ISO Rules
Part 200 Markets
Division 206 Interim Market Power Mitigation
Section 206.1 Interim Secondary Offer Cap

Applicability

1 Section 206.1 applies to:

(a) the **pool participant** for a **market participant** that has **offer** control equal to or greater than 5% of the total **maximum capability** of **generating unit**s in Alberta, as determined by the **Market Surveillance Administrator** under section 5(3) and (4) of the *Fair, Efficient and Open Competition Regulation*, AR 159/2009; and

(b) the **ISO**

in accordance with the *Market Power Mitigation Regulation*, AR 43/2024.

Requirements

Secondary Offer Price Limit

2(1) A **pool participant** must, upon notification from the **ISO**:

(a) not submit **offer**s for any **settlement interval** in the current month that are greater than the **offer** price limit communicated by the **ISO** under subsection 3(4)(c);

(b) restate all previously submitted **offer**s, excluding those for the next two **settlement intervals**, to conform with the **offer** price limit communicated by the **ISO** under subsection 3(4)(c); and

(c) maintain all **offer**s equal to or less than the **offer** price limit communicated by the **ISO** under subsection 3(4)(c) until the first **settlement interval** in the first day of the following month.

(2) Subsection 2(1) does not apply to:

(a) a **generating unit** that produces electric energy from a renewable energy resource as defined in the *Renewable Electricity Act*; or

(b) an **energy storage resource** that:

(i) derives its electric energy input from a renewable energy resource, as defined in the *Renewable Electricity Act*, or

(ii) derives its electric energy input from the **power pool**.

(3) The **ISO** must notify the **pool participant** when the secondary **offer** price limit comes into effect on the AESO website.

Modelling the Reference Generating Unit

3(1) The **ISO** must, for each year, determine the value of the annualized unavoidable costs as the summation of the annualized capital investment costs and the annual fixed operating costs associated with operating the **reference generating unit**, in accordance with the methodology set out in Appendix 1.

(2) The **ISO** must, as soon as practicable, after each **settlement interval** in a month, determine the monthly cumulative settlement interval net revenue of the **reference generating unit**, expressed in dollars, in accordance with the methodology set out in Appendix 1.

(3) The **ISO** must not, notwithstanding subsection 3(2), determine the monthly cumulative settlement interval net revenue within the final 20 minutes of a **settlement interval**.

(4) The **ISO** must, in any month, when the value of the monthly cumulative settlement interval net revenue of the **reference generating unit** exceeds 1/6 of the annualized unavoidable costs of the **reference generating unit**:

(a) notify the **pool participant** to align its **offer**s in accordance with subsection 2 on the AESO website;

(b) determine, on a daily basis, an **offer** price limit equal to the greater of:

(i) $125 per megawatt hour, or

(ii) an amount equal to 25 times the ICE NGX Canada Inc.'s ICE NGX AB-NIT Day Ahead Index; and

(c) notify the **pool participant** of the **offer** price limit determined in subsection 3(4)(b), at least two hours prior to the time it becomes effective, and henceforth daily while the offer price limit remains in effect, on the AESO website.

(5) The **ISO** must, when determining the monthly cumulative settlement interval net revenue, set the tax rate to zero for the applicable **settlement interval** if the monthly cumulative settlement interval net revenue of the **reference generating unit** calculated in subsection 3(2) is negative.

(6) The **ISO** must adjust any dollar amounts listed in the Schedule of the *Market Power Mitigation Regulation* (AR 43/2024), which are expressed in 2022 dollars, for inflation each year using the annual Canada Consumer Price Index for the previous year.

(7) The **ISO** must publish what is determined as 1/6 of the annualized unavoidable costs of the **reference generating unit** at the start of each month on the AESO website.

(8) The **ISO** must publish the updated value of the monthly cumulative settlement interval net revenue at least once a day on the AESO website.

Effective Date and Expiry

4(1) This Section 206.1 is effective July 1, 2024.

(2) This Section 206.1 expires on November 30, 2027.

Appendices

Appendix 1 – *Calculation of Annualized Capital Investment Costs, Annual Fixed Operating Costs, and Monthly Cumulative Settlement Interval Net Revenue of the Reference Generating Unit*

Revision History

Date	Description
2024-07-01	Initial release.

