

ISO Rules

Part 200 Markets

Division 206 Capacity Market

Section 206.1 Qualification of Capacity



External Consultation Draft
October 22, 2018

Applicability

- 1 Section 206.1 applies to:
- (a) a **person** seeking to have the **ISO** qualify **new capacity** for the capacity market;
 - (b) a **capacity market participant**; and
 - (c) the **ISO**.

Requirements

Application for Qualification of Capacity

- 2 A **person** or **capacity market participant** seeking to qualify an asset for the capacity market must, within the timelines prescribed by the *Capacity Market Auction Guidelines*, provide the **ISO** with:
- (a) a completed application, where such application is available on the AESO website; and
 - (b) the application fee set out in the *Schedule of ISO Fees*, as applicable.

Declarations for New Capacity, Incremental Capacity and Refurbished Capacity

3(1) A **person** must, within the timelines prescribed by the *Capacity Market Auction Guidelines*, submit to the **ISO** a verification from a corporate officer as to whether an asset with **new capacity**, in the event that the **capacity market participant** fails to receive a **capacity commitment** for such asset in a **base auction** or **rebalancing auction**, will:

- (a) permanently delist in accordance with Section 201.15 of the **ISO rules**, *Delisting*; or
- (b) continue to participate in the energy and capacity markets.

(2) A **capacity market participant** must, within the timelines prescribed by the *Capacity Market Auction Guidelines*, submit to the **ISO** a verification from a corporate officer as to whether the anticipated **maximum capability** of the asset with incremental **capacity**, in the event that the **capacity market participant** fails to receive a **capacity commitment** for such asset in the **base auction** or **rebalancing auction** for all or a portion of the incremental **capacity**, will be either:

- (a) the **maximum capability** of the asset without the addition of the incremental **capacity**; or
- (b) the anticipated **maximum capability** with the addition of the incremental **capacity**.

(3) A **capacity market participant** must, within the timelines prescribed by the *Capacity Market Auction Guidelines*, submit to the **ISO** a verification from a corporate officer as to whether an asset with refurbished **capacity**, in the event that the **capacity market participant** fails to receive a **capacity commitment** for such asset in the **base auction** or **rebalancing auction**, will:

- (a) permanently delist in accordance with Section 201.15 of the **ISO rules**, *Delisting*; or
- (b) continue to participate in the energy and capacity markets.

(4) A **person** must, within the timelines prescribed by the *Capacity Market Auction Guidelines*, declare to the **ISO** the intended interconnection location for an asset with **new capacity**.

ISO Rules

Part 200 Markets

Division 206 Capacity Market

Section 206.1 Qualification of Capacity



Declaration for a Load Asset

4(1) A **person** seeking to have the **ISO** qualify **new capacity** or incremental **capacity** from a load asset providing a **firm consumption level** must, within the timelines prescribed by the *Capacity Market Auction Guidelines* and in the manner the **ISO** specifies, declare to the **ISO**:

- (a) the **firm consumption level** for the asset; and
- (b) the qualified baseline reflecting the expected average consumption of a load asset during the **obligation period**.

(2) A **person** seeking to have the **ISO** qualify **new capacity** or incremental **capacity** from a load asset providing a **guaranteed load reduction** must, within the timelines prescribed by the *Capacity Market Auction Guidelines*, declare to the **ISO** a **guaranteed load reduction** reflecting the volume of electric energy in MW that the load asset will reduce consumption by when subject to a **dispatch** .

Declaration for an Import Asset

5 A **person** seeking to have the **ISO** qualify an import asset must, within the timelines prescribed by the *Capacity Market Auction Guidelines*, declare to the **ISO** a volume in MW of **new capacity** or incremental **capacity** from an import asset , which must be less than or equal to the amount of firm transmission held by such **person**.

Qualification of an Asset for the Capacity Market

6(1) The **ISO** must, based on the application provided pursuant to subsection 2, be satisfied that:

- (a) the asset will be capable of providing electric energy to or reducing consumption from the **interconnected electric system**;
- (b) the asset has a **uniform capacity value** greater than or equal to 1 MW prior to any rounding;
- (c) the asset will be:
 - (i) developed in accordance with a project plan and timeline that aligns with the milestones established by the **ISO**; and
 - (ii) energized and commissioned prior to the **obligation period**; and
 - (iii) capable to connecting to the existing **transmission system** if the proposed interconnection location provided in subsection 3(4) is to the **transmission system**.
- (d) the asset is not a **source asset** that is the subject of a renewable electricity support agreement in connection with rounds 1, 2 or 3 of the Renewable Electricity Program;
- (e) the asset is not energy efficiency;
- (f) in the case of a load asset:
 - (i) can or will be able to reduce consumption during the **obligation period** in a way that is measureable by the **ISO**; and
 - (ii) is or will be a retail or self-retail asset;
- (g) in the case of a load asset providing **guaranteed load reduction** is or will be capable of responding to a **dispatch** in the energy market;

