

Proposed Amended Section 202.7 of the ISO rules, *Markets Suspension or Limited Markets Operations*

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| Date of Request for Comment: | <u>November 20, 2018</u> |
| Period of Comment: | <u>November 20, 2018</u> through <u>December 5, 2018</u> |

| Blackline of Suggested Rule Wording | Rationale | AESO Replies |
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| <p>Capital Power Corporation (“Capital Power”)</p> <p>Reinstate subsections 3(1)(c) and 9(1)(c)</p> <ul style="list-style-type: none"> a reasonable estimate of the anticipated date and time of termination of the state of limited market operations, and the return to ordinary course markets operations. | <p>In its November 29, 2018 replies to stakeholder comments, the AESO noted that it “does not intend to proceed with the removal of subsections 3(1)(c) and 9(1)(c) at this time” and referred to an alternative version of the draft rule. However, the blackline draft rule language posted as part of the amended Category 2 rules continues to show these subsections as being deleted. Therefore, Capital Power reiterates its previous comments - it is unclear what benefit removing these provisions would have for market participants and load. Accordingly, Capital Power continues to recommend that these subsections be reinstated unless the AESO can clarify why it is proposing to remove this requirement.</p> | <p>The November 29, 2018 AESO replies to stakeholder comments were in relation to the <i>Proposed New and Amended ISO Rules and Terms and Definitions for the Implementation of the Capacity Market</i>, not the Category 2 ISO rule amendments.</p> <p>The reason for removing subsections 3(1)(c) and 9(1)(c) is that in the event of limited market operations or market suspension, the AESO is unable to determine a reasonable estimate of the anticipated date and time of the termination of the state of limited market operations or market suspension. As such, the requirement to provide a reasonable estimate results in the AESO making a generic statement, namely “<i>duration of current condition unknown at this time</i>”, which does not provide any value to market participants.</p> <p>The deletion of subsection 3(1)(c) and 9(1)(c) will remove the administrative effort of including this statement in the declaration.</p> |
| <p>Suncor Energy Inc. (“Suncor”)</p> <p>3(2)(b) a reasonable estimate of the anticipated date and time of termination of the state of limited market operations, and the return to ordinary course markets operations.</p> | <p>The AESO has not provided the issue this amendment is intended to address, the purpose for this amendment, or any data/analyses to support the amendment as required by Alberta Utilities Commission Rule 017: <i>Procedures and Process for Development of ISO Rules and Filing of ISO Rules</i> (“AUC Rule 017”). Accordingly, Suncor is unable to assess whether subsection 3(2)(b) should be maintained, amended, or deleted. Suncor opposes any change to this section until it can be evaluated using the information the AESO is required to</p> | <p>The AESO identified both the overarching issue this amendment is intended to address, and the purpose for this amendment in its letter of notice. Specifically, the AESO is removing requirements that are no longer needed as identified in item (e) of the letter of notice.</p> <p>The AESO is only required to provide any data or analyses that it actually has and which it considers to be “relevant to the need for, development of, removal of, or renewal of the</p> |

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| | provide under AUC Rule 017. | proposed rule". The AESO is not required to find data or conduct analyses to support the amendment. The AESO does not have any data or analyses to provide in relation to this amendment. |
| 9(2)(c) a reasonable estimate of the anticipated date and time of the termination of the state of markets suspension, and the return to ordinary course markets operations. | The AESO has not provided the issue this amendment is intended to address, the purpose for this amendment, or any data/analyses to support the amendment as required by Alberta Utilities Commission Rule 017: <i>Procedures and Process for Development of ISO Rules and Filing of ISO Rules</i> ("AUC Rule 017"). Accordingly, Suncor is unable to assess whether subsection 9(2)(c) should be maintained, amended, or deleted. Suncor opposes any change to this section until it can be evaluated using the information the AESO is required to provide under AUC Rule 017. | See the AESO's response to Suncor's comment on subsection 3(2)(b) above. |
| <p>TransAlta Corporation ("TransAlta")</p> <p>3(2) The declaration must include:</p> <ul style="list-style-type: none"> (a) the reasons that the ISO is invoking the state of limited markets operations; and (b) the commencement date and time of the state of limited markets operations; and (c) a reasonable estimate of the anticipated date and time of termination of the state of limited market operations, and the return to ordinary course markets operations. | <p>Subsection 3(2)(c) in the current version of Section 202.7: Markets Suspension or Limited Markets Operations should be re-added to the proposed ISO Rule, as indicated in the yellow highlighted text.</p> <p>As stated in our previous comments on Section 202.7: Markets Suspension or Limited Markets submitted on August 31, 2018:</p> <p>The proposed removal of the requirement in yellow highlighted text is not justified by the transition to a capacity market, and Subsection 3(2) should remain as is.</p> <p>In order that market participants can make efficient planning decisions, the AESO should be required to disclose information regarding the estimated duration when it makes a declaration to invoke a state of limited markets operations or a markets suspension. The AESO is the only party which can provide any information about the status of its merit order tools or emergency events at its System Coordination Centre, which broadly affect the market and how the AESO determines price. Market participants must be provided this information in order to understand how long a declaration</p> | <p>See the AESO's response to Capital Power's comment on subsections 3(1)(c) and 9(1)(c) above.</p> <p>As noted in the letter of notice, the AESO has determined that the Category 2 ISO rule amendments are not essential to establish and operate the capacity market.</p> |

