

January 22, 2019

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

Re: Second 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

On October 18, 2018, the AESO posted a Letter of Notice for development of proposed amended Section 501.10. The AESO posted comments and replies to comments received on November 20, 2018.

Following its review of stakeholder comments and upon further consideration of sections 3(1), 8(4) and 8(5) of Section 501.10, the AESO is proposing three additional amendments to proposed amended Section 501.10, as described below.

Issues that the Additional Proposed Amendments to Section 501.10 are Intended to Address

Additional Amendments to Subsections 6(1)(d) and (e)

In response to stakeholder comments, the AESO has made an additional proposed amendment to subsection 6(1)(d) to allow a market participant who owns a source asset that is returning from an extended outage to review and comment on the volumes developed for the source asset. The wording of subsection 6(1)(e) has also been amended to align with 6(1)(d).

Additional Amendment to Subsection 3(1)

The AESO has also made an additional proposed amendment to subsection 3(1), which requires the AESO to publish loss factors by the fifth business day of November. When the AESO identifies issues in calculating loss factors close to the fifth business day of November deadline, it is typically unable to address these issues prior to year-end, which suggests that an earlier date should be considered.

However, the deadline should not be advanced too far so as to require input data earlier than necessary, which could reduce the robustness of the project inclusion criteria. Accordingly, the AESO has determined that the date should be advanced to the first business day of October

The AESO is also of the view that subsection 3(1) should be amended to a “reasonable efforts” requirement. The AESO would make reasonable efforts to complete input data preparation, loss factor calculation, and consultation with stakeholders to achieve the October deadline. However, the reasonable efforts requirement would minimize the administrative process required if the October deadline is missed due to unforeseen issues arising in the calculation of loss factors.

New Request Regarding Subsections 8(4) and 8(5)

Subsections 8(4) and 8(5) of Section 501.10 require the AESO to balance total supply to total load plus transmission system losses when calculating hourly loss factors. To balance the system, those subsections permit the AESO to increase undispached volumes for one or more source assets or to decrease dispatched volumes for one or more source assets. Volumes for source assets must be increased or decreased in accordance with their positions in the merit order.

During the course of its on-going efforts to optimize and monitor the software solution developed to implement the process described in Section 501.10, the AESO has identified a circumstance that cannot be accommodated within the requirements of subsections 8(4) and 8(5). This circumstance can occur when a self-supply site exists as net demand in an hour and also has undispached net supply offers in the merit order. At a self-supply site, net demand and net supply cannot simultaneously exist — the net-to-grid exchange must be either net demand or net supply in any interval at the site. If the hourly loss factor calculation requires the AESO to dispatch a net supply offer block at that self-supply site, the net demand must first be reduced to zero before the net supply can be dispatched. Accordingly, the AESO is proposing to amend subsections 8(4) and 8(5) of Section 501.10 to include a provision that would allow the reduction of net demand when balancing the system.

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, and to ensure that any issues arising in the calculation of loss factors can be more easily addressed within the timelines set out in Section 501.10 without the need for administrative process.

Consultation Completed to Date

The AESO held a consultation session on December 13, 2018 during which the proposed additional 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 additional amendments to 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 scope of comments is limited to the additional amendments described above and reflected in the attached blackline.

The deadline for stakeholders to provide comments is February 6, 2019 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, and AESO replies on the AESO website on February 21, 2019.

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 from the version posted on October 18, 2018](#);
2. [Stakeholder Comment Matrix – Development of Proposed ISO Rule for the proposed amended Section 501.10 \(additional amendments\)](#);
3. [November 29, 2018 Invitation to Technical Meeting on Loss Factors](#);
4. [December 13, 2018 AESO presentation for Technical Meeting on Loss Factor Activities](#); and
5. [The Loss Factors section of the AESO website](#).

Sincerely,

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