ISO Rules

Part 200 Markets

Division 206 Capacity Market

Section 206.1 Qualification of Capacity



- (h) in the case of an **energy storage facility**, is or will be capable of maintaining energy production at the estimated **uniform capacity value** for the **energy storage facility** for a minimum of 4 hours;
- (i) in the case of an import asset:
 - (i) the **person** has firm transmission to Alberta for the estimated uniform capacity value for the import asset for the duration of the **obligation period**;
 - (ii) the import asset is not participating as non-recallable **capacity** in a resource adequacy program of another jurisdiction; and
 - (iii) the import asset will only be curtailed on a pro-rata basis by the **balancing authority** of the jurisdiction in which the import asset is located in when firm load is curtailed;
- (j) in the case of an aggregation of assets:
 - (i) has a **uniform capacity value** less than or equal to the **maximum capability** of the largest **generating unit** in Alberta multiplied by 0.85;
 - (ii) has or will have revenue quality interval metering for each site associated with the asset in the aggregation;
 - (iii) is comprised of pool assets located within Alberta that are either exclusively:
 - (A) **generating units** or **aggregated generating facilities**;
 - (B) load assets providing a **firm consumption level**; or
 - (C) load assets providing a **guaranteed load reduction**;and
 - (iv) is not comprised of any asset that will contribute **capacity** individually, or as part of another aggregated asset;
- (k) in the case of incremental **capacity**, will be modified in a manner that will, in the opinion of the **ISO**, increase the **maximum capability** of the asset by an amount in MW that is:
 - (i) greater than or equal to 1 MW; and
 - (ii) less than or equal to the greater of:
 - (A) 15% of the asset's **maximum capability**; or
 - (B) 40 MW above the asset's **maximum capability**;
- (l) in the case of refurbished **capacity**, will be modified in a manner that will, in the opinion of the **ISO**, result in either:
 - (i) an increase in the asset's **maximum capability** by an amount exceeding the greater of:
 - (A) 15% of the asset's **maximum capability**; or
 - (B) 40 MW above the asset's **maximum capability**; or
 - (ii) a capital investment of greater than or equal to \$200/kW of the asset's current **maximum capability** multiplied by the composite index calculated in accordance with the following formula:

ISO Rules

Part 200 Markets

Division 206 Capacity Market

Section 206.1 Qualification of Capacity



$$\text{composite index} = \frac{0.25 \times \text{labour index}}{60.7} + \frac{0.35 \times \text{materials index}}{118.5} + \frac{0.40 \times \text{turbine index} \times \text{exchange rate}}{268.7}$$

where:

- (A) *labour index* is the most recent 12 month average of published Statistics Canada Construction Union Wage Rates (Electrician), Monthly for Edmonton Alberta, Table 18 10-0046-01;
- (B) *materials index* is the most recently published Statistics Canada Gross National and Gross Domestic Income, Indexes and Related Statistics, Annual, Table 36-10-0105-01;
- (C) *turbine index* is the most recent 12 month average of published Federal Reserve Economic Data (St. Louis) Producer Price Index by Industry: Turbine and Turbine Generator Set Units Manufacturing (PCU333611333611); and
- (D) *exchange rate* is the most recent 12 month average of published Statistics Canada Monthly Average Exchange Rates in Canadian Dollars, U.S. Dollar monthly average, Table 33-10-0163-01.

ISO Review of Refurbishment Costs

7(1) The **ISO** must request additional information from the **capacity market participant** concerning the cost information provided in accordance with subsection 6(1)(l)(ii) where the **ISO** determines such cost information appears unreasonable.

(2) The **ISO** must, exclude all or a portion of the cost information submitted in accordance with subsection 6(1)(l)(ii) where the **ISO** determines that such costs are unreasonable, after requesting additional information in accordance with subsection 7(1).

Review and Approval of Qualification Application

8(1) The **ISO** must qualify an asset for the capacity market if:

- (a) the application provided pursuant to subsection 2 is complete; and
- (b) the **ISO** is satisfied pursuant to subsection 6(1) after taking into account the exclusion of cost information referred to in subsection 7(2).

(2) The **ISO** must, within the timelines prescribed by the *Capacity Market Auction Guidelines*, notify each **person** or **capacity market participant** as to whether the asset is qualified for the capacity market.

Re-entry of Permanently Delisted Assets

9(1) The **ISO** must, in the case of a generating **source asset** that was permanently delisted from the energy and capacity markets within the previous 5 years in accordance with Section 201.15 of the **ISO rules**, *Delisting*, designate the generating **source asset** as **new capacity** if the generating **source asset** meets the following criteria:

- (a) has undergone a material change including:
 - (A) a change to the primary fuel type;
 - (B) the addition of generation equipment;

ISO Rules

Part 200 Markets

Division 206 Capacity Market

Section 206.1 Qualification of Capacity



- (C) a change to the **maximum capability**; or
- (D) the generating **source asset** was sold to a **person**, other than an associate of the **market participant** as defined in subsection 5 of the *Fair, Efficient and Openly Competitive Regulation*;

and

- (b) a capital investment of greater than or equal to \$200 multiplied by the escalation rate calculated in subsection 9(2) per kW of the asset's current **maximum capability**.

(2) The **ISO** must, in calculating the capital investment in subsection 9(1)(b), calculate the escalation rate in accordance with the following formula:

$$\begin{aligned}
 & \text{escalation rate} = \\
 & \frac{0.25 \times \text{labour index}}{60.7} + \frac{0.35 \times \text{materials index}}{118.5} + \frac{0.40 \times \text{turbine index} \times \text{exchange rate}}{268.7}
 \end{aligned}$$

where:

- (a) *labour index* is the most recent 12 month average of published Statistics Canada Construction Union Wage Rates (Electrician), Monthly for Edmonton Alberta, Table 18 10-0046-01;
- (b) *materials index* is the most recently published Statistics Canada Gross National and Gross Domestic Income, Indexes and Related Statistics, Annual, Table 36-10-0105-01;
- (c) *turbine index* is the most recent 12 month average of published Federal Reserve Economic Data (St. Louis) Producer Price Index by Industry: Turbine and Turbine Generator Set Units Manufacturing (PCU333611333611); and
- (d) *exchange rate* is the most recent 12 month average of published Statistics Canada Monthly Average Exchange Rates in Canadian Dollars, U.S. Dollar monthly average, Table 33-10-0163-01.

Revision History

Date	Description
yyyy-mm-dd	Initial release