

October 11, 2017

To: Market Participants and Other Interested Parties

Re: **Letter of Notice – the Proposed Amended Section 501.10 of the ISO Rules, *Transmission Loss Factors* (“proposed amended Section 501.10”)**

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 Section 501.10.

Applicability

The proposed amended Section 501.10 is applicable to:

- (a) the AESO; 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

Due to the complexity of the first implementation of the hourly incremental loss factor methodology approved by the Alberta Utilities Commission (“AUC” or the “Commission”) in Decision 790-D03-2015,¹ the development of 2017 loss factors took the AESO several months longer than anticipated. Currently, the AESO is planning the development of the 2018 loss factors, including the incorporation of improvements recognized during the 2017 loss factor development work.

Specifically, during the development of the 2017 loss factors the AESO found that the project inclusion criteria specified in subsection 7 of current Section 501.10 results in projects being included that do not have a reasonable expectation of being placed in-service during the relevant loss factor year. As a result, the AESO had to recalculate the 2017 loss factors to provide a more realistic inclusion of projects. In order to avoid similar unrealistic project inclusions for the 2018 loss factors, the AESO is revising subsection 7 of proposed amended Section 501.10 to reflect the experience gained during the development of the 2017 loss factors, and to align with the current criteria used in AESO planning studies and included in the 2018 ISO tariff application. Proposed amended Section 501.10 also provides the AESO with additional discretion to exclude or include projects in the system topologies used for loss factor calculations. The revised project inclusion criteria in proposed amended Section 501.10 are proposed to be effective for the calculation of the 2018 loss factors only (an “interim amendment”). The AESO will be required to replace the interim amendment before the calculation of the 2019 loss factors,

¹ AUC Decision 790-D03-2015, *Milner Power Inc. Complaints regarding the ISO Transmission Loss Factor Rule and Loss Factor Methodology*, *ATCO Power Ltd. Complaint regarding the ISO Transmission Loss Factor Rule and Loss Factor Methodology, Phase 2 Module B*, November 26, 2015.

which is expected to include further consultation and to reflect additional experience gained during the development of 2018 loss factors.

The proposed amended Section 501.10 includes the following changes:

- (a) Project inclusion is based on the most recent project queue when system topologies are created, instead of March 1 as specified in current Section 501.10.
- (b) Additional descriptions are provided to differentiate between different types of projects, including between connection projects that involve construction of a new substation or line and those that only involve construction at an existing substation.
- (c) Specific criteria for the inclusion of projects have been changed to provide more realistic results, including, for example, using the issuance of permit and licence instead of the filing of a facility application as a criterion for a connection project.
- (d) Specific criteria for the inclusion of projects include additional components such as the market participant paying a generating unit owner's contribution, which is in alignment with the current criteria used in AESO planning studies.
- (e) The AESO has discretion to exclude or include transmission facilities based on reasonable expectation that the in-service date will differ from that in the project queue. This reflects the AESO's experience during the development of 2017 loss factors, where the AESO found that public information for certain projects was not reflected in the project queue.
- (f) The AESO is required to replace subsection 7 of proposed amended Section 501.10 prior to the publishing of loss factors for 2019.

A comparison of the provisions of subsection 7 of the proposed amended Section 501.10 to those of current Section 501.10 is provided in the attached table, including additional comments by the AESO on the difference between those provisions.

The AESO will also publish a list of the projects impacted by the proposed amended Section 501.10 during the development of 2018 loss factors. The AESO may then further adjust the included projects based on any comments received from stakeholders, using the discretion granted in the proposed amended Section 501.10.

The AESO has determined that a robust consultation process is required to develop permanent and final project inclusion criteria, which the AESO will not be able to complete by year-end 2017. Therefore, as noted above, the AESO is proposing the interim amendment to be effective prior to January 1, 2018. To formalize the interim nature of the amendment, proposed amended Section 501.10 includes a requirement that the project inclusion criteria be replaced during 2018.

Defined Terms

When reviewing the attached proposed amended Section 501.10, 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 proposed amended Section 501.10 to ensure they have an accurate understanding of those defined terms.

Request for Comments

Please use the attached Market Participant Comment Matrix when submitting comments to the AESO. Only written comments will be considered in finalizing the proposed amended Section 501.10. Market participants should ensure that comments provided represent all interests within their organization. The scope of comments is limited to the proposed amended Section 501.10. 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 26, 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 26, 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 Section 501.10 in November 2017.

If no comments are received by the AESO regarding the proposed amended Section 501.10, the AESO will proceed, pursuant to AUC Rule 017, to file the final proposed amended Section 501.10 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 501.10;
2. [Copy of the Market Participant Comment Matrix](#) for the proposed amended Section 501.10; and
3. [Comparison Table](#) of Current and Proposed Provisions of Subsection 7 of proposed amended Section 501.10.

Sincerely,

“Maria Gray”

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Attachments