

February 10, 2021

To: The Market Surveillance Administrator, Stakeholders and Other Interested Parties

Re: **Alberta Electric System Operator Reply to Stakeholder Comments – Letter of Notice of Proposed Final Amended ISO Rule, Section 505.2, Performance Assessment for Refund of Generating Unit Owner’s Contribution (“Section 505.2”)**

On December 3, 2020, the Alberta Electric System Operator (“AESO”) issued a Letter of Notice regarding the proposed final draft of Section 505.2 and requested that the Market Surveillance Administrator, Stakeholders and Other Interested Parties (“Stakeholders”) provide comments on the same.

AESO Replies to Stakeholder Comments

In accordance with Section 5.3 of Alberta Utilities Commission (“Commission”) Rule 017: *Procedures and Process for Development of ISO Rules and Filing of ISO Rules with the Alberta Utilities Commission*, the AESO is providing replies to Stakeholder comments. The AESO’s replies to comments, including the AESO’s rationale or basis for the position which explains why certain positions were rejected or accepted, are set out in the attached *Stakeholder Comments and AESO Replies Matrix*.

Revisions in Proposed Final Amended Section 505.2

The AESO is proposing to amend Section 505.2 to introduce a new binary approach for assessing the performance of a generating unit and establishing the amount of generating unit owner’s contribution (“GUOC”) to be refunded to the legal owner. The new approach assesses performance based on a generating unit’s metered energy.

The AESO also investigated and consulted on implementing a performance adjustment factor whereby a market participant would risk forfeiting a portion of GUOC refund if the generating unit’s maximum capability (“MC”) changed after the GUOC was paid to the AESO. Stakeholders raised a number of issues with the performance adjustment factor, highlighting its complexity as well as various scenarios where it would not be fair to apply the performance adjustment factor. The AESO agreed with stakeholders, but was of the view that adding an exhaustive list of allowances for MC changes would not be comprehensive and would have added further complexity to the rule. Therefore, the AESO decided to include a general mechanism to adjust MC values used in the calculation of the performance adjustment factor so a legal owner of a generating unit could manage its forfeiture risk appropriately.

Following the latest round of stakeholder feedback, the AESO has re-evaluated the performance adjustment factor. The AESO’s goals in proposing changes to Section 505.2 are to (i) align with the recent changes to the ISO tariff; (ii) in conjunction with existing mechanisms, incent market participants to provide the AESO with good information; (iii) treat generating units equally; (iv) simplify the rule and reduce regulatory burden. The intention of the performance adjustment factor was to incent market participants to provide the AESO with good information before and after connection. However, after further consideration, the AESO believes that there are incentives in place for market participants to provide good information without the performance adjustment factor, and the implementation of the performance adjustment factor does little to further the AESO’s goals.

The AESO has attached a table summarizing these incentives, and has removed the performance adjustment factor from proposed final amended Section 505.2.

Application for Approval of the Proposed Final Amended Section 505.2

The AESO expects to submit its application for the proposed final amended Section 505.2 with the Commission in the week of February 16, 2021.

Attachments to AESO Reply Letter

The following documents are attached:

1. [Scenarios Summarizing Information Incentives Related to GUOC](#);
2. [Stakeholder Comments and AESO Replies Matrix](#) on the proposed final draft of Section 505.2;
3. [Clean](#) copy of the proposed final amended Section 505.2;
4. [Blackline](#) comparing proposed final amended Section 505.2 and December 3, 2020 draft of proposed final amended Section 505.2; and
5. [Blackline](#) comparing proposed final amended Section 505.2 and version of Section 505.2 currently in effect.

If you have any questions, please contact the undersigned.

Sincerely,

Jodi Marshall

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