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| | <p>for a state of limited market operations or market suspension is expected to last and thereby make informed decisions to maximize market efficiency. We therefore recommend Subsection 3(2) remain as is, without the removal of this requirement.</p> | |
| <p>9(2) The declaration must include:</p> <p>(a) the reasons that the ISO is invoking the state of markets suspension; and</p> <p>(b) the commencement date and time of the state of markets suspension; and</p> <p>(c) a reasonable estimate of the anticipated date and time of termination of the state of limited market operations, and the return to ordinary course markets operations.</p> | <p>Please see our comments to subsection 3(2) above. We see no valid reason for removal of the requirement in yellow highlighted text.</p> | <p>See the AESO's response to Capital Power's comment on subsections 3(1)(c) and 9(1)(c) above.</p> |
| <p>TransCanada Energy Ltd. ("TCE")</p> <p>Declaration Invoking a State of Limited Markets Operations</p> <p>3(1) The ISO must issue a declaration if it is invoking a state of limited markets operations.</p> <p>(2) The declaration must include:</p> <p>(a) the reasons that the ISO is invoking the state of limited markets operations; and</p> <p>(b) the commencement date and time of the state of limited markets operations; <u>and</u></p> <p><u>(c) a reasonable estimate of the anticipated date and time of termination of the state of limited market operations, and the return to ordinary course markets operations.</u></p> | <p>The AESO proposes to remove from this rule the requirement that the AESO provide a reasonable estimate as to when the market would return to normal operations following a state of limited market operations. This requirement is currently included in subsections 3(2)(c) and 9(2)(c).</p> <p>The AESO indicates that its proposed changes to this rule are either: (i) to clarify the change from "market participant" to "electricity market participant" or (ii) administrative in nature. This proposed change does not appear to be either. As such, it is unclear why the AESO wishes to remove this requirement.</p> <p>TCE considers this requirement to be helpful to market participants and recommends that the AESO maintain the existing language. Without further clarification from the AESO, TCE would oppose the removal of this requirement.</p> | <p>See the AESO's response to Capital Power's comment on subsections 3(1)(c) and 9(1)(c) above.</p> <p>See the AESO's response to Suncor's comment on subsection 3(2)(b) above.</p> |

Please provide your comments on the following (as set out in AUC Rule 017 s. 7.2(b-j)):

| Item # | | Stakeholder comments | AESO Replies |
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| 1 | whether you are of the view that proposed amended Section 202.7 of the ISO rules, <i>Markets Suspension or Limited Markets Operations</i> relates to the capacity market and why or why not | <p><u>Capital Power Corporation (“Capital Power”)</u> Capital Power does not consider the proposed amendments to this authoritative document as being essential to the establishment or necessary for the operation of the forthcoming capacity market.</p> | The AESO acknowledges Capital Powers comment. |
| | | <p><u>TransAlta Corporation (“TransAlta”)</u> The amendments do not directly relate to the capacity market.</p> | The AESO acknowledges TransAlta’s comment. |
| | | <p><u>TransCanada Energy Ltd. (“TCE”)</u> No.</p> | The AESO acknowledges TCE’s comment. |
| 2 | if the answer to item #1 is yes, whether you agree that proposed amended Section 202.7 of the ISO rules, <i>Markets Suspension or Limited Markets Operations</i> should or should not be in effect for a fixed term and why or why not | <p><u>Capital Power Corporation (“Capital Power”)</u> Capital Power does not see any rationale for prescribing a fixed term for the proposed rule changes and, as such, believes that the proposed rule should not be in effect for a fixed term. This will provide needed certainty to market participants regarding the longevity of the capacity market rules and design.</p> | The AESO acknowledges Capital Power’s comment. |
| | | <p><u>TransAlta Corporation (“TransAlta”)</u> Section 202.7 is a permanent ISO Rule and should not be in effect for only a fixed term.</p> | The AESO acknowledges TransAlta’s comment. |
| 3 | whether you understand and agree with the objective or purpose of proposed amended Section 202.7 of the ISO rules, <i>Markets Suspension or Limited Markets Operations</i> and whether, in your view, proposed amended Section 202.7 of the ISO rules, <i>Markets Suspension or Limited Markets Operations</i> meets the objective or purpose | <p><u>Capital Power Corporation (“Capital Power”)</u> Capital Power has no comments at this time.</p> | The AESO acknowledges Capital Power’s comment. |
| | | <p><u>Suncor Energy Inc. (“Suncor”)</u> The AESO has not provided either the objective or the purpose for its proposed amendments to this rule. Accordingly, the appropriateness or effectiveness of the proposed amendments cannot be evaluated.</p> | See the AESO’s response to Capital Power’s comment on subsections 3(1)(c) and 9(1)(c) above. See the AESO’s response to Suncor’s comment on |

