice and seeking feedback from Stakeholders on the Proposed Mothball Rule Amendments.

Purpose

The AESO is continuing its consultation with Stakeholders and has completed a draft of the Proposed Mothball Rule Amendments. In developing the Proposed Mothball Rule Amendments, the AESO took into consideration Stakeholder feedback on the *Mothball Outage Reporting Rule Amendment: Design Document* (“Design Document”) and translated the final design into the necessary authoritative documents.

Background

Section 306.7 of the ISO rules, *Mothball Outage Reporting* (the “Mothball Rule”) defines parameters for the temporary removal of all or a portion of a generator from service when forecasted economic conditions make it unlikely that it will recover its expected avoidable costs.

In 2016, the Mothball Rule was approved by the Alberta Utilities Commission (“AUC”), as an interim measure through an expedited process.¹ At the time, the AESO committed to conducting a comprehensive review of the rule and a Stakeholder consultation process. A Letter of Notice was issued on October 14, 2020 to initiate the consultation on the Mothball Rule.

On December 1, 2020, the AESO held a Stakeholder session to determine the scope of the consultation. On April 29, 2021, the AESO held a subsequent Stakeholder session to discuss the items that were determined to be in-scope for the consultation. These items were: transmission access, maximum duration, subsequent mothball outages, notification, reporting, mothball outage cancellation, and long lead time (“LLT”). Through the Stakeholder consultation process, changes were recommended to the Mothball Rule to: (i) address concerns that have arisen since the implementation of the rule, (ii) ensure consistency and alignment across rules, and (iii) ensure the Mothball Rule supports the long-term sustainability of the market.

On November 4, 2021, the AESO published the *Mothball Outage Reporting Rule Amendment Options & Recommendations Paper* (“Options and Recommendations Paper”) which presented options to address

¹ AUC Disposition Letter 21672-D01-2016

the transmission access, maximum duration, and subsequent mothball outages in-scope items. The Options and Recommendations Paper also outlined the AESO’s recommendations on the other in-scope items: notification, reporting, mothball outage cancellation, and LLT.

In response to the AESO’s *Options and Recommendation Paper*, seven Stakeholders provided comments on November 25, 2021. Based on the feedback received, Stakeholders were generally supportive of Option 2, Alternative B, which required the reduction of a transmission-connected mothballed asset’s supply transmission service (“STS”) if transmission access is required by a new connection project and the mothballed asset elects to not return to service after a maximum duration outage period of 2 years.

On April 21, 2022, the AESO published the Design Document. The Design Document affirmed the AESO’s decision to proceed with Option 2, Alternative B and summarized implementation details. The overall design is presented per the table below.

Topic	Recommendation
Maximum duration	2 years
Subsequent mothball outages	Time before a subsequent mothball outage is aligned with length of previous mothball outage (minimum of 3 months, maximum of 1 year)
Extensions	Permitted. The generator can remain on a mothball outage if the generator is uneconomic but is subject to transmission access treatment after a cumulative mothball duration of 2 years if transmission access is required for a new connection
Notification	Maintain the existing 3-month notification requirement
Reporting	Mothball outages should be reported separately by the AESO
Mothball outage cancellation	Align timing for outage cancellation with the declared return to service timeline
LLT	Apply the maximum 36-hour start-up time for both LLT Type 1 and Type 2 assets

The Design Document clarified the processes and requirements for a mothball outage, including the requirements for the return to service or STS reduction decision central to the implementation of Option 2, Alternative B. The expectations surrounding payments on connection costs were also addressed in the Design Document. On May 13, 2022, seven Stakeholders provided comments in response to the Design Document.

Scope of Amendments and Rationale

The Proposed Mothball Rule Amendments represents the incorporation of the mothball outage rule design from the Design Document. The adoption of the recommendations in the Design Document requires: (i) revisions to the Mothball Rule; (ii) amendments to the definition of “supply transmission service” and “mothball outage”; and (iii) amendments to Section 2.4 of the ISO tariff.

To provide further clarity to Stakeholders regarding the translation of the mothball outage rule design into the AESO’s authoritative documents, the AESO is attaching a rationale document with this Letter of Notice. The rationale document addresses Stakeholder comments on the Design Document and elaborates on the AESO’s objectives and rationale for the Proposed Mothball Rule Amendments. The rationale document also shows the blackline of changes to the Proposed Mothball Rule Amendments for ease of reference.

Over the course of the AESO's Stakeholder consultation, the AESO proposed amendments to Section 202.4 of the ISO rules, *Managing Long Lead Time Assets* ("the LLT Rule"). The AESO made recommendations relating to the application of the maximum 36-hour start-up time for both LLT Type 1 and Type 2 assets. Upon further review, the AESO determined that it would be more effective to conduct a fulsome review of the LLT rule instead of addressing specific standalone issues. The AESO has decided to pursue development of the LLT rule with respect to the above recommendation in a separate, future initiative.

The AESO determined that changes are required in the ISO tariff to align with the proposed amendments to the Mothball Rule. Specifically, Section 2.4 of the ISO tariff is being proposed to be amended to facilitate changes to proposed new Section 5(4) of Section 306.7 of the ISO Rules.

Stakeholder Comments and Remaining Consultation Steps

Stakeholders may submit written comments in response to this Letter of Notice. Please use the *Stakeholder Comment Matrix – Development of Proposed Mothball Rule Amendments* when submitting comments to the AESO.

The deadline for Stakeholders to provide comments is September 16, 2022, to rules_comments@aeso.ca. When submitting comments to the AESO, Stakeholders should ensure that comments provided represent all interests within their organization. The AESO will publish all Stakeholder comments on the AESO website.

Based on Stakeholder comments received, the AESO will assess whether additional consultation steps are required on the draft rule, or if the AESO may finalize the consultation on the Mothball Rule Amendments and proceed to filing its application with the AUC.

Related Materials

The following documents can be accessed on the Stakeholder Engagement page on the AESO website:

1. Stakeholder Comment Matrix – Development of Proposed Mothball Rule Amendments;
2. Blackline and clean copies of the proposed draft amended Section 306.7 of the ISO rules, *Mothball Outage Reporting*;
3. Rationale Document for the proposed draft amended Section 306.7 of the ISO rules, *Mothball Outage Reporting*;
4. Blackline and clean copies of the proposed draft amended Section 2.4 of the ISO tariff; and
5. Blackline and clean copies of the proposed draft changes to the "mothball outage" and "supply transmission service" definitions.

Sincerely,

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