

# Stakeholder Consultation Session on the Development of the Proposed New Waivers and Variances ISO Rule



## Notes from Stakeholder Consultation Session on the Development of the Proposed New Waivers and Variances ISO Rule

**Location:** AESO BP Location, Meeting Room 6006, 6th floor of the BP Centre located at 240 – 4th Ave SW Calgary, AB T2P 2H8

**Date:** February 4, 2019

**Time:** 9:00 a.m. – 10:30 a.m.

### Attendees:

Company	Name of Stakeholder
AESO	Marcella Matzeit Melissa Mitchell-Moisson Jodi Marshall Stefania Cerisano (webinar) Peter Wong (webinar) Carlo Gaerlan
Suncor Energy Inc	Susan Simpson Golam Mostafa
Market Surveillance Administrator	Angela Bentley
Capital Power	Colin Rob Thomas Ng (webinar)
AltaLink Management Ltd.	Michael Tong Dale Reso Brian Townsend Farhan Masud
EDC Associates Ltd.	Chris Best
ATCO Electric Ltd.	Dan Bamber Drake Theodore (webinar) Tam Phu (webinar)
ENMAX Corporation	Mary-Beth Hansen Pavel Gorelov (webinar)
TransCanada	Hameed Zaman (webinar) Lance Bellanger (webinar)
EPCOR Distribution & Transmission Inc.	Rajveen Gill
ENMAX Power Corporation	Robert Rothstein
TransAlta Corporation	David Michaud Georgina Newell (webinar)
Lionstooth Energy	Erika Goddard (webinar)
NRG	Malcolm Ainspan (webinar)
Balancing Pool	Sharleen Traynor (webinar)

## Consultation Overview and Discussion of Proposed Scope

- AESO staff welcomed stakeholders to the session, reviewed safety procedures, reviewed the agenda and provided an overview of the consultation session.
- Notably, AESO staff advised that consultation on the waivers and variances rule will be completed in accordance with the consultation process outlined in AUC Rule 017.

## Scope for Proposed Rule

- AESO staff presented the proposed scope of the waivers and variances rule, specifically the Division 502 – Technical Requirements, Section 304.3 *Wind and Solar Power Ramp Up Management*, and Section 304.9 *Wind and Solar Aggregated Generating Facility Forecasting*. AESO staff spoke to the AESO's experience with the waivers and variance process to date indicating that over 90% of waiver and variances requests for ISO rules pertain to these technical requirements. Having a limited scope for the proposed rule allows for a focused review process and timelier implementation.
- TransAlta expressed a desire for a wider scope of rules for which the waiver and variance rule could apply beyond what the AESO has proposed. Issues could arise in the future for rules that do not have a variance provision that may create risks for market participants. It will create work to go through the full AUC Rule 017 process to amend the proposed rule to include newly identified rules. Some other parties agreed to the consideration of a wider scope for the proposed rule.
- AESO staff provided the following feedback:
  - Currently waivers and variance language is included in the technical rules within the proposed scope. However, the authority is limited by the requirement to include waivers and variances in a functional specification document which is issued prior to energization of a facility. The intention of the proposed rule is to augment the authority of the AESO to consider waivers and variances for existing facilities that have been energized.
  - Expanding the scope of the proposed rule to include other ISO rules, such as energy market or capacity market rules, would most likely cause a delay as the AESO would have to determine the impacts of a broader scope. The AESO would like to address the authority gap in the timeliest manner possible in order to address existing known issues.
  - During the development of any new rule that it is not included in the scope of the proposed waiver and variance rule, the waiver and variance language could be included as appropriate.
  - If there is a concern that an existing rule lacks variance authority, stakeholders can submit a proposal for an amendment via the ISO Rules Proposal process available on the AESO website or state their concerns during the consultation process if a rule amendment process is underway.

