



July 6, 2010

**To: Alberta Utilities Commission (“AUC” or “Commission”)**

**Re: ISO Rule Filing in Compliance with Decision 2008-137 and Notice of Filing - Further Proposed Level I ISO Rules Amendments to:**

- a) Certain New ISO Rules Section G1 Definitions;**
- b) Changed and New ISO Rules 5 Reliability Assessment and Scheduled Outage Cancellation;**
- c) Removal of Existing OPP 606 Generation Outage Coordination; and**
- d) Removal of Existing ISO Rules Appendix 7 Payment for Incremental Generation Costs for Long Lead Time Energy Directive and Reporting (collectively, the “Final New ISO Rule 5 Provisions”)**

1. The Alberta Electric System Operator (“AESO”) is filing the Final New ISO Rule 5 Provisions pursuant to Section 20.5(2) of the *Electric Utilities Act* (“EUA”) and in response to Commission directions in Decision 2008-137<sup>1</sup>.
2. The AESO is also filing the attached Final New ISO Rule 5 Provisions pursuant to Section 20.2(1) of the EUA and in accordance with AUC Rule 017. The AESO is authorized to make ISO rules, including Operations, Policies, and Procedures (“OPPs”), in accordance with Sections 19 and 20 of the EUA.
3. The Final New ISO Rule 5 Provisions are considered by the AESO to be a Level I Change. Level I Changes are changes that have a significant operational or financial impact on the industry or the AESO.

#### **Summary of Final New ISO Rule 5 Provisions**

4. Section 18 of the *Transmission Regulation* requires the AESO to make rules regarding generator outage cancellation, and the Final New ISO Rule 5 Provisions have been drafted to satisfy this requirement. Specifically, the Final New ISO Rule 5 Provisions define the steps the AESO must take and the issues the AESO must consider when cancelling a scheduled generator outage in order to maintain supply adequacy or to ensure the reliable operation of the Alberta interconnected electric system. The Final New ISO Rule 5 Provisions also set out the eligibility criteria for compensation in the event the AESO directs the cancellation of a scheduled outage.

#### **Background**

##### *AUC Decision 2008-137*

5. The first version of the Final New ISO Rule 5 Provisions (the “GOCR Rule”), was filed by the AESO with the Commission on April 10, 2008<sup>2</sup>. In response to

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<sup>1</sup> Alberta Electric System Operator, Objections to Rule 5.1.2 and Appendix 7 Generator Outage Cancellation and Rescheduling, December 22, 2008

stakeholder objections, the Commission convened a public hearing and on December 22, 2008 issued Decision 2008-137, which directed changes to the GOCR Rule. The Commission's directions to the AESO in Decision 2008-137 and the AESO's replies to those directions in the context of the New ISO Rule 5 Provisions are set out in the attached Schedule A.

### Summary of AESO Consultation

6. The Commission noted in Decision 2008-137 that the revisions the AESO was directed to make would benefit from consultation with market participants<sup>3</sup>. Further, and as the Final New ISO Rule 5 Provisions include elements that are in addition to the Commission's directions in Decision 2008-137, the AESO has also conducted stakeholder consultation in accordance with AUC Rule 017. A summary of the AESO's consultation with regard to the New ISO Rule 5 Provisions follows.
7. On October 6, 2009 the AESO issued a Letter of Notice and attached, for stakeholder comment, a changed and consolidated GOCR Rule, which was referred to as "ISO rule 5 Reliability Assessment and Scheduled Outage Cancellation", that incorporated the changes directed by the Commission in Decision 2008-137. As the content of OPP 606 Generator Outage Coordination was recognized as an integral part of the outage cancellation process, it, and Appendix 7 of the GOCR Rule, were consolidated into the new Section 5 of the ISO rules.
8. On November 5, 2009 the AESO posted the Stakeholder Comments received in response to the October 6, 2009 Letter of Notice. The AESO considered all written comments received and determined that additional modifications to "ISO rule 5 Reliability Assessment and Scheduled Outage Cancellation" were warranted.
9. Accordingly, the AESO posted another Letter of Notice on December 18, 2009, and commenced further consultation on the "Proposed New Rule 5 Provisions" which included additional modifications to the "ISO rule 5 Reliability Assessment and Scheduled Outage Cancellation" as attached to the October 6, 2009 Letter of Notice.
10. On February 4, 2010, the AESO posted the Stakeholder Comments received in response to the December 18, 2009 Letter of Notice. The AESO considered all written comments received and determined that stakeholders still had a number of concerns regarding the clarity of some of the subsections of the "Proposed New Rule 5 Provisions". Specifically, there were a number of concerns expressed with respect to Section 5.5 Payment and Cost Recovery.
11. In order to provide clarification and to address these concerns, the AESO was of the view that additional modifications to the "Proposed New Rule 5 Provisions" were warranted. On May 14, 2010, the AESO posted a final Letter of Notice and commenced a third round of consultation on the "New ISO Rule 5 Provisions" which included additional modifications to the "Proposed New Rule 5 Provisions" as

