Stakeholder Comment Matrix

Proposed New Definition "Obligation Period"

Period of Comment:	January 3, 2019	through	January 18, 2019	**Contact:**	Marcy Cochlan
Comments From:	TransAlta Corporation			**Phone:**	403-267-4664
Date [yyyy/mm/dd]:	2019/01/18			**Email:**	marcy_cochlan@transalta.com

Please include any suggestions for alternative definition wording and accompanying rationale in the table below. Track in your changes to the existing definition wording in column one below.

Blackline of Suggested Rule Wording	Rationale
"**obligation period**" means a 12-month period running continuously from November 1 to October 31 of the following year.	***The AESO should clarify how the Energy and Ancillary Services Offset using the forward methodology will be aligned to the obligation period.*** TransAlta accepts the AESO's definition of an obligation period. We would like to understand how the AESO intends to apply the forward methodology for Energy and Ancillary Services Offset calculation when the obligation period defines a different timeframe than the annual forward product.

Please provide any comments you have on other Capacity Market Definitions arising from the two documents referenced in the Letter of Notice. Include a description how the two documents relate to these other Capacity Market Definition.

No comments at this time.

Stakeholder Comment Matrix

Proposed New ISO rule – Section 206.5, *Forward Period Milestone Assessment*

Period of Comment:	January 3, 2019	through	January 18, 2019	**Contact:** Marcy Cochlan
Comments From:	TransAlta Corporation			**Phone:** 403-267-4664
Date:	2019/01/18			**Email:** marcy_cochlan@transalta.com

Please provide comments relating to the subsection of the proposed rule in the corresponding box. Please include any views on whether the language clearly articulates the requirement for either the AESO or a market participant, and provide any <u>proposed alternative wording by blacklining the proposed language below.</u>

Section	Subsection	Proposed language	Stakeholder comments
		Applicability	
1		Section 206.5 applies to: (a) a **capacity market participant**; and (b) the **ISO**.	No comments at this time.
		Requirements **Milestone Assessment**	
2	(1)	The **ISO** must develop and publish on the AESO website, the critical milestones and associated target completion dates applicable to respective asset classes identified by the **ISO**.	No comments at this time.
2	(2)	The **ISO** must prior to each **rebalancing auction** and in accordance with the timelines prescribed in the *Capacity Market Auction Guidelines*, determine if an asset with **new capacity**, incremental capacity, or refurbished capacity that is subject to a **capacity commitment** has achieved the critical milestones prior to the target completion date in advance of the **rebalancing auction**, as applicable.	***The minimum timeline that AESO would perform its milestone assessments should be specified in the subsection 2(2).*** TransAlta has previously raised concerns about ISO Rules that contain references to with timelines that are only contained in a non-authoritative document. Our recommendations have been rejected in all instances in which we have proposed changes. We prefer that these timelines be stated in the ISO Rule rather than cite a document that can be changed at any time without the rigour of regulatory process. For this particular rule, rather than cite