## Grounds for Applying and Criteria for Approval of Waivers and Variances

- AESO staff reviewed the current examples of various grounds for applying for a waiver or variance and the examples of various criteria for approval of a waiver or variance, and then solicited feedback on the examples.
- TransAlta suggested that an ID would be useful to provide guidance such as examples of different scenarios that are acceptable for a waiver or variance, examples of mitigation plans and milestones, and how the AESO would consider different factors.
- Capital Power asked if the AESO foresees providing more detail on the specific criteria or providing methodology for considering certain requests? This would help provide some regulatory certainty to understand how waiver or variance requests would be considered.
- AESO staff referenced the current TFE ID (#2016-005RS, Technical Feasibility Exception) as an example of an ID that provides comprehensive guidance relating to the variance process. The AESO recognizes the importance of publishing an ID for the proposed new rule that will contain guidance relating to rule content and the review process and may contain some general examples. The ID could get more specific over time as experience is gained from the analysis of requests and to provide more specific examples and specific criteria for each type of request.

- AltaLink staff asked about the intent related to grandfathering provisions in current rules? Is the intent to focus on the requirements in each current rule, or expand the language of the waivers and variances rule to include the grandfathering provisions? AltaLink added that occasionally requirements in newer rules have been relaxed from the old interconnection standards. The stakeholder may have historical functional specs with more stringent requirements in them. How will the proposed waivers and variances rule assist in this situation? AltaLink asked for clarifying language with respect to older facilities, regardless of when they were constructed and to what standard.
- AESO staff indicated that grandfathering provisions are currently specific to each rule. AESO staff indicated a need to consider whether and how the proposed waivers and variances rule may apply to facilities constructed and energized under older requirements.
- AltaLink suggested additional considerations for grounds where similar levels of reliability can be achieved by a different technical solution or methodology.
- TransAlta suggested additional considerations for grounds - major outage planning considerations, relaxation around meeting the requirements while energizing, and allowing a delay to comply where mitigation plans can be implemented.
- AESO staff advised that it will be incumbent on the market participant to put forward their rationale for requesting the waiver or variance along with their assessment of potential impacts and potential mitigation or remediation plans. AESO staff stated that some assessments may be either quantitative or qualitative. The AESO has to consider all criteria and review potential impacts on reliability and all other relevant factors before granting waivers and variances.
- Chris Best expressed that the current approach may be too restrictive on how to apply for waivers and variances. He prefers a less restrictive approach and an overarching rule. Broadening the scope will allow for market participants to apply for other non-technical requirements and other issues may come to light.
- AESO staff rose the consideration that the process and criteria to consider waivers and variances to all ISO rule requirements may be akin to having a second “rule book” beyond what applies with the AUC approved ISO rules. The AESO treats waivers and variances as confidential so the granting of a variance along with its associated terms and conditions is not public information.
- ATCO staff stated that if there is no waiver and variance language then they don’t even think about it whether the circumstance might warrant the request for a waiver or variance.
- Capital power agrees with proceeding with the current scope of the proposed rule. They also agree with some of the comments to allow for broadening of the applicability. However, the Division 200 rules shouldn’t be included.
- AESO staff asked all participants in attendance if they preferred a longer rule development cycle in order to consider a broader scope for the proposed rule. Approximately half of the attendees in the meeting room were in favour. The AESO cautioned that broadening the scope will result in a much slower pace of development.
- Going forward, TransAlta suggested better communication from the AESO to let stakeholders know the status of waiver or variance requests and an estimated timeline for resolution. Stakeholders do not like being left in limbo wondering what’s going on.
- AESO staff indicated that timelines depend on the number and complexity of the requests. A broader scope for the proposed rule may result in a flood of requests which could extend timelines for considering waivers and variances.

## **Waiver and Variance Submission Information, Process Considerations and Content**

- AESO staff reviewed the current examples of various information required in a waiver or variance request, examples of review process considerations, and examples of waiver and variance content, then solicited feedback on the examples.

