

December 4, 2017

To: Market Participants and Other Interested Parties

**Re: Letter of Notice – Expedited New Section 201.8 of the ISO Rules, *Requirements for the Balancing Pool***

Pursuant to Section 14 of Alberta Utilities Commission (“AUC” or “Commission”) Rule 017, the Alberta Electric System Operator (“AESO”) is providing notice regarding the expedited new Section 201.8 of the ISO Rules, *Requirements for the Balancing Pool* (“new Section 201.8”).

**Applicability**

The new Section 201.8 is applicable to:

- (a) the Balancing Pool, established by section 75(1) of the **Act**, when:
  - (i) the Balancing Pool holds a **power purchase arrangement** for a **generating unit** that is subject to a **power purchase arrangement** for which the Balancing Pool has verified termination and, as a result, is held by the Balancing Pool in the capacity of a buyer in accordance with section 96(3) of the **Act**; and
  - (ii) the Balancing Pool does not have an agreement for **system access service** for the **generating unit**; and
- (b) the **ISO**.

**Background**

ENMAX PPA Management Inc., a wholly owned subsidiary of ENMAX Energy Corporation (collectively, “ENMAX”), is presently the holder of the power purchase arrangement (“PPA”) for the Keephills Generating Units 1 and 2 (“Keephills Units”). ENMAX is also the holder of agreements for system access service under Rate STS, *Supply Transmission Service*, of the ISO tariff (“STS Agreements”) for each of the Keephills Units (“ENMAX STS Agreements”).

On May 5, 2016, ENMAX delivered notice to the Balancing Pool that ENMAX was terminating the Keephills PPA. Under the *Balancing Pool Regulation*, termination is an “extraordinary event” that requires the Balancing Pool to investigate, assess and verify whether or not an extraordinary event has occurred.

In the event that the Balancing Pool concludes that the Keephills PPA is terminated, the Keephills PPA will be deemed to have been sold to the Balancing Pool and be held by the Balancing Pool in the capacity of a PPA buyer, in accordance with section 96(3) of the *Electric Utilities Act*.

The Balancing Pool has informed the AESO that if the Balancing Pool becomes the holder of the Keephills PPA, it is not prepared to execute the AESO’s pro forma Assignment, Assumption and Novation Agreement (“AA&N Agreement”) for the ENMAX STS Agreements. This is because the pro forma AA&N Agreement could result in the Balancing Pool assuming a liability associated with the ENMAX STS Agreements for the 2006-2016 historical period loss factor charges that will be recalculated in accordance with the Commission’s decision in Module C of Proceeding 790, Phase 2.

In the absence of new STS Agreements with the Balancing Pool and unless the Balancing Pool accepts assignment of the ENMAX STS Agreements, the AESO cannot provide system access service to the Balancing Pool in respect of the Keephills Units and, as a result, those units would be required to go off-line.

The AESO has consequently applied to the Commission for certain legal determinations, so as to enable the AESO to enter into STS Agreements with the Balancing Pool for the Keephills Units (the "Application").<sup>1</sup> The Application is currently before the Commission in Proceeding 23138.

Pending the receipt of the legal determinations of the Commission requested in the Application, the AESO will be filing new Section 201.8 on an expedited basis in order to mitigate the significant reliability risk<sup>2</sup> that would result if the Keephills Units were required to go off-line should the Balancing Pool become the holder of the Keephills PPA (in the capacity of PPA buyer) without associated STS Agreements.

The intention of new Section 201.8 is to:

- (a) emulate the AESO's ability to dispatch energy by a generating unit that is subject to a PPA held by the Balancing Pool, as if an associated STS Agreement exists;
- (b) permit the provision of energy by a generating unit that is subject to a PPA held by the Balancing Pool in accordance with its position in the energy market merit order and ancillary services merit order, if applicable;
- (c) charge to the account of the Balancing Pool, amounts that are the equivalent of rates and other applicable charges under Rate STS, *Supply Transmission Service*, of the ISO tariff ("Rate STS"); and
- (d) credit to the account of the Balancing Pool, revenues payable for the provision of energy.

New Section 201.8 is not intended to affect or influence the determination of whether the Balancing Pool or ENMAX should be responsible for the historical period loss factor adjustments related to the ENMAX STS Agreements.

### **Effective Date**

In accordance with Section 20.6 of the *Electric Utilities Act*, new Section 201.8 is to become effective on December 4, 2017, the date of filing.

The AESO submits that new Section 201.8 complies with AUC Rule 017 and further submits that new Section 201.8 is not technically deficient, supports the fair, efficient and openly competitive operation of the market, and is in the public interest.

### **Attachments to Letter of Notice**

In accordance with Section 14 of AUC Rule 017, the following documents are attached:

1. [Clean](#) copy of new Section 201.8.

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<sup>1</sup> Proceeding 23138, Exhibit 23138-X0002.

<sup>2</sup> *Ibid* at 31-39.

Sincerely,

*"Maria Gray"*

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Attachments