

**Development of the Proposed New
Section 103.14 of the ISO Rules,
Waivers and Variances Rule
("Section 103.14")
Stakeholder Consultation Session
June 20, 2019**

Calgary Place

Slow alarm:

- Stand by
- Listen to announcements

Fast alarm:

- Evacuate to muster point

Muster point:

- Courtyard at 5th Ave Place

BP Centre

Slow alarm:

- Stand by
- Listen to announcements

Fast alarm:

- Evacuate to muster point

Muster point *South*:

- Courtyard at 5th Ave Place

Muster point *West*:

- Courtyard by Chinese Cultural Center

SCC

When alarm sounds:

- Proceed to Guard House
- Wait for further instruction
(From your fire captain or fire department)



User Name: A-Guest

Password: @Great\$YYC

Time	Agenda
9:30-9:45	Consultation Session Overview and Introductions
9:45-10:00	Proposed New Section 103.14 ISO Rule Development Process
10:00-10:30	Proposed New Section 103.14 and Stakeholder Feedback Review
10:30-10:45	Coffee Break
10:45-11:30	Proposed New Section 103.14 and Stakeholder Feedback Review (continued)
11:30-11:45	Next Steps

Consultation Session Overview and Introductions

Consultation Session Overview

Stakeholder Expectations

- Actively participate
 - This is your session to ask questions and provide feedback
- Speaker expectations
 - All attendees:
 - One speaker at a time
 - Introduce yourself by stating your name and company
 - In-person attendees:
 - Raise your hand to speak and use the microphone
 - Webinar attendees:
 - Please submit questions or comments using the question button
- Your positions are not binding, but provide your input in good faith so we can work together to address the issues

Consultation Session Overview

Meeting Minutes

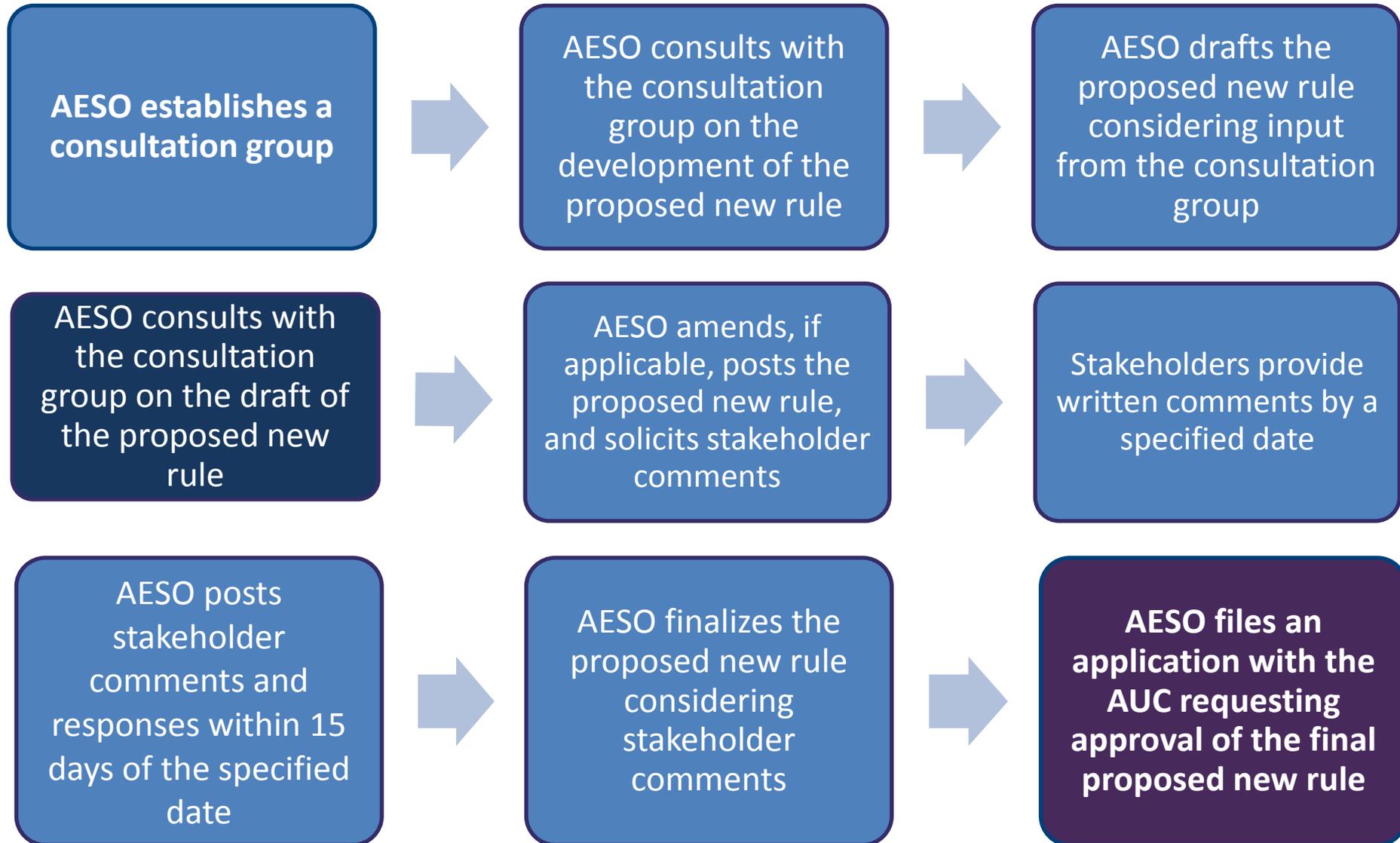
- Session is recorded and will be used to assist in preparation of meeting minutes
 - Recording will be deleted after minutes are finalized
- Meeting minutes will be circulated for review and ultimately posted to AESO.CA
 - Company names will be incorporated where applicable
- Personal information is collected in accordance with section 33(c) of the *Freedom of Information and Protection of Privacy Act*
 - Questions or concerns can be directed to the Director, Information and Governance Services at 403-539-2528



