

# ISO Rule Proposal

## Purpose of the Form

Section 20.81 of the *Electric Utilities Act* requires the AESO to establish a process for market participants and interested parties to propose ISO rules for the AESO's consideration. To propose a new ISO rule, an amendment to an existing ISO rule or a removal of an existing ISO rule, please complete and submit this form.

Completed proposal forms will be posted to the AESO website with Individual Name, Title and Contact Details removed. Please ensure that any confidential or commercially sensitive information submitted with your proposal has been clearly identified.

## ISO Rule Proposal Description

1. Proposal Date:

February 28, 2022

2. Proposal Type:

<input type="checkbox"/> New ISO rule(s)	<input checked="" type="checkbox"/> Amend existing ISO rule(s)	<input type="checkbox"/> Removal of existing ISO rule(s)
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3. Provide a concise description of the issue that the proposed rule is intended to address, the level of urgency, and any industry impacts. Please provide a list of any relevant supporting data, analysis, or materials and include these documents as attachments to this form.

The current definition of **maximum capability** in the Consolidated Authoritative Document Glossary is unduly discriminatory, *i.e.* unfair, and counter to open competition. It is therefore contrary to Section 5(b) of the *Electric Utilities Act*, SA 2003, c E-5.1.

### Purposes of the Act

5 The purposes of this Act are

- (b) to provide for a competitive power pool so that an efficient electricity market based on fair and open competition can develop, where all persons wishing to exchange electric energy through the power pool may do so on non-discriminatory terms and may make financial arrangements to manage financial risk associated with the pool price;

[underlining added]

The relevant current definitions are as follows:

<b>"maximum capability"</b>	<p>means:</p> <p>(i) for a <b>generating unit</b> or <b>aggregated generating facility</b>, the maximum MW that it is physically capable of providing under optimal operating conditions while complying with all applicable <b>ISO rules</b> and terms and conditions of the <b>ISO tariff</b>; or</p> <p>(ii) for a <b>source asset</b> that is an import asset, the <b>available capability</b>.</p>
<b>"available capability"</b>	<p>means:</p> <p>(ii) for an import <b>source asset</b>, the MW that the <b>pool participant</b> submits in an <b>offer</b>.</p>

The discrimination is apparent on its face:

- The maximum capability for a generating unit is the unit's maximum physical capability under optimal conditions.
- The maximum capability for an import asset, is its available capability, which is defined as the MW that the pool participant chooses to submit in an offer.

The issue becomes even clearer when the use of **maximum capability** in ISO Rule 203.1 is considered. Section 3(4)(a) of the rule reads:

3(4) A **pool participant** that submits an **offer** must ensure that:

- (a) the cumulative total MW, as entered for the highest priced **operating block** in the **offer** for the **settlement interval**, equals the **maximum capability** of the **source asset**;

[...]

Under this section the volume offered by a pool participant must total the **maximum capability** of the unit, which commits the entire output of the unit to the Alberta market. Given the current definition of **maximum capability** for an import asset, there is plainly no obligation at all for such an asset.

No additional data or analysis is provided as the current definition and use of the definition is on its face contrary to the FEOC requirements in legislation. Regarding industry impact/urgency:

- In AUC Proceeding #23757, the AESO proposed a must-offer requirement for import assets, which is the equivalent of what is proposed here. This simultaneously shows (a) that industry and the AESO are aware of the issue and (b) that it is possible and appropriate to level the playing field between importers and generators. The AESO's proposed change was supposed to be in effect in November 2021.<sup>1</sup>

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<sup>1</sup> Exhibit 23757-X0284 page 150.

- In addition to the must-offer requirement for importers, the AESO also proposed to implement a change that would allow imports the opportunity to offer at a price other than \$0 in AUC Proceeding #23757. That proposal is independent from the need to rectify the non-FEOC nature of the **maximum capability** definition and implicitly ISO Rule 203.1, it is however worth pursuing. As such, a separate rule proposal to allow imports to be offered at a non-zero price was submitted to avoid an unnecessary delay of either resolution.
4. Provide a description of your proposal to address the issue described in #3. Include the purpose or objective of the proposed new or amended ISO rule. Note that it is not necessary to provide draft rule language.