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<sup>2</sup> Application number 1567940.

<sup>3</sup> Decision 2007-137, paragraph 242.



attached to the December 18, 2009 Letter of Notice, including clarification to Section 5.5 Payment and Cost Recovery. On June 8, 2010, the AESO posted the Stakeholder Comments received in response to the May 14, 2010 Letter of Notice.

## **Summary of Amendments**

### New ISO Rules Definitions

12. New ISO rules definitions for “scheduled generator outage” and “incremental generation costs” were proposed for incorporation into the AESO’s Consolidated Authoritative Documents Glossary. The inclusion of a definition for “incremental generation costs” was specifically directed by the Commission in Decision 2008-137<sup>4</sup>. This definition applies to incremental generation costs related to long lead time energy directives and to generator outage cancellations.

### Amendments to GOCR Rule

13. Please see the AESO’s October 6, 2009 Letter of Notice for a summary of the changed and consolidated “ISO rule 5 Reliability Assessment and Scheduled Outage Cancellation” that incorporated the changes directed by the Commission in Decision 2008-137 and also incorporated the content of OPP 606 Generator Outage Coordination and Appendix 7 of the GOCR Rule.
14. Please see the AESO’s December 18, 2009 Letter of Notice for a summary of the “Proposed New Rule 5 Provisions” that identified and incorporated further changes to the “ISO rule 5 Reliability Assessment and Scheduled Outage Cancellation” as attached to the October 6, 2009 Letter of Notice.
15. Please see the AESO’s May 14, 2010 Letter of Notice for a summary of the “New Rule 5 Provisions” that identified and incorporated further changes to the “Proposed New Rule 5 Provisions” as attached to the December 18, 2009 Letter of Notice.
16. In response to a stakeholder comment requesting that the “New Rule 5 Provisions” attached to the AESO’s May 14, 2010 Letter of Notice more closely align with the *Fair, Efficient and Open Competition Regulation*, the AESO amended the requirements at subsection 5.2.2(2)(b) of the Final New ISO Rule 5 Provisions with regard to the submission of certain scheduled generator outage information.. Additional incidental clarifying amendments were also made based on final AESO review,

### Existing ISO Rules Removals

17. As previously indicated in the “Proposed New Rule 5 Provisions”, once the Final New ISO Rule 5 Provisions become effective, ISO OPP 606 “Generator Outage

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<sup>4</sup> Decision 2008-137, paragraph 240(f)

Coordination“ and current ISO rules Appendix 7 “Payment for Incremental Generation Costs for Long Lead Time Energy Directive and Reporting” will be removed in their entirety from the existing ISO rules framework, as the content is now addressed in the body of the Final New ISO Rule 5 Provisions.

18. With regard to the “Proposed New Rule 5 Provisions” dated December 18, 2009, the AESO withdrew its proposed amendments to Sections 8.1.1 and 8.4.2 as they appeared in that version.