Proposed New Section 103.14 ISO Rule Development Process

- Section 20 of the *Electric Utilities Act* grants authority to the AESO to develop ISO rules
- AUC Rule 017, *Procedures and Process for Development of ISO Rules and Filing of ISO Rules with the Alberta Utilities Commission*, sets out the requirements for the development of ISO rules including:
 - stakeholder engagement requirements; and
 - AUC application requirements

Proposed New Section 103.14 ISO Rule Development Process Overview



Proposed New Section 103.14 ISO Rule Development Process Timeline

AESO establishes a
consultation group

Public Notices posted
December 4, 2018
January 17, 2019
January 29, 2019



AESO consults with the
consultation group on
the development of the
proposed new rule

Consultation
Session held
February 4, 2019
Feedback Solicited
March 28, 2019



AESO drafts the
proposed new rule
considering input from
the consultation group
April – June 2019

AESO consults with the
consultation group on the
draft of the proposed new rule

Consultation Session
held June 20, 2019

ISO Rule Development Process

Questions



Proposed New Section 103.14 and Stakeholder Feedback Review

- AESO is proposing to consolidate the waiver and variance content in existing ISO rules and reliability standards
- 24 parties from 14 companies participated in the February consultation to discuss need for and content of the rule
- AESO solicited written feedback in March 2019
- Seven parties provided written feedback with significant focus on:
 - Grounds for requesting a waiver or variance
 - AESO's process for evaluating requests
 - Timeliness of the review process
 - Revocation of approved waivers or variances
 - AESO/market participant engagement

Proposed New Section 103.14

Stakeholder Feedback Review Process

- AESO considered the written feedback and drafted the proposed new Section 103.14.
- Today - review proposed new Section 103.14 content
 - Present rule language section by section
 - Present related stakeholder feedback to date
 - Discuss any questions, comments, or concerns
- Legend for bullets on feedback slides
 - A check-mark indicates that the AESO agrees
 - A dot indicates partial AESO agreement
 - An “X” indicates that the AESO disagrees
- After today’s session, AESO will consider appropriate next steps

Proposed New Section 103.14

Applicability

- 1 Section 103.14 applies to:
 - (a) an **electricity market participant**, including:
 - (i) a **legal owner**;
 - (ii) an **operator**; and
 - (iii) a **pool participant**; and
 - (b) the **ISO**.