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| | | | subsection 3(2)(b) above. |
| | | <p><u>TransAlta Corporation (“TransAlta”)</u></p> <p>We do not understand or agree with the proposed changes to subsections 3(2) and 9(2).</p> <p>We do not believe that these changes are necessary, and we are concerned they reduce the quality of the information provided to market participants when a state of limited markets operations or market suspension is invoked by the AESO. This information is important to be shared with market participants who would otherwise have no way to understand the extent or expected duration of limited markets operations or markets suspension events. Without this information, market participants will not be equipped to make informed business decisions.</p> | See the AESO’s response to Capital Power’s comment on subsections 3(1)(c) and 9(1)(c) above. |
| | | <p><u>TransCanada Energy Ltd. (“TCE”)</u></p> <p>As stated above, the objective or purpose of the proposed change to remove the requirement in subsections 3(2)(c) and 9(2)(c) is unclear. Without clarity as to the purpose TCE would be unable to support the proposed amended rule.</p> | See the AESO’s response to Capital Power’s comment on subsections 3(1)(c) and 9(1)(c) above. |
| 4 | how, in your view, proposed amended Section 202.7 of the ISO rules, <i>Markets Suspension or Limited Markets Operations</i> affects the performance of the capacity market and the electricity market | <p><u>Capital Power Corporation (“Capital Power”)</u></p> <p>Capital Power has no comments at this time.</p> | The AESO acknowledges Capital Power’s comment. |
| | | <p><u>TransAlta Corporation (“TransAlta”)</u></p> <p>The proposed changes to sections 3(2) and 9(2) could have adverse impacts with respect to performance in the energy market when a state of limited markets operations or markets suspension is invoked by the AESO. Market participants may make poorer</p> | See the AESO’s response to Capital Power’s comment on subsections 3(1)(c) and 9(1)(c) above. |

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| | | <p>decisions about how they participate in the market in such events if they are not provided a reasonable estimate of the duration of a declaration.</p> <p>TransCanada Energy Ltd. (“TCE”)</p> <p>The proposed change appears as though it would remove valuable information from market participants during a period of limited market operations. TCE submits that this could negatively impact the operation of the electricity market as it attempts to recover from a market suspension or limited market operations.</p> | |
| 5 | <p>your views on any analysis conducted or commissioned by the AESO supporting proposed amended Section 202.7 of the ISO rules, <i>Markets Suspension or Limited Markets Operations</i></p> | <p>Capital Power Corporation (“Capital Power”)</p> <p>Capital Power has no comments at this time.</p> <p>TransAlta Corporation (“TransAlta”)</p> <p>TransAlta is not aware of any analysis conducted or commissioned by the AESO supporting the proposed changes to Section 202.7.</p> <p>We request the AESO to provide its rationale and any associated analysis that it has commissioned or performed on the changes propose to subsections 3(2) and 9(2).</p> <p>TransCanada Energy Ltd. (“TCE”)</p> <p>TCE is not aware of any analysis that supports the proposed change.</p> | <p>The AESO acknowledges Capital Power’s comment.</p> <p>See the AESO’s response to Capital Power’s comment on subsections 3(1)(c) and 9(1)(c) above.</p> <p>See the AESO’s response to Suncor’s comment on subsection 3(2)(b) above.</p> <p>See the AESO’s response to Capital Power’s comment on subsections 3(1)(c) and 9(1)(c) above.</p> <p>See the AESO’s response to Suncor’s comment on subsection 3(2)(b) above.</p> |
| 6 | <p>whether you agree with proposed amended Section 202.7 of the ISO rules, <i>Markets Suspension or Limited Markets Operations</i> taken</p> | <p>Capital Power Corporation (“Capital Power”)</p> <p>Capital Power has no comments at this time.</p> | <p>The AESO acknowledges Capital Power’s comment.</p> |