### **AESO Reply to Stakeholder Comments**

19. In accordance with Section 8 of AUC Rule 017, the AESO is required to provide a reply to stakeholder comments received regarding all “draft ISO rules”.
20. The AESO’s reply to written stakeholder comments received on the October 6, 2009 Letter of Notice were set out in the AESO Replies document attached to the December 18, 2010 Letter of Notice, and included a summary of the stakeholder comments received and the AESO reply to those comments.
21. The AESO’s reply to written stakeholder comments received on the December 18, 2009 Letter of Notice were set out in the AESO Replies document attached to the May 14, 2010 Letter of Notice, and included a summary of the stakeholder comments received and the AESO reply to those comments.
22. On June 11, 2010, the AESO posted its reply to written stakeholder comments received on the May 14, 2010 Letter of Notice, and included a summary of the stakeholder comments received and the AESO’s reply to those comments. The written stakeholder comments received by the AESO regarding the Proposed New Rule 5 Provisions were supportive of the proposed cost recovery mechanism. The AESO made changes to the “New Rule 5 Provisions” to address a stakeholder comment regarding alignment with the *Fair, Efficient and Open Competition Regulation*, and additional incidental clarifying amendments were made based on final AESO review.

### **Attachments to Notice of Filing**

23. In accordance with Section 13 of AUC Rule 017, the following documents are attached to this Notice of Filing.
  - a) Previous Letters of Notice, Stakeholder Comments and AESO Replies:
    - i) Letter of Notice dated October 6, 2009 forwarded to market participants and interested parties the AESO considered likely to be affected by the changed and consolidated “ISO rule 5 Reliability Assessment and Scheduled Outage Cancellation” and which was posted on the AESO website on October 6, 2009;

- ii) Stakeholder Comments on the October 6, 2009 Letter of Notice posted on the AESO web site November 5, 2009, setting out the written comments received, the name of the market participant or other parties who submitted each comment and the date on which the comment was submitted;
  - iii) Letter of Notice dated December 18, 2009 forwarded to market participants that the AESO considers likely to be affected by the “Proposed New Rule 5 Provisions” and that was posted on the AESO website on December 18, 2009. The December 18, 2010 Letter of Notice included replies to stakeholder comments on the October 6, 2009 Letter of Notice.
  - iv) Stakeholder Comments on the December 18, 2009 Letter of Notice posted on the AESO web site February 4, 2010, setting out the written comments received, the name of the market participant or other parties who submitted each comment and the date on which the comment was submitted;
  - v) Letter of Notice dated May 14, 2010 forwarded to market participants that the AESO considers likely to be affected by the “Proposed New Rule 5 Provisions” and that was posted on the AESO website on May 14, 2010. The May 14, 2010 Letter of Notice included replies to stakeholder comments on the December 18, 2009 Letter of Notice;
  - vi) Stakeholder Comments on the May 14, 2010 Letter of Notice posted on the AESO web site June 8, 2010, setting out the written comments received, the name of the market participant or other parties who submitted each comment and the date on which the comment was submitted;
  - vii) AESO Reply Letter, posted on the AESO web site on June 11, 2010;
- b) The changes made to the GOCR Rule are substantial and it is the AESO’s view that providing a blacklined version would be of little use. Accordingly, we are providing a clean copy of the Final New ISO Rule 5 Provisions and, for ease of reference, a clean copy of the GOCR Rule;
  - c) Clean copy of existing OPP 606 Generation Outage Coordination proposed for removal; and
  - d) Clean copy of existing Appendix 7 “Payment for Incremental Generation Costs for Long Lead Time Energy Directive and Reporting” proposed for removal;

**Proposed Effective Date**



24. In accordance with Decision 2008-137, Section 20.5(4)(c) and Section 20.3 of the EUA, the Final New ISO Rule 5 Provisions are proposed to be effective 15 days following the later of:
- a) The date a final order of the Commission is issued respecting directions set out in Decision 2008-137, and
  - b) Confirmation by the Commission of the Final New ISO Rule 5 Provisions filed pursuant to AUC Rule 017.
25. The AESO submits that the filed Final New ISO Rule 5 Provisions complies with AUC Rule 017 and further submits that it is not technically deficient, that it supports the fair, efficient, and openly competitive operation of the market, and that it is in the public interest.