Proposed New Section 103.14

Applicability Feedback

- ✓ Broad support that an ISO rule should be established to standardize the process and requirements for requesting a waiver or variance
- ✓ Broad support that the ISO rule should be applicable to both market participants and the ISO
- ✓ AESO should not request waivers or variances to requirements in the ISO rules that are applicable to the ISO

Proposed New Section 103.14

Applicable ISO Rules

- 2(1) The **ISO** must consider a request for either one or both of a waiver and variance to any requirement in the following:
- a) Section 304.3 of the **ISO rules**, *Wind and Solar Power Ramp Up Management*;
 - b) Section 304.9 of the **ISO rules**, *Wind and Solar Aggregated Generating Facility Forecasting*;
 - c) any Section in Division 502, *Technical Requirements of Part 500, Facilities* of the **ISO rules**; and
 - d) any predecessor document to the **ISO rules** set out in subsections 2(a) through (c).
- (2) The **ISO** may either grant, in whole or in part, or deny a request for a waiver or variance submitted in accordance with this Section 103.14.

Proposed New Section 103.14

Applicable ISO Rules Feedback

- ✓ Broad support that scope of the proposed new Section 103.14 be focused on the technical rules
- ✗ Expand scope of the proposed new Section 103.14 to include waivers or variances for operational rules
 - Waivers or variance provisions could be considered during consultation/development of new or amended operational rules
- ✓ If several waivers or variances are granted for the same issue for long durations, the rule should be amended
 - Waivers and variances are currently being monitored for this concern and will continue to be in the future

Proposed New Section 103.14

Grounds for Requesting a Waiver or Variance

- 3(1) An **electricity market participant** may request either one or both of a waiver and variance to any of the requirements set out in the **ISO rules** or predecessor documents listed in subsection 2.
- (2) An **electricity market participant** must provide grounds for requesting a waiver or variance which must be the grounds specified in the applicable **ISO rule** or, where the grounds are not specified, must include one or more of the following circumstances where compliance with the requirements of the subject **ISO rule**:
- a) is not technically possible or is precluded by technical limitations;
 - b) is operationally infeasible;

Proposed New Section 103.14

Grounds for Requesting a Waiver or Variance (cont.)

- c) is operationally unnecessary to achieve the intended purpose or outcome of the **ISO rule**;
- d) cannot be achieved by the required compliance date regardless of good faith efforts by the **electricity market participant** which does not include a failure to appropriately plan;
- e) would pose a safety risk or safety issue;
- f) would conflict with a separate statutory or regulatory requirement that is applicable and cannot be waived or exempted;
- g) would require the incurrence of costs that significantly outweigh the benefits achieved or would result in severe economic hardship;
- h) could be achieved in an alternate timeframe that is reasonable to consider in light of other relevant factors, including upcoming scheduled maintenance, and anticipated facility upgrades;
- i) would have suboptimal results compared with the use of alternate technology that would meet or exceed the objectives of the subject **ISO rule**; and
- j) does not allow for testing the application of technology that was not considered during the development of the requirements.

Proposed New Section 103.14

Grounds for Requesting a Waiver or Variance Feedback

- ✓ Broad support for the six originally proposed grounds
- ✓ Timing for compliance/non-compliance should be considered due to circumstances such as an asset nearing retirement or future planned upgrades/outages
- ✓ Lack of appropriate planning shouldn't qualify as a "good faith" effort to achieve compliance with a requirement
- ✓ The grounds relating to the incurrence of significant unnecessary costs should be revised to include the concept of a trade-off between costs and benefits of compliance
- ✓ Include examples of eligible grounds in the Information Document ("ID")

Proposed New Section 103.14

Criteria for Evaluating a Request

- 4 The **ISO** must be satisfied that the grounds provided are sufficient and use one or more of the following criteria to evaluate any request for a waiver or variance:
- a) criteria already specified in the applicable **ISO rule**;
 - b) technical feasibility;
 - c) operational feasibility and burden;
 - d) safety;
 - e) economic impacts;
 - f) material impacts on a fair, efficient, and openly competitive market;
 - g) whether appropriate mitigation measures, mitigation plans, or remediation plans can be or are put in place; and
 - h) the **reliability** of the **interconnected electric system**.

