

October 18, 2018

To: Market Surveillance Administrator, Market Participants, Registered Parties in Proceeding 790 and Other Interested Parties

Re: **Letter of Notice for Development of a Proposed Amended ISO Rule – Section 501.10, Transmission Loss Factors (“Section 501.10”)**

Pursuant to Section 4 of Alberta Utilities Commission (“AUC” or “Commission”) Rule 017: *Procedures and Process for Development of ISO Rules and Filing of ISO Rules with the Alberta Utilities Commission*, the Alberta Electric System Operator (“AESO”) is providing notice and seeking feedback from the Market Surveillance Administrator (“MSA”), market participants, and other interested parties (“stakeholders”) on the development of proposed amended Section 501.10.

Applicability

Proposed amended Section 501.10, *Transmission Loss Factors* is applicable to:

- (a) the ISO; and
- (b) a market participant who has requested or is receiving system access service under:
 - (i) Rate STS of the ISO tariff, *Supply Transmission Service*;
 - (ii) Rate XOS of the ISO tariff, *Export Opportunity Service*;
 - (iii) Rate IOS of the ISO tariff, *Import Opportunity Service*; or
 - (iv) Rate DOS of the ISO tariff, *Demand Opportunity Service*.

Background

During technical meetings regarding loss factor calculations for 2017, 2018, 2019, and the historical period of 2006-2016 in Module C of Proceeding 790, the AESO identified and discussed with stakeholders three clarifying amendments to Section 501.10 that are required to provide transparency to market participants on how loss factors are calculated.

In addition, while preparing data for the calculation of 2019 loss factors in September 2018, the AESO identified two additional amendments to Section 501.10 which are required to ensure that loss factors reasonably recover the cost of losses on the transmission system.

Issues that Proposed Amended Section 501.10 is Intended to Address

The AESO has identified five amendments to Section 501.10, as follows:

- (1) *Extended mothball outages, planned outages and similar extended outages*

During the development of the 2019 loss factors in September 2018, the AESO identified that, while mothball outages are contemplated in the loss factor methodology, the return to service of an asset following an extended mothball or planned outage is not contemplated in the methodology. The development of the 2019 loss factors was the first time the AESO encountered the return to service of an asset following a mothball outage. The historical data used to calculate a loss factor is therefore inconsistent with the forecast data.

(2) Increases or decreases to volumes for existing source assets and sink assets

In 2017 and 2018, the AESO discussed with market participants its inclusion of increases or decreases to volumes for existing source assets and sink assets. Although this practice was implemented in 2017 and 2018 based on comparability to additions of new assets, the AESO has identified that the practice should be formally reflected in Section 501.10.

(3) Removal of interim nature of the project inclusion criteria in subsection 7

The project inclusion criteria in subsection 7 of Section 501.10 was amended in November 2017 to account for projects being otherwise included that did not have a reasonable expectation of being placed in-service during the relevant loss factor year. Due to the condensed timing of the consultation process in 2017, the AESO included an obligation on itself to replace the project inclusion criteria after further consultation with stakeholders before the calculation of 2019 loss factors. During the development of final 2017 and 2018 loss factors, the AESO used the project inclusion criteria and found that appropriate projects were included. No concerns were raised by stakeholders regarding the projects that were included for either the final 2017 or 2018 loss factors. Therefore, the AESO is not proposing to make any changes to the project inclusion criteria set out in Section 501.10, and intends to remove the requirement on itself to replace these criteria.

(4) Alignment between subsections 6 and 7

During consultation on Section 501.10 in 2017, one stakeholder suggested that subsection 6 of Section 501.10 be amended to clarify that assets are to be included in and following the month established in subsection 7. This amendment ensures that there is alignment between the in-service dates used for source and sink assets in subsection 6 and the in-service dates used for facilities in subsection 7.

(5) Removal of Subsection 8(8)(c)

During consultation on Section 501.10 in 2017, the AESO identified a redundant provision in subsection 8(8) that will never apply due to subsection 8(7). Alternatives to address the redundancy, including revisions to subsection 8(7), were raised by stakeholders during the Module C Methodology Compliance Filing process in Proceeding 790. The AESO has determined that the appropriate approach to address the redundancy is to remove subsection 8(8)(c), which will otherwise never apply due to subsection 8(7).

Objectives/Purpose

The proposed amendments are intended to address the issues described above in order to ensure that loss factors reasonably recover the cost of losses on the transmission system. Further, the AESO is proposing clarifying amendments in order to provide transparency to market participants on how loss factors are calculated.

Consultation Completed to Date

As noted above, the AESO consulted with stakeholders regarding amendments (2) – (5) during technical sessions and other rule-related activities in 2017 and 2018 as follows:

- (2) Increases or decreases to volumes for existing assets — Discussed at technical meetings on September 14, 2017, April 27, 2018 and July 26, 2018.
- (3) Project inclusion criteria — Discussed at technical meeting on September 14, 2017 and in rule amendment process in October-November 2017.
- (4) Alignment between subsections 6 and 7 — Discussed in rule amendment process in October-November 2017.
- (5) Removal of Subsection 8(8)(c) — Discussed in proposed rule amendment on June 6, 2017, at technical meetings on September 14, 2017 and July 26, 2018, and in Module C Methodology Compliance Filing process in Proceeding 790 in August-September 2018.

The AESO held a consultation session on October 17, 2018 during which all five of the proposed amendments to Section 501.10 were consulted on with stakeholders.

Proposed Consultation and Timeline

As the AESO has previously consulted on the amendments to Section 501.10 with Stakeholders as described above, the AESO is of the view that it has fulfilled the requirements of subsections 6.1 and 6.2 of AUC Rule 017.

Accordingly, the AESO is now seeking written feedback from stakeholders regarding the proposed amended Section 501.10 in accordance with subsection 6.3 of AUC Rule 017, including with respect to the information required in subsections 7.2(b) through 7.2(j) of AUC Rule 017. This approach will allow the AESO to file the proposed amended Section 501.10 with the Commission for approval as expeditiously as possible.

Stakeholder Comments

Please use the *Stakeholder Comment Matrix – Development of Proposed ISO Rule* when submitting comments to the AESO. Stakeholders should ensure that comments provided represent all interests within their organization.

The deadline for stakeholders to provide comments is November 5, 2018 to rules_comments@aeso.ca. Adherence to deadlines is essential to the integrity of the comment process, and as such, the AESO may choose not to consider any stakeholder comments received after the deadline.

The AESO will publish all stakeholder comments, received by the deadline, on the AESO website on November 12, 2018.

If no comments are received by the AESO regarding the proposed amended Section 501.10, the AESO will proceed to file proposed amended Section 501.10 with the Commission for approval.

Related Materials

1. [Blackline of proposed amended Section 501.10](#);
2. [Stakeholder Comment Matrix – Development of Proposed ISO Rule for the proposed amended Section 501.10](#);
3. [October 2, 2018 Invitation to Technical Meeting on Loss Factors](#); and
4. [The Loss Factors section of the AESO website](#).

Sincerely,

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