If you have any questions regarding this submission please contact Paul Glatthor at (403) 539-2464 or [paul.glatthor@aeso.ca](mailto:paul.glatthor@aeso.ca)

Yours sincerely,

*<original signed by>*

Heidi Kirrmaier  
Vice-President  
Regulatory

Attachments



**Schedule A to the AESO’s ISO Rule Filing in Compliance with Decision 2008-137 and Notice of Filing - Further Proposed Level I ISO Rules Amendments dated Jul 5, 2010**

**1. AESO Replies to Alberta Utilities Commission Directions in Decision 2008-137**

At paragraph 240 of Decision 2008-137, the Alberta Utilities Commission (“AUC” or “Commission”) directed the AESO to make a number of changes to the first version of the Final New ISO Rule 5 Provisions as filed on April 10, 2008 (the “GOCR Rule”). The AESO has made the changes as directed, and the Commission’s directions and the AESO’s reply to these directions in the context of the Final New ISO Rule 5 Provisions are set out in the table below.

<b>AESO Replies to Alberta Utilities Commission Directions in Decision 2008-137</b>	
<b>AUC Direction</b>	<b>AESO Reply</b>
<b>240(a)</b> “to provide that an ISO direction to cancel a scheduled generation outage may be given when the AESO forecasts that there is a high probability that a generation supply shortfall will not be addressed in a voluntary manner by generators through the operation of the competitive electricity market”	Section 5.3 (Authority to Issue a Scheduled Generator Outage Cancellation Directive) of the Final New ISO Rule 5 Provisions provides the AESO with the ability to cancel a scheduled generator outage based on the results of reliability and adequacy assessments conducted in accordance with section 5.1 of the Final New ISO Rule 5 Provisions. Further, Section 5.3.1 of the Final New ISO Rule 5 Provisions requires the AESO to follow a detailed procedure prior to issuing a directive cancelling a scheduled generator outage. This procedure includes the requirement in subsections 5.3.1(1) through 5.3.1(5) to seek voluntary solutions with owners of generating units in Alberta.
<b>240(b)</b> “to provide that the ISO will not issue a direction to cancel a scheduled generation outage earlier than a specific timeframe determined by the ISO and included in the rule but also to provide for the possibility that the circumstances set out in subsection 18(1) in the <i>Transmission Regulation</i> could arise in advance of the timeframe established and thereby warrant action by the AESO”	Section 5.3.1(6) (Scheduled Generator Outage Cancellation Procedure) of the Final New ISO Rule 5 Provisions contemplates the AESO’s issuance of a directive to cancel a scheduled generator outage “ <i>on a date no sooner than ninety (90) days in advance of the first day of the period which has been determined to be the commencement of the reliability or adequacy shortfall.</i> ”  Section 5.3.3 (Time Constrained Scheduled

	<p>Generator Outage Cancellation) of the Final New ISO Rule 5 Provisions provides the AESO with the ability to issue a directive to cancel a scheduled generator outage at any time if the AESO is of the opinion that immediate reliability or adequacy circumstances will not allow sufficient time to comply with the provisions of section 5.3.1.</p>
<p><b>240(c)</b> “to provide that the procedural steps referred to in (a) to (d) of ISO rule 5.1.2 should be required steps unless there is insufficient time to complete all of the steps, in which case the AESO should be required to report on the circumstances that led to the AESO’s decision to depart from the prescribed steps”</p>	<p>Section 5.3.1 (Scheduled Generator Outage Cancellation Procedure) of the Final New ISO Rule 5 Provisions has been changed to address all requirements of Section 5.1.2 (a) to (d) of the GOCCR Rule. Further, Section 5.3.4(d) (Scheduled Generator Outage Cancellation Report) of the Final New ISO Rule 5 Provisions requires the AESO to publicly report on the AESO’s decision to depart from the procedures prescribed in Section 5.3.1.</p>
<p><b>240(d)</b> “to remove from the GOCCR Rule all references to the ISO rescheduling an outage”</p>	<p>All references to the AESO rescheduling an outage have been removed from the Final New ISO Rule 5 Provisions.</p>
<p><b>240(e)</b> “to provide for payment of incremental generation costs that are owing to the owner of a generating unit directed to operate pursuant to the GOCCR Rule”</p>	<p>Section 5.4 (Payment Eligibility for Incremental Generation Costs, and Claim Limitations) of the Final New ISO Rule 5 Provisions provides for the payment of incremental generation costs that are owed to a designated pool participant or owner of a generating unit directed to cancel a scheduled generator outage.</p>
<p><b>240(f)</b> “to provide a definition of incremental generation costs”</p>	<p>A detailed definition of ‘incremental generation costs’ has been created for application in both the Final New ISO Rule 5 Provisions and ISO rule 6.3.5 Long Lead Time Energy. Please note also that Section 5.4(10) of the Final New ISO Rule 5 Provisions further augments this definition.</p>
<p><b>240(g)</b> “to provide a mandatory reporting mechanism that requires the ISO to file a report that includes item (a) and (b) of section 3.0 of Appendix 7 of the GOCCR Rule”</p>	<p>The mandatory reporting mechanism that was included in items (a) and (b) of Section 3.0 of Appendix 7 of the GOCCR Rule is now included in Section 5.3.4 (Scheduled Generator Outage Cancellation Report) of</p>

