

September 28, 2017

To: Market Participants and Other Interested Parties

Re: **Letter of Notice – Proposed Amended ISO Rules:**

- a) **Section 205.3, *Restatements for Operating Reserve* (“amended Section 205.3”);**
 - b) **Section 205.4, *Regulating Reserve Technical Requirements and Performance Standards* (“amended Section 205.4”);**
 - c) **Section 205.5, *Spinning Reserve Technical Requirements and Performance Standards* (“amended Section 205.5”);**
 - d) **Section 205.6, *Supplemental Reserve Technical Requirements and Performance Standards* (“amended Section 205.6”)**
- (collectively, the “proposed amended Operating Reserve Rules”)**

Pursuant to Section 2 of Alberta Utilities Commission (“AUC” or “Commission”) Rule 017, the Alberta Electric System Operator (“AESO”) is providing notice and seeking feedback from market participants and other interested parties on the attached proposed amended Operating Reserve Rules.

Applicability

The proposed amended Operating Reserve Rules are applicable to:

- a) pool participants; and
- b) the AESO.

Background

The AESO is proposing amendments to the existing operating reserve rules in order to facilitate the participation of energy storage facilities in the Alberta operating reserve market, and to promote flexibility for the integration of new technologies in the future. Currently, certain technologies that may be physically capable of meeting the technical and performance requirements to provide operating reserve are precluded from participating in the operating reserve market under the existing operating reserve rules.

Pursuant to section 17(b) of the *Electric Utilities Act*, the AESO has a duty “to facilitate the operation of markets for electric energy in a manner that is fair and open and that gives all market participants wishing to participate in those markets and to exchange electric energy a reasonable opportunity to do so”. Under the minimum requirements of the existing operating reserve rules, generating units may provide regulating reserve, generating units or load may provide spinning reserve, and pool assets may provide supplemental reserve. In recognition that energy storage facilities may be capable of providing all three types of operating reserve as both a generating unit and a load, references to generating unit and load have been removed in the proposed amended Operating Reserve Rules and replaced with the following technology neutral definitions for the resources within a pool asset to ensure that the products are open to any type of eligible technology:

- a) “regulating reserve resource”;
- b) “spinning reserve resource”;
- c) “supplemental reserve resource”.

As such, the proposed amended Operating Reserve Rules are intended to ensure that new technologies capable of meeting the AESO's eligibility and performance requirements can apply to participate in the Alberta operating reserve market. Further, the frequency response requirements for regulating reserve and spinning reserve have been amended to ensure immediate governor response without unintentional delay. Under amended Section 205.4 and amended 205.5, regulating reserve resources and spinning reserve resources must be capable of providing an "immediate, automatic and sustained response to frequency deviations", respectively. In addition, dispatch performance requirements require the pool participant to ensure that, while under dispatch to provide either spinning reserve or regulating reserve, the change in real power of the spinning reserve resource or regulating reserve resource is "continuously proportional to the measured frequency" and is sustained when the frequency goes outside the deadband of equal to or less than 0.036 Hz.

The AESO notes that, while several provisions from the existing operating reserve rules have been reworded and rearranged into a different order in the proposed amended Operating Reserve Rules, the substantive requirements of these provisions remains the same.

Existing providers of operating reserve will not be impacted by the amendments described above as their pool assets continue to meet the eligibility and performance requirements, and remain qualified to provide operating reserve.

Defined Terms

When reviewing the attached proposed amended Operating Reserve Rules, market participants should note that all defined terms appear in **bold**. Market participants are encouraged to refer to the AESO's [Consolidated Authoritative Documents Glossary](#) ("CADG") when reviewing the proposed amended Operating Reserve Rules to ensure they have an accurate understanding of those defined terms.

On September 28, 2017, the AESO issued a [Letter of Notice](#) providing notice to and seeking feedback from market participants on the proposed OR Definition Amendments. The proposed amended Operating Reserve Rules were developed in conjunction with the drafting of the proposed amended Operating Reserve Rules, and are proposed for inclusion in the AESO's CADG.

Request for Comments

Please use the attached Market Participant Comment Matrices when submitting comments to the AESO. Only written comments will be considered in finalizing the proposed amended Operating Reserve Rules. Market participants should ensure that comments provided represent all interests within their organization. The scope of comments is limited to the proposed amended Operating Reserve Rules. Any comments received that are outside of this scope will not be considered by the AESO.

Market participants are asked to provide comments no later than **October 13, 2017**, to rules_comments@aeso.ca. Adherence to deadlines is essential to the integrity of the ISO rules comment process. As such, any market participant comments received after October 13, 2017, may not be published, replied to, or otherwise considered by the AESO.

The AESO will be publishing all comments received for industry review in October 2017. The AESO expects to publish replies to the comments with the final proposed amended Operating Reserve Rules in November 2017.

If no comments are received by the AESO regarding the proposed amended Operating Reserve Rules, the AESO will proceed, pursuant to AUC Rule 017, to file the final proposed amended Operating Reserve Rules with the Commission no sooner than three days after the deadline for comments as specified in this Letter of Notice.

In accordance with Section 20.4 of the *Electric Utilities Act*, market participants may object to ISO rules filed with the Commission within 10 days after publication of the Notice of Filing.

Attachments to Letter of Notice

In accordance with Section 4 of AUC Rule 017, the following documents are attached:

1. [Blackline](#) and [clean](#) copies of the proposed amended Section 205.3;
2. [Copy of the Market Participant Comment Matrix for the proposed Amended Section 205.3](#);
3. [Blackline](#) and [clean](#) copies of the proposed amended Section 205.4;
4. [Copy of the Market Participant Comment Matrix for the proposed amended Section 205.4](#);
5. [Blackline](#) and [clean](#) copies of the proposed amended Section 205.5;
6. [Copy of the Market Participant Comment Matrix for the proposed amended Section 205.5](#);
7. [Blackline](#) and [clean](#) copies of the proposed amended Section 205.6; and
8. [Copy of the Market Participant Comment Matrix for the proposed amended Section 205.6](#).

Sincerely,

"Maria Gray"

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Attachments