

# Stakeholder Comments and AESO Replies Matrix



## Proposed New Section 206.5 of the ISO Rules, *Forward Period Milestone Assessment*

<b>Date of Request for Comment:</b>	October 30, 2018		
<b>Period of Comment:</b>	October 30, 2018	through	November 14, 2018

Stakeholder Comments and/or Proposed Alternative Rule Wording	AESO Replies
<p><b>Development of Milestones</b></p> <p><b>Subsection 2(1)</b></p>	
<p><u>The Cogeneration Working Group (“CWG”)</u></p> <p>This item is authoritative and, accordingly, cannot be posted on the AESO website. This information should be included in the rule, likely as an appendix.</p> <p>2(1) The ISO <del>must publish</del> <del>has listed</del> the class-specific target completion dates for the following milestones <del>on the AESO website</del> in Appendix A, on a class-specific basis:</p>	<p>The AESO expects the timelines for milestones to be similar for similar projects in the capacity market auctions. The timelines are posted on AESO website so that the AESO may work with market participants in order to determine appropriate timelines for unique projects and technologies.</p> <p>To provide further certainty, the AESO intends to revise Proposed Section 206.5 to require the AESO to publish the milestone timelines prior to each base auction and use the established timelines in the milestone assessments for the rebalancing auctions associated with the same obligation period.</p>
<p><u>TransAlta Corporation (“TransAlta”)</u></p> <p>The requirements for a milestone related to Regulatory Permitting and Licensing is unnecessary given the requirement for Full Notice to Proceed, as indicated in our recommended changes to the rule in <b>yellow highlighted</b> text.</p> <p><b>2(1)</b> The ISO must publish the class-specific target completion dates for the following milestones on the AESO website, on a class-specific basis:</p> <p>(a) in the case of a <b>generating unit</b> or <b>aggregated generating facility</b>:</p> <p><b>(i) regulatory permitting and licensing;</b></p> <p><b>(i #) full notice to proceed;</b></p> <p><b>(ii) start of construction;</b></p>	<p>The AESO does not agree with the changes proposed by TransAlta to subsection 2(1) for the following reasons:</p> <ul style="list-style-type: none"> <li>Regulatory Permitting and Licensing is a critical milestone given that it includes key externally driven project activities such as environmental review, stakeholder engagement, and Alberta Utilities Commission approval. The AESO is of the view that these activities are not necessarily congruent with the requirements for Full Notice to Proceed.</li> <li>Major equipment procurement agreements represent a critical milestone that evidences the project developer’s commitment to the project. Delivery of major equipment to the project site further demonstrates the developer’s commitment to the project and indicates significant progress toward the development of a power project. For coal to gas conversions, major</li> </ul>