- ✓ Broad support for most of the proposed criteria
- ✓ Ensure the economic criterion is broad based – not limited to market participants, but also Alberta ratepayers
- ✓ Include examples of sufficient criterion in the ID
- How will the AESO assess the “public interest” criterion?
 - Removed “public interest” from the list as the other criterion will sufficiently address any public interest components appropriate to consider that are within the AESO’s mandate
- ✗ MSA must be consulted when the AESO assesses “material impacts on a fair, efficient, openly competitive market”
 - The AESO does not intend to incorporate a mandatory consultation with the MSA when assessing waiver or variance requests

Proposed New Section 103.14

Submission of Information

5 An **electricity market participant** must:

- a) make a request for a waiver or variance to the **ISO** in writing;
- b) use the form the **ISO** specifies;
- c) respond to requests from the **ISO** for additional information or for the submission of a revised request; and
- d) advise the **ISO** as soon as practicable upon becoming aware of a material change in the facts underlying a request.

Proposed New Section 103.14

Submission of Information Feedback

- ✓ Broad agreement that requests should be made in writing in a standard form that the AESO publishes
- ✓ Waiver or variance requests should include a date by which an AESO decision is requested by the market participant
 - The waiver and variance request form will include the requested date and the AESO will take it into consideration for the review process
- Proposed New Section 103.14 should include language that allows the AESO or the market participant to request a meeting to discuss considerations related to the request
 - Proposed New Section 103.14 doesn't preclude meetings, the ID will provide guidance on meeting considerations and process

6 The **ISO** must:

- a) acknowledge receipt of a request for a waiver or variance;
- b) request any additional information it requires to complete the evaluation of the request;
- c) provide updates on progress;
- d) provide a written decision to the **electricity market participant**; and
- e) if it denies the request, give reasons.

Proposed New Section 103.14

Evaluation Process Feedback

- ✓ Broad support for the evaluation process requirements
 - Define a reasonable timeline for the entire review process, e.g., 30 days
 - To date, no decisions have been rendered within 30 days although the AESO expects the process to become more efficient with experience gained on different types of waiver and variance requests
 - Will provide guidance in the ID to indicate that timing for decisions is expected to vary due to the wide variety of requests that may be made
- ✓ The AESO should explain delay if a decision will be rendered beyond a reasonable timeframe (e.g., 6 months)
 - The proposed new Section 103.14 includes a requirement to provide updates on the progress of the AESO's review process

Proposed New Section 103.14

Evaluation Process Feedback (cont.)

- The AESO should allow market participants to provide additional information before denying a request
 - Will provide guidance in the ID for market participants to proactively supply complete information
 - Market participants may make new requests based on new information or facts
- ✓ Provide clarification of the dispute mechanism available should a waiver or variance request be denied
 - Will provide guidance in the ID to indicate that market participants may file a dispute under Section 103.2 of the ISO rules, *Dispute Resolution*, or pursue any other remedy available under the law including filing a complaint with the Market Surveillance Administrator (“MSA”) or Alberta Utilities Commission (“AUC”).

- Add a requirement for the ISO and market participants to collaboratively agree on next steps should a waiver or variance request be denied
 - Will provide guidance in the ID with information on how or when it may be appropriate to consult with the AESO on next steps
- ✘ The AESO should provide an opinion to the MSA that the applicant shouldn't be deemed non-compliant during the review of a request until the decision is rendered
 - Both the AESO and the MSA must act within their respective mandates for compliance monitoring, surveillance and enforcement

Proposed New Section 103.14

Evaluation Process Feedback (cont.)

- ✓ The MSA should be copied on correspondences when waivers or variances are requested, granted and denied
 - Section 103.12 of the ISO rules, *Compliance Monitoring*, and the *Market Surveillance Regulation* both speak to various aspects of the ISO's duty to make records available to the MSA
 - Will provide guidance in the ID to indicate that records may be provided to the MSA for the purpose of carrying out its mandate
- ✗ The MSA requests one month to review written waiver or variance requests prior to an AESO decision
 - The AESO will act within its mandate to implement ISO rules including making decisions regarding waiver or variance requests in as timely a manner as possible

Proposed New Section 103.14

Content of a Waiver or Variance

- 7 The **ISO** must include the effective date in an approved waiver or variance and any of the following as applicable:
- a) conditions;
 - b) expiry date;
 - c) mitigation or remediation plans, including milestones; and
 - d) reporting requirements.