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| | together with all ISO rules and in light of the principle of a fair, efficient and openly competitive market | <p><u>TransAlta Corporation (“TransAlta”)</u> We do have concerns that the AESO is proposing to remove its obligation to estimate how long a declaration of limited markets operations or markets suspension may last for. We view this proposed change as not supporting a fair, efficient and openly competitive market, since it deprives the market of critical information required to make informed business decisions.</p> <p><u>TransCanada Energy Ltd. (“TCE”)</u> For the reasons stated above, TCE does not agree with the proposed changes.</p> | <p>The AESO is unclear which aspect of the fair, efficient and openly competitive market TransAlta is referring to. The AESO does not agree that the removal of the obligation to estimate how long a declaration of limited markets operations or markets suspension may last for fails to support a fair, efficient and openly competitive market.</p> <p>See the AESO’s response to Capital Power’s comment on subsections 3(1)(c) and 9(1)(c) above.</p> |
| 7 | whether you would suggest any alternatives to proposed amended Section 202.7 of the ISO rules, <i>Markets Suspension or Limited Markets Operations</i> | <p><u>Capital Power Corporation (“Capital Power”)</u> Capital Power has no comments at this time.</p> <p><u>TransAlta Corporation (“TransAlta”)</u> Not at this time.</p> <p><u>TransCanada Energy Ltd. (“TCE”)</u> See above.</p> | <p>The AESO acknowledges Capital Power’s comment.</p> <p>The AESO acknowledges TransAlta’s comment.</p> <p>The AESO acknowledges TCE’s comment.</p> |
| 8 | if the answer to item #1 is yes, whether you agree that proposed amended Section 202.7 of the ISO rules, <i>Markets Suspension or Limited Markets Operations</i> supports ensuring a reliable supply of electricity at a reasonable cost to customers and why or why not | <p><u>Capital Power Corporation (“Capital Power”)</u> Capital Power has no comments at this time.</p> <p><u>TransAlta Corporation (“TransAlta”)</u> We do not expect the proposed changes to Section 202.7 to support nor impede a reliable supply of electricity at reasonable cost to customers.</p> | <p>The AESO acknowledges Capital Power’s comment.</p> <p>The AESO acknowledges TransAlta’s comment.</p> |

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| 9 | whether you agree that proposed amended Section 202.7 of the ISO rules, <i>Markets Suspension or Limited Markets Operations</i> supports the public interest and why or why not | <p><u>Capital Power Corporation (“Capital Power”)</u> Capital Power has no comments at this time.</p> | The AESO acknowledges Capital Power’s comment. |
| | | <p><u>TransAlta Corporation (“TransAlta”)</u> We disagree that removing the AESO’s obligation to estimate how long a declaration of limited markets operations or markets suspension may last is in the public interest. As stated above, the AESO is the only party with information about its root cause(s), status or actions taken to address limited markets operations or markets suspension and should be required to share this information with market participants. We believe that a requirement to share this information in a timely fashion is needed to meet the AESO’s duties under Section 16 of the Electric Utilities Act: <i>“The Independent System Operator must exercise its power and carry out its duties, responsibilities and functions in a timely manner that is fair and responsible to provide for the safe, reliable and economic operation of the interconnected electric system and to promote a fair, efficient and openly competitive market for electricity.”</i></p> | <p>The AESO does not agree that removing the AESO’s obligation to estimate how long a declaration of limited markets operations or markets suspension may last is not in the public interest. See the AESO’s response to Capital Power’s comments on subsections 3(1)(c) and 9(1)(c) above.</p> |
| | | <p><u>TransCanada Energy Ltd. (“TCE”)</u> TCE does not agree that the proposed change is in the public interest.</p> | See the AESO’s response to TransAlta’s comment directly above. |
| 10 | whether you have any additional comments | <p><u>Capital Power Corporation (“Capital Power”)</u> Capital Power has no additional comments at this time.</p> | The AESO acknowledges Capital Power’s comment. |
| | | <p><u>TransAlta Corporation (“TransAlta”)</u> No comments at this time.</p> | The AESO acknowledges TransAlta’s comment. |