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<p>(iii) <del>major equipment procurement agreements;</del>            (iv) <del>delivery of major equipment to the site;</del>            (v) commissioning and start-up; and            (vi) in-service date;            and            (b) in the case of a load asset, confirmation that the load asset will be able to provide a <del>100</del> <b>minimum 75%</b> of the <b>capacity commitment</b>.</p> <p>As proposed in subsection 5.3, all of the target completion dates for the critical milestones for Regulatory Permitting and Licensing and Full Notice to Proceed are the same, suggesting that they are both equivalently on the critical path. However, in practice, these are unlikely to both be critical path items. We note that there are many projects that receive AUC approval but are unlikely to proceed, which suggests that the AUC approval is not determinative of the development of a project. Furthermore, the process for obtaining an approval is subject to regulatory timelines that are not within the control of the project proponent.</p> <p>TransAlta recommends that the critical milestones for Regulatory Permitting and Licencing be removed, and Full Notice to Proceed be set as the first critical milestone. A company that decides to provide Full Notice to Proceed will consider whether it is likely to have the necessary regulatory approval to progress; in this regard, Full Notice to Proceed already considers Regulatory Permitting and Licensing and makes this additional milestone duplicative and unnecessary.</p> <p><b>The requirements for Major Equipment Procurement Agreements and Delivery of Major Equipment to the Site should be removed and replaced with Start of Construction</b>, as indicated in our recommended changes to the rule in <b>yellow highlighted</b> text.</p> <p>Full Notice to Proceed and Major Equipment Procurement Agreements are highly interrelated activities which may be executed in the opposite order. For example, as proposed in subsection 5.3, the completion time between these activities is one month for wind, solar and battery storage projects, which suggests that there is little value in using this as a critical milestone for these projects. Furthermore, with respect to coal-to-gas conversions, where the boilers are already on-site, it is unclear what equipment is classified as major equipment under Delivery of Major Equipment.</p>	<p>equipment could be considered burners and compression equipment.</p> <ul style="list-style-type: none"> <li>• Load assets will be required to provide evidence that they have met the critical milestone of delivering at minimum 75% of the capacity commitment. This represents a significant proportion of the aggregated capacity commitment and recognizes the incremental nature of the procurement of load assets. Generally, load assets represent capacity that is already installed but has not been committed to provide capacity. These installed load assets are required to be committed under contract for 75% of their load capacity prior to the delivery period. New load assets differ from new generation supply assets, which are also subject to milestone assessments, in that new load assets with no previous consumption will be required to achieve commercial operation and be committed under contract for 75% of their load capacity prior to the delivery period.</li> <li>• The AESO does not intend to further consult on the timelines. Flexibility in achieving the target completion dates (i.e., 8-month and 5-month windows) is provided in subsection 3(3) of Proposed Section 206.5 in order to accommodate departures from the milestone targets timelines that may arise from delays in asset development schedules. The AESO considers that this flexibility provides adequate opportunity for projects to manage within the reasonable timelines published on the AESO website. Please also see the AESO's reply to CWG's comment on subsection 2(1) above.</li> <li>• Coal-to-gas assets will require certain equipment such as burners and natural gas supply piping which may have significant lead time requirements. Please see the AESO's reply to CWG's comment on subsection 2(1) above.</li> </ul>

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<p>Therefore, the inclusion of Major Equipment Procurement Agreements and Delivery of Major Equipment is largely unnecessary. TransAlta recommends that the Major Equipment Procurement Agreements and Delivery of Major Equipment be replaced with a critical milestone of Start of Construction, which is more indicative of a new phase of a project beyond Full Notice to Proceed.</p> <p><b>To ensure fair treatment across capacity resource types, the AESO should be required to determine if the load asset will achieve its full capacity commitment, not a minimum of 75% of its capacity commitment</b>, as indicated in our recommended changes to the rule in yellow highlighted text. TransAlta is concerned about the standard of fairness between load assets versus generation assets and the lower performance standard set for load assets. 75% is an arbitrary threshold and sets a low bar for achieving a capacity commitment. If an aggregator only achieves 75% of its capacity commitment but has no credible plan to ensure that it can achieve 100% of its capacity commitment by the obligation period, then the AESO should not allow the resource to be paid for its full capacity commitment.</p> <p>A more lenient standard for load assets raises concern particularly because there is little to no opportunity for the market to respond after the final rebalancing auction if a load asset fails to meet its capacity commitment. This threatens system reliability and raises concerns about efficient price formation in the base and rebalancing auctions.</p> <p>Meanwhile, the more stringent standard applied in the critical milestones for generators is to ensure that the new capacity resource achieve 100% of its capacity commitment. To ensure system reliability and fair treatment across resource types, that same standard should apply to load assets, and the AESO should make its determination whether the load provider will achieve 100% of its capacity commitment by the obligation period.</p> <p><b>Target completion dates should be considered in a separate consultation.</b></p> <p>TransAlta is concerned about the target completion dates proposed by the AESO, but has not had enough time to fully consider or evaluate the reasonableness of the timelines proposed. Therefore, these target completion dates should be considered in a separate consultation where stakeholders can more fully evaluate their reasonableness.</p> <p>At this time, our initial recommendations on the target completion dates are as follows:</p> <ul style="list-style-type: none"> <li>The target completion dates for a natural gas combined cycle and cogeneration plant should be different. The complexity and lead time required for a small cogeneration plant should be</li> </ul>	