- ENMAX Power raised the issue of confidentiality and how the AESO treats requests.
- AESO staff indicated that there is a process for handling confidential and commercially sensitive materials submitted through waiver and variance requests. Confidentiality is addressed in various ways such as IDs, for example, the CIP-SUPP-001 ID (#2015-005RS, *Process for Variance Requests under CIP-SUPP-001-AB1*) and the Section 103.1 *Confidentiality* rule. AESO staff spoke to the possibility of reporting to regulatory bodies such as the AUC or the MSA on waiver and variance matters.
- Chris Best raised two points: first, the concept of a safe harbor where a market participant will not be referred or reported to regulatory bodies while going through the variance process; and second, requests go into an abyss - there are no requirements for the AESO to follow certain time lines. At least a response to let people know what's going on would be helpful. He suggested definitive timeframes and more communication to market participants.
- EPCOR indicated that the TFEs have published guidance and a request form. Something like that would help with this new proposed rule.
- TransAlta asked the AESO what kind of internal process is envisioned for considering waiver and variance requests. Is it the same process where both general information queries and waiver or variance requests are submitted to the RFI process?
- AESO staff indicated that the two types of requests are handled differently internally.
- TransAlta asked when the best time to submit a waivers and variance request would be under the new rule.
- AESO staff indicated that the best time would be after it is approved by the Commission for greatest certainty of rule content. However, market participants may prepare their requests at any time.
- Capital Power commented regarding the proposed notice for changes in facts and circumstances. In the case of a unit that may have undergone substantial changes, what's the process for reconsideration of a waiver or variance?
- AESO staff indicated that the AESO will need to consider what the reconsideration process should consist of.
- Suncor asked if the AESO will provide a list of what waivers and variances have been issued so that stakeholders know what they can apply for.
- ENMAX added that if a waiver or variance has been issued and that information may benefit others, it should be made public.
- AESO staff indicated that transparency needs to be considered. At the same time, the AESO needs to be very careful with confidential stakeholder information. If there are trends, such as a number of waivers and variances on a certain rule, the AESO may need to look at that.
- ENMAX Power stated that if the AESO developed an ID, it may resolve some of the uncertainty of what stakeholders can or cannot apply for.
- Capital Power stated that confidentiality needs to be considered throughout the development of this new rule.

## Wrap Up and Next Steps

- TransAlta stated there are a couple of things for the AESO to follow-up on. They would like to see a draft of the proposed rule and then have a meeting to discuss it. If at all possible, a draft of the ID as well.
- Capital Power indicated that it would be helpful to come back to the group and provide more on the administrative aspects of this consultation including next steps, clarify the rule scope, and address high level process issues. Another in-person session may be helpful once all of that is established.
- ATCO stated that another process example that is helpful is the ARCDG. It's an industry/AESO group that reviews Alberta Reliability Standards. It is extremely helpful to review things in person and speeds up the process in resolving issues prior to written consultation.

- Chris Best indicated his appreciation to the AESO for the stakeholder engagement, and requests the next session being the AESO coming back to the group to further discuss the issues.
- The AESO will consider the feedback, consolidate the issues, and provide stakeholders with a comment matrix that focuses the issues. If anyone has any ideas on scope or rule requirements that the AESO should consider including, they can provide those comments in the matrix. The AESO will send out a comment matrix and then, potentially, host another stakeholder session.
- AltaLink suggested the possibility of a two-phase consultation, phase one would be to use all the rules where waivers and variances have been granted on now and phase two, keep the option open to consider adding additional rules to be considered as rule development moves forward.
- AltaLink asked if the AESO intends to use the experience with existing waivers or variances to consider making rule amendments in the future.
- AESO staff stated that, in general, if the AESO is granting several waivers and variances on a certain requirement then an amendment to that rule may need to be considered.
- TransAlta asked what has changed to prompt the AESO to consider this waivers and variances rule.
- AESO staff responded there are a couple of factors - technical requirements are being converted into ISO rules over time and the process is nearing completion; and the AESO doesn't have the authority to address a number of the waivers and variances requests it receives - the AESO tried to standardize the language for waivers and variances in technical rules, however there is a gap for energized facilities.