Appendix 1

Calculation of Annualized Capital Investment Costs, Annual Fixed Operating Costs, and Monthly Cumulative Settlement Interval Net Revenue of the Reference Generating Unit

(1) The annualized capital investment costs, expressed in dollars, is determined in accordance with the following formula:

$$\mathrm{ACIC} = \frac{\left((\mathrm{NC_G} \times \mathrm{CC_G} \times 1000) \times \mathrm{R}\right)}{(1 - (1 + \mathrm{R})^{-\mathrm{N}})}$$

Where:

ACIC	is the annualized capital investment costs;
NC_G	is the net capacity of the **generating unit** listed as item 3 in the Schedule of the *Market Power Mitigation Regulation* (AR 43/2024);
CC_G	is the capital cost of the **generating unit** listed as item 4 in the Schedule of the *Market Power Mitigation Regulation* (AR 43/2024);
R	is the pretax weighted average cost of capital listed as item 5 in the Schedule of the *Market Power Mitigation Regulation* (AR 43/2024);
N	is the **generating unit** useful life listed as item 11 in the Schedule of the *Market Power Mitigation Regulation* (AR 43/2024).

(2) The annual fixed operating costs, expressed in dollars, is determined in accordance with the following formula:

$$\mathrm{AFOC} = (\mathrm{NC_G} \times \mathrm{FOM} \times 1000)$$

Where:

AFOC	is the annual fixed operating costs;
FOM	is the fixed operating and maintenance costs of the **generating unit** listed as item 8 in the Schedule of the *Market Power Mitigation Regulation* (AR 43/2024);
NC_G	is the net capacity of the **generating unit** listed as item 3 in the Schedule of the *Market Power Mitigation Regulation* (AR 43/2024).

(3) The monthly cumulative settlement interval net revenue of the **reference generating unit**, expressed in dollars, is determined in accordance with the following formula:

$$\mathrm{MCSINR} = \sum_{i=1}^{n} \left\{ \left[\left(\mathrm{PP_i} \times (1 - \mathrm{L})\right) - \left(\left(\mathrm{P_C} \times \left((\mathrm{EI_{NG}} \times \mathrm{HR_G}) - \mathrm{HPB_E} \right) \right) + (\mathrm{P_{NG}} \times \mathrm{HR_G}) + \mathrm{VOM} + \mathrm{TC} \right) \right] \times (1 - \mathrm{T}) \times \left(\mathrm{NC_G} \times \mathrm{CF_G} \times \left(\frac{\mathrm{min_i}}{60} \right) \right) \right\}$$

Where:

MCSINR is the monthly cumulative settlement interval net revenue of the **reference generating unit**;

i is each **settlement interval** within the current month;

n is the number of **settlement intervals** that have occurred within the current month;

PP_i is the **pool price** posted publicly by the **ISO** for each **settlement interval**;

L is the **loss factor** listed as item 13 in the Schedule of the *Market Power Mitigation Regulation* (AR 43/2024);

P_C is the price per tonne of CO_2e for the applicable month determined in accordance with the *Technology Innovation and Emissions Reduction Regulation* (AR 133/2019);

EI_{NG} is the emissions intensity of natural gas listed as item 16 in the Schedule of the *Market Power Mitigation Regulation* (AR 43/2024);

HR_G is the combined cycle heat rate of the **generating unit** listed as item 10 in the Schedule of the *Market Power Mitigation Regulation* (AR 43/2024);

HPB_E is the high-performance benchmark for electricity for the applicable month determined in accordance with section 6(1) of the *Technology Innovation and Emissions Reduction Regulation* (AR 133/2019);

P_{NG} is the price of natural gas listed as item 15 in the Schedule of the *Market Power Mitigation Regulation* (AR 43/2024);

VOM is the variable operating and maintenance costs of the **generating unit** listed as item 9 in the Schedule of the *Market Power Mitigation Regulation* (AR 43/2024);

TC is the **ISO** trading charge for the applicable month as published by the **ISO**;

T subject to subsection 3(3), is the tax rate listed as item 15 in the Schedule of the *Market Power Mitigation Regulation* (AR 43/2024);

NC_G is the net capacity of the **generating unit** listed as item 3 in the Schedule of the *Market Power Mitigation Regulation* (AR 43/2024);

CF_G is the capacity factor of the **generating unit** listed as item 12 in the Schedule of the *Market Power Mitigation Regulation* (AR 43/2024);

min_i is the number of minutes in the **settlement interval**.