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			a timeline that is prescribed in the *Capacity Market Auction Guidelines*, the AESO should state the minimum timeframe in which the AESO would perform its assessment.
2	**(3)**	The **ISO** must, where it has determined under subsection 2(2) that an asset with **new capacity** has not achieved one or more critical milestones that have target completion dates prior to the date of the applicable **rebalancing auction**, reasonably determine whether or not such asset will be able to achieve such critical milestone(s): (a) in the case of the first **rebalancing auction**, within 8 **months** after the applicable target completion date(s); and (b) in the case of the second **rebalancing auction**, and in the case of the singular **rebalancing auction** within the transitional period, within 5 **months** after the applicable target completion date(s).	See comments to subsection 3(3) below.
		Unique Asset Classes	
3	**(1)**	The **ISO** may, if it received a project plan for an asset with **new capacity** pursuant to Section 206.1 of the **ISO rules**, *Qualification of Capacity* that is not included in the asset classes set out in subsection 2(1), develop a set of proposed critical milestones and associated target completion dates for such asset.	***Subsection 3(1) should clarify that the milestones would be applicable to all assets in the class or if they are asset-specific.*** TransAlta understands that there may be circumstances in which an asset that is not contemplated in the asset classes is proposed. We also agree with the AESO's response filed to Section 206.5 that states: "A fair and transparent evaluation process contributes to a fair, efficient and openly competitive market. As such, equivalent projects are evaluated in the same manner against the same timelines. Transparency requires that there is clear visibility to the milestone requirements. Clear timelines and requirements ensure that the AESO will not employ subjectivity in making its determination as to whether a project has achieved its required milestones." We are unclear how the AESO intends to ensure that the critical milestones and associated target completion dates for the asset are evaluated in the same manner against the same timelines as other assets if those determinations are asset specific. We are also unclear how the AESO will ensure that transparency is provided to the market about the milestones assigned to those assets.
3	**(2)**	The **ISO** must notify **capacity market participants** of its proposed critical milestones and associated target completion dates under subsection 3(1).	***The AESO should notify <u>all</u> capacity market participants about proposed critical milestones or any changes to critical milestones.***

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			This requirement should clarify whether the notification is only to capacity market participants of associated with a project or to all capacity market participants. TransAlta recommends that all capacity market participants are notified of the critical milestones that apply to all asset classes.
3	(3)	The **ISO** may add an asset class with the critical milestones and target completion dates as determined in subsection 3(1) to the list published in accordance with subsection 2(1).	***The AESO should permit capacity market participants to apply to vary the critical milestones and target completion dates or otherwise engage in a consultation on the critical milestones and target completion dates to ensure that they are reasonable.*** The AESO should allow a capacity market participant to apply to have the AESO vary the critical milestones and target completion dates for an asset. TransAlta highlighted our concerns about unrealistic estimates of the target completion dates and selection of critical milestones that were not addressed. Our concerns included the following: • The proposed regulatory permitting and licensing target completion date for the coal-to-gas conversion is grossly overstated at 26 months. The regulatory permits for a coal-to-gas conversion are treated as category 2 applications with a 40-60 day approval timeframe. The target completion date should apply 3 months as a more reflective timeframe. Moreover, with this short regulatory permitting and licensing timeline, it is questionable whether this milestone would be on the critical path or as the first milestone. • The target completion dates for a natural gas combined cycle and cogeneration plant were proposed to be the same but in practice these can be very different. The target completion dates proposed reflect the longer lead time required to complete a large and complex project. By applying these target completion times to a smaller project, there is a significant risk that the project will be evaluated to not be meeting its milestones and could be required to buy back a capacity obligation in the rebalancing auction unnecessarily. • The target completion times for regulatory permitting and licensing and full notice to proceed for a natural gas simple cycle were too long as proposed. Overstating the time require to complete these steps will create a significant risk and could trigger unnecessary buy backs. The AESO rejected our request to further consult on the critical milestones or target completion dates. The AESO further stated that the application of 8-month and 5-month