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<p>reflected in the target completion dates.</p> <ul style="list-style-type: none"> <li>The target completion dates for a natural gas simple cycle appear lengthy with respect to Regulatory Permitting and Licensing and Full Notice to Proceed.</li> </ul> <p>The regulatory permits for a coal-to-gas conversion are treated as a category 2 application with a 40-60 day approval timeframe. This makes the Regulatory Permitting and Licensing target completion date grossly overstated at 26 months, when 3 months would be more appropriate. Additionally, as mentioned above, there is no major equipment associated with a coal-to-gas conversion. Therefore, the target completion dates for a coal-to-gas conversion should be faster than wind, solar or battery storage projects.</p>	
<b>General Comments</b>	
<p><u>Capital Power Corporation (“Capital Power”)</u></p> <p>Greater flexibility is required for developers with respect to the development and assessment of forward period milestones.</p> <p>Capital Power continues to disagree with the ISO’s proposed approach to development and assessment of critical milestones and associated target completion dates for new capacity, incremental capacity, or refurbished capacity subject to a capacity commitment.</p> <p>Capital Power believes that it should be incumbent upon capacity market participants (i.e. developers) to provide the ISO with proposed target completion dates to specified critical milestones and that capacity market participants should have flexibility to revise these dates throughout the forward period subject to the ISO’s satisfaction. It should not be incumbent upon the ISO to specify “binding” target completion dates as currently proposed. The target completion dates for critical milestones posted on the AESO website should be non-binding date ranges (not maximums) and these ranges should be used only as reference for developers.</p>	<p>Please see the AESO’s replies on subsection 2(1) above. A fair and transparent evaluation process contributes to a fair, efficient and openly competitive market. As such, equivalent projects are evaluated in the same manner against the same timelines. Transparency requires that there is clear visibility to the milestone requirements. Clear timelines and requirements ensure that the AESO will not employ subjectivity in making its determination as to whether a project has achieved its required milestones.</p>

**Please provide your comments on the following (as set out in AUC Rule 017 s. 13(b-j)):**

Item #		Stakeholder comments	AESO Replies
1	whether you agree that Section 206.5 of the ISO Rules, <i>Forward Period Milestone Assessment</i> relates to the capacity market and why or why not	<u>Capital Power Corporation (“Capital Power”)</u> Capital Power agrees that the proposed rule relates to the capacity market.	The AESO acknowledges Capital Power’s comment.
		<u>TransAlta Corporation (“TransAlta”)</u> Please see Appendix 1 of TransAlta’s submission.	Please see the AESO’s replies to Appendix 1 of TransAlta’s November 14, 2018 submission in the AESO Replies to TransAlta’s Appendix 1 matrix.
2	whether you agree that Section 206.5 of the ISO Rules, <i>Forward Period Milestone Assessment</i> should or should not be in effect for a fixed term and why or why not	<u>Capital Power Corporation (“Capital Power”)</u> Capital Power does not see any rationale for prescribing a fixed term for the proposed rule 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.	The AESO acknowledges Capital Power’s comment.
		<u>TransAlta Corporation (“TransAlta”)</u> Please see Appendix 1 of TransAlta’s submission.	Please see the AESO’s replies to Appendix 1 of TransAlta’s November 14, 2018 submission in the AESO Replies to TransAlta’s Appendix 1 matrix.
3	whether you understand and agree with the objective or purpose of Section 206.5 of the ISO Rules, <i>Forward Period Milestone Assessment</i> and whether, in your view, Section 206.5 of the ISO Rules, <i>Forward Period Milestone Assessment</i> meets the objective or purpose	<u>Capital Power Corporation (“Capital Power”)</u> Capital Power has no comment at this time.	
		<u>TransAlta Corporation (“TransAlta”)</u> Please see Appendix 1 of TransAlta’s submission.	Please see the AESO’s replies to Appendix 1 of TransAlta’s November 14, 2018 submission in the AESO Replies to TransAlta’s Appendix 1 matrix.
4	how, in your view, Section 206.5 of the ISO Rules, <i>Forward Period Milestone Assessment</i> affects the performance of the capacity market	<u>Capital Power Corporation (“Capital Power”)</u> Capital Power has no comment at this time.	