- ✓ Broad support for the waiver or variance content
- ✓ Process should include the opportunity for market participants to provide input into the drafted content (e.g. conditions, mitigation or remediation plans) of an approved waiver or variance
 - Will provide guidance in the ID to indicate that this process may be followed for certain variances
- ✓ Waiver and variance effective dates should not be retroactive.
 - Will provide guidance in the ID to indicate that there will be no retroactive or back-dated waivers or variances

Proposed New Section 103.14

Ongoing Management of a Waiver or Variance

- 8(1) An **electricity market participant** must, as soon as reasonably practicable, notify the **ISO** of any material change to the facts or circumstances underlying the approval of a waiver or variance.
- (2) An **electricity market participant** may transfer a waiver or variance with the **ISO**'s written consent which consent will not be unreasonably withheld.
- (3) The **ISO** may amend or revoke a waiver or variance upon reasonable notice if:
 - a) there is a material change to the facts or circumstances underlying the approval of the waiver or variance; or
 - b) the **electricity market participant** does not fulfill the conditions of the approval.

- ✓ There should be criteria or process for the AESO to follow when considering revocation of an approved waiver or variance that includes working with the market participant
 - Will provide guidance in the ID on the AESO's process
- ✓ Thirty days of notice from the AESO for revoking a variance isn't sufficient in all circumstances – the period should be fair and subjective
- ✗ The rule should include a requirement that allows for a dispute to be filed if the AESO revokes a waiver or variance
 - It isn't necessary as Section 103.2 of the ISO rules, *Dispute Resolution*, applies to ISO rules

Proposed New Section 103.14

Ongoing Waiver or Variance Management Feedback (cont.)

- The rule should include criteria to be used to determine a “material change” or include a description of what constitutes a “material change” in the ID
 - Will provide guidance in the ID
- ✓ There should be a process to apply for an extension of a waiver or variance without re-filing another waiver or variance application
 - Will provide guidance in the ID
- The new legal owner of a facility should be required to confirm that the facts relating to the variance are still accurate
 - Will provide guidance in the ID

- Majority of comments support that all aspects of the waiver or variance process should remain confidential to protect commercially sensitive information or to avoid jeopardizing the reliability and security of the grid
 - The AESO is bound by Section 103.1 of the ISO rules, *Confidentiality*, to treat records confidentially that are not in the public domain or commercially sensitive including market participant or facility names/identifiers
 - The AESO may aggregate records such that they are unidentifiable
- If any disclosure were to occur, market participants should be notified
 - In the future, if the AESO chooses to publicly report on waiver and variance requests, at an aggregated level, the ID will be updated

Waivers and Variances

Confidentiality Feedback (cont.)

- Some disclosure could occur if it assists in compliance with requirements and ensures a level playing field
- Information on the requests along with the AESO's rationale for approving or denying should be published to assist in improving understanding of market participants, to allow for complaints or proposals to improve the ISO rules
 - The AESO will monitor the waiver and variances process for relevant information for all market participants that is not commercially sensitive or in any other way compromises grid reliability or security and, similar to all other ISO rules, the ID will be used as the main tool for public communication

- ✓ The majority support the amendment of any existing waiver and variance language in all the affected ISO technical rules in conjunction with the proposed new Section 103.14
 - The AESO will plan for this in its application to the AUC limiting amendments to technical rules to the waiver and variance language only
- ✗ The minority support amending the waiver and variance language in ISO rules over time or leaving the language as-is
- ✓ Ensure that the proposed new Section 103.14 is applicable to all facilities, pre- and post-energization regardless of the functional specification situation

- ✘ Existing waivers or variances shouldn't be affected by the new rule and that the rule include language stating that existing waivers or variances will continue to apply
 - The proposed new Section 103.14 will apply to all technical rule waivers and variances, in particular, subsection 8 Ongoing Management of a Waiver or Variance
 - There is no intention to commence a revocation review of existing waivers or variances with the implementation of the proposed new Section 103.14