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			window in assessing achievement of the milestone address our concern. We respectfully disagree that the application of these windows will fully address our concerns. As noted above, some of the target completions date are overstated by more than 8-months and the milestones selected may not be critical path items such that the sequence is incorrect. In the absence of a process to address these issues, we recommend that a process be implemented that allows a capacity market participant to submit a variance to the milestones and target completion dates be implemented.
3	**(4)**	The **ISO** must determine if an asset with **new capacity** has not achieved one or more critical milestones that have target completion dates prior to the date of the applicable **rebalancing auction.**	No comments at this time.
		Outcome of Milestone Assessment	
4		A **capacity market participant** must, where the **ISO** has determined under subsection 2 that an asset will not achieve one or more critical milestones, submit a **bid** in respect of the **new capacity**, incremental capacity, or refurbished capacity of such asset in accordance with Section 206.4 of the **ISO rules**, *Offers and Bids for the Capacity Market.*	***The requirement to buy back a capacity commitment should be proportional to the number of months that a project is delayed in meeting the start of the obligation period.*** The requirement for a capacity market to buy back by submitting a bid for its capacity commitment is too severe. For example, a capacity market participant should not be required to buy back its entire capacity commitment for missing a milestone which delays its in-service date by a few months (e.g. 5 months). In such circumstances, the capacity market participant should only have to buy back a portion of its capacity commitment or be allowed to enter into an asset substitution to cover off its capacity commitment for the period of delay.
		Milestone Assessment for Load Assets	
5	**(1)**	The **ISO** must, prior to the last **rebalancing auction** for each load asset with **new capacity** that is subject to a **capacity commitment**, make a determination of whether the asset will be able to provide a minimum 75% of the **capacity commitment** based on the supporting evidence submitted pursuant to subsection 5(2).	***Generation assets should also be considered to meet its capacity commitment if it is able to achieve at minimum 75% of the capacity commitment.*** TransAlta raised concerns about the fairness and level playing field between generators and load given that the standard applied to loads only appears to require 75% completion. In response, the AESO stated: "Load assets will be required to provide evidence that they have met the critical milestone of delivering at minimum 75% of the capacity commitment. This represents a significant proportion of the aggregated capacity commitment and

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			recognizes the incremental nature of the procurement of load assets. Generally, load assets represent capacity that is already installed but has not been committed to provide capacity. These installed load assets are required to be committed under contract for 75% of their load capacity prior to the delivery period. New load assets differ from new generation supply assets, which are also subject to milestone assessments, in that new load assets with no previous consumption will be required to achieve commercial operation and be committed under contract for 75% of their load capacity prior to the delivery period." The existence of the load asset to contract with does not provide any real certainty that an aggregator will be successful in signing the 100% of the capacity that they sell into the market. In this regard, if the AESO is proposing to treat 75% capacity commitment as if it is 100% completion for load assets it should afford the same treatment to all capacity resources. We believe that the system resource adequacy objective and fairness can be achieved by requiring generators to only buy back a proportionate amount of their capacity commitment as proposed in our comment above. Otherwise, fairness in the standard applied to load and generators is achieved by treating a generator as achieving its capacity commitment with no requirement to buyback if it is on-line for 9-months (75% of 12 months) of an obligation period.
5	**(2)**	A **capacity market participant** must submit evidence of sufficient contracted loads to meet the milestone in subsection 5(1) and any other information that the **ISO** requires.	No comments at this time.
5	**(3)**	The **ISO** must notify the **capacity market participant** of its determination under subsection 5(1).	No comments at this time.
5	**(4)**	A **capacity market participant** must, where the **ISO** has determined under subsection 5(1) that the asset will not be able to achieve the milestone by the last **rebalancing auction**, submit a **bid** in respect of the **new capacity** of such asset in accordance with Section 206.4 of the **ISO rules**, *Offers and Bids for the Capacity Market.*	See comments to subsection 4 above.

Please provide any additional comments on proposed new ISO Rule – Section 206.5, Forward Period Milestone Assessment arising from the two documents referenced in the Letter of Notice

TransAlta notes that Sargent & Lundy Consulting's (S&L) report, New Asset Development Milestone Schedules, does not include the same milestones as *Section 206.5: Forward Period Milestone Assessment* such as regulatory permitting and licensing or full notice to proceed. In this respect, it does not provide a view of whether the AESO's proposed milestones and target completion dates are reasonable or consistent with S&L views. Moreover, we not clear what S&L's opinions are based upon or the methodology that they used to ensure that their estimates and schedules adequately reflect projects that are within that class. We do not agree that it is reasonable to assume that the schedules presented in the report are representative of all projects in that asset class such that there would be not expected variance in the sequence of activities or schedules – we believe that a such a study would identify a range of potential timelines and/or sequence of activities. We ask that more information be provided about S&L methodology and the sources of the information that is presented in the report.

Please provide any comments you have on other Capacity Market Rules arising from the two documents referenced in the Letter of Notice. Include a description how the two documents relate to these other Capacity Market Rules.