	and the electricity market	<u>TransAlta Corporation (“TransAlta”)</u> Please see Appendix 1 of TransAlta’s submission.	Please see the AESO’s replies to Appendix 1 of TransAlta’s November 14, 2018 submission in the AESO Replies to TransAlta’s Appendix 1 matrix.
5	your views on any analysis conducted or commissioned by the AESO supporting Section 206.5 of the ISO Rules, <i>Forward Period Milestone Assessment</i>	<u>Capital Power Corporation (“Capital Power”)</u> Capital Power is not aware of any analysis conducted or commissioned by the AESO supporting the proposed rule and as such has no comments at this time.	
		<u>TransAlta Corporation (“TransAlta”)</u> Please see Appendix 1 of TransAlta’s submission.	Please see the AESO’s replies to Appendix 1 of TransAlta’s November 14, 2018 submission in the AESO Replies to TransAlta’s Appendix 1 matrix.
6	whether you agree with Section 206.5 of the ISO Rules, <i>Forward Period Milestone Assessment</i> taken together with all ISO rules and in light of the principle of a fair, efficient and openly competitive market	<u>Capital Power Corporation (“Capital Power”)</u> Capital Power has no comment at this time.	
		<u>TransAlta Corporation (“TransAlta”)</u> Please see Appendix 1 of TransAlta’s submission.	Please see the AESO’s replies to Appendix 1 of TransAlta’s November 14, 2018 submission in the AESO Replies to TransAlta’s Appendix 1 matrix.
7	whether you would suggest any alternatives to Section 206.5 of the ISO Rules, <i>Forward Period Milestone Assessment</i>	<u>Capital Power Corporation (“Capital Power”)</u> Capital Power has no comment at this time.	
		<u>TransAlta Corporation (“TransAlta”)</u> Please see Appendix 1 of TransAlta’s submission.	Please see the AESO’s replies to Appendix 1 of TransAlta’s November 14, 2018 submission in the AESO Replies to TransAlta’s Appendix 1 matrix.
8	whether you agree that the proposed provisional rule supports ensuring a reliable supply of electricity at a reasonable cost to	<u>Capital Power Corporation (“Capital Power”)</u> Capital Power has no comment at this time.	

	customers and why or why not	<u>TransAlta Corporation (“TransAlta”)</u> Please see Appendix 1 of TransAlta's submission.	Please see the AESO's replies to Appendix 1 of TransAlta's November 14, 2018 submission in the AESO Replies to TransAlta's Appendix 1 matrix.
9	whether you agree that the proposed provisional rule supports the public interest and why or why not	<u>Capital Power Corporation (“Capital Power”)</u> Capital Power has no comment at this time.	
		<u>TransAlta Corporation (“TransAlta”)</u> Please see Appendix 1 of TransAlta's submission.	Please see the AESO's replies to Appendix 1 of TransAlta's November 14, 2018 submission in the AESO Replies to TransAlta's Appendix 1 matrix.
10	whether you have any additional comments	<u>Capital Power Corporation (“Capital Power”)</u> Capital Power has no further comment at this time.	
		<u>TransAlta Corporation (“TransAlta”)</u> Please see Appendix 1 of TransAlta's submission.	Please see the AESO's replies to Appendix 1 of TransAlta's November 14, 2018 submission in the AESO Replies to TransAlta's Appendix 1 matrix.