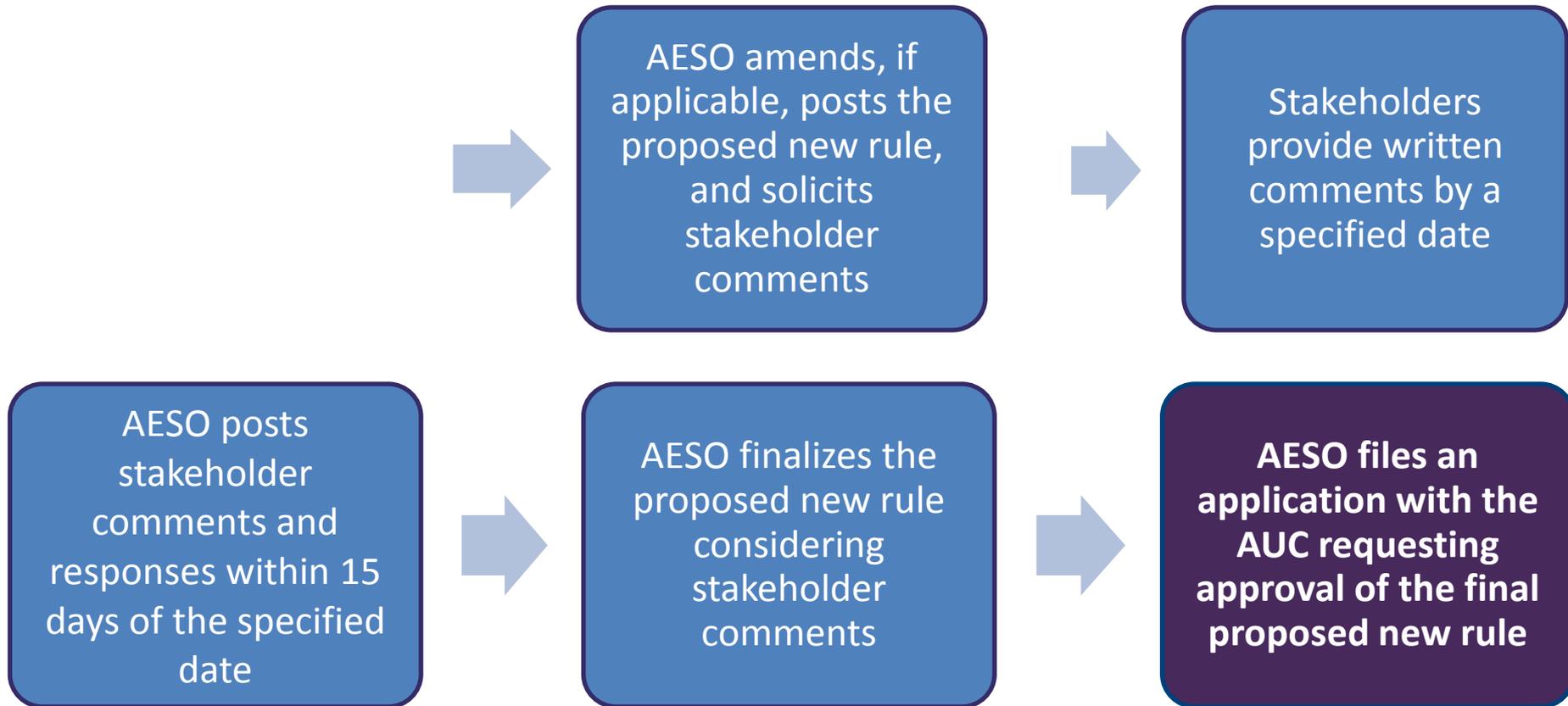
- The AESO should demonstrate the process by which it selects the most economically efficient rule requirements considering the expenditures required to achieve reliability goals
- During the consultation stage, can the AESO work with affected parties that would incur significant costs to comply with proposed new requirements to clarify whether a waiver or variance would be approved
 - The consultation phase is the appropriate time to address concerns with proposed technical requirements as there is no guarantee of future waiver or variance approvals
 - There are ISO rules that contain provisions that exempt existing facilities from requirements or that provide a transition period for compliance



Next Steps

Proposed New Section 103.14

ISO Rule Development Process Next Steps



Thank you