The AESO's proposed must-offer obligation for importers in AUC Proceeding #23757<sup>2</sup> provides a reasonable starting point to address the issue. As such, an appropriate change to the definition could be:

"**maximum capability**" means:

- (i) for a **generating unit** or **aggregated generating facility**, the maximum MW that it is physically capable of providing under optimal operating conditions while complying with all applicable **ISO rules** and terms and conditions of the **ISO tariff**; or
- (ii) for a **source asset** that is an import asset, ~~available capability~~ the maximum MW that it is permitted to import into Alberta while complying with all applicable **ISO rules** and terms and conditions of the **ISO tariff**.

Given the requirement in Section 5 of ISO Rule 203.1 that the **available capability** of a **source asset** must match its **maximum capability** unless an **acceptable operational reason** has been submitted, the language for both **available capability** and **acceptable operational reason** has been reviewed. A change to the definition for **available capability** seems unnecessary, however, expanding what constitutes an **acceptable operational reason** for import assets seems appropriate. A change along the following lines is recommended:

"**acceptable operational reason**" means, any one (1) or more of the following:

- (i) a circumstance related to the operation of a generating **source asset** which if it operated could reasonably be expected to affect the safety of the **source asset**, the environment, personnel working at the **source asset** or the public;
- (ii) re-positioning a generating **source asset**, within the energy market due to the need to meet a **dispatch** given to that **source asset** from the **ISO** to serve the stand-by **operating reserves** market;
- (iii) re-positioning a generating **source asset** within the energy market to manage physical or operational constraints associated with the **source asset**;
- (iv) re-positioning a **pool asset** that is an import asset or an export asset within the energy market to manage physical or operational constraints associated with an **interconnection**

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<sup>2</sup> Exhibit 23757-X0288.07 page 4.

or a neighbouring **balancing authority**, or in response to direct transmission service into Alberta being curtailed by any transmission service provider other than the ISO;

- (v) a circumstance directly resulting in the generating source asset or load sink asset not being capable of operation, which circumstance was solely caused by an occurrence of force majeure;
- (vi) re-positioning a generating source asset for electric energy that is:
  - a) produced on the property of which a person is the owner or a tenant; and
  - b) consumed solely by that person and solely on that property.

The purpose of the proposed changes is to level the playing field between market participants by eliminating the unwarranted favourable treatment for import assets.

Considering the obvious nature of the issue and the simple nature of a potential solution, it should be possible to expediently rectify the problem.

5. Provide a list of related ISO rules, Information Documents, and any other relevant AESO documents.

#### **Consolidated Authoritative Document Glossary**

<https://www.aeso.ca/assets/Consolidated-Authoritative-Document-Glossary-July-1-2021.pdf>

#### ***Electric Utilities Act, SA 2003, c E-5.1***

[SA 2003, c E-5.1 | Electric Utilities Act | CanLII](#)

#### **ISO Rule 203.1 Offers and Bids for Energy**

<https://www.aeso.ca/assets/documents/Section-203.1-Offers-and-Bids-for-Energy.pdf>

#### **Application for Approval of Capacity Market Rules**

[https://www2.auc.ab.ca/Proceeding23757/ProceedingDocuments/23757\\_X0284\\_ApplicationforApprovalOfCapacityMarketRules\\_0335.pdf](https://www2.auc.ab.ca/Proceeding23757/ProceedingDocuments/23757_X0284_ApplicationforApprovalOfCapacityMarketRules_0335.pdf)

#### **Appendix D New and Amended Energy Market and Ancillary Services Market Rules**

[https://www2.auc.ab.ca/Proceeding23757/ProceedingDocuments/23757\\_X0288.07\\_AppendixDEnergyMarketDefinitionsblacklin\\_1094.pdf](https://www2.auc.ab.ca/Proceeding23757/ProceedingDocuments/23757_X0288.07_AppendixDEnergyMarketDefinitionsblacklin_1094.pdf)

## Proponent Information

List at least one contact. For additional contacts, copy the table below and include all the requested details for each person. If more than one contact is provided, please identify the main contact.

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Note that personal information collected on this form will be used to contact you to administer the ISO rule proposal process. This information is collected in accordance with section 33(c) of the *Freedom of Information and Protection of Privacy Act*. Questions related to the handling of personal information can be directed to [privacy@aeso.ca](mailto:privacy@aeso.ca).

Submit form to: [ruleproposals@aeso.ca](mailto:ruleproposals@aeso.ca)