	<p>the Final Proposed New Rule 5 Provisions.</p> <p>Appendix 7 has being deleted from the Final Proposed New Rule 5 Provisions as all material provisions now appear in the aforementioned section.</p>
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## 2. AESO Replies to Alberta Utilities Commission Identified Issues in Decision 2008-137

In addition to the specific directions given by the Commission at paragraph 240 of Decision 2008-137, there were a number of other issues the Commission indicated the AESO should address in its revisions to the GOCR Rule. These issues and the AESO's reply to the same in the context of the Final New ISO Rule 5 Provisions are set out in the table below.

<b>AESO Replies to Alberta Utilities Commission Identified Issues in Decision 2008-137</b>	
<b>AUC Issue</b>	<b>AESO Reply</b>
<p><b>At paragraphs 112 and 182:</b> “to clarify the measures it will use to determine when there is a high probability that a forecasted generation supply shortfall exists and expects that definitions of terms such as “outage volumes” and “acceptable threshold” will be included in either the GOCR Rule or associated Operating Policies and Procedures (OPPs)”</p>	<p>Such measures are clarified in Section 5.1 (Reliability and Adequacy Assessments) of the Final New ISO Rule 5 Provisions, whereby the AESO is required to conducts reliability and adequacy assessments.</p> <p>The terms “outage volumes” and “acceptable threshold” are not included in the Final New ISO Rule 5 Provisions. Rather, the AESO drafted Section 5.3.1 (Scheduled Generator Outage Cancellation Procedure) of the Final New ISO Rule 5 Provisions contains very specific and detailed provisions that address the original intent of the two terms. Specifically, the concept of determining an “acceptable threshold” is embedded within the now mandatory responsibility of the AESO to consider and analyze the results of reliability and adequacy assessments that includes the use of data relating to MW volumes that are inputs to such assessments.</p>
<p><b>At paragraph 113:</b> “GOCR Rule should be revised ...and clarify that generators</p>	<p>While the Final New ISO Rule 5 Provisions do not contain any provisions specific to</p>

<p>retain their rights to reschedule a cancelled outage”</p>	<p>the re-scheduling of a cancelled outage, Section 5.2 of the Final Proposed New Rule 5 Provisions clearly sets out the process for owners of a generating unit to schedule outages. Owners of a generating unit are able to re-schedule a cancelled outage, as required, in accordance with this process.</p>
<p><b>At paragraph 157:</b> “If the AESO considers that creating a market for cancellation of outages similar to parts of the ancillary services market “would be more efficient than relying exclusively on directions issued under the GOCR Rule, the AESO may pursue this approach consistent with its duties under subsections 30(2) and 32(b) of the EUA.”</p>	<p>This option was considered and not pursued. The AESO has determined that a market for cancellation of outages is not required as this is a rare and last resort action. The AESO is of the view that energy market indicators, not a new outage scheduling market, should drive the scheduling of outages.</p>
<p><b>At paragraph 183:</b> “...update OPP 606 and make the necessary adjustments to the AESO settlement system as soon as possible.” The Commission will not approve an effective date for an amended GOCR Rule until a revised OPP 606 is in force.”</p>	<p>The proposed changes to OPP 606 contemplated in the GOCR Rule have been consolidated in the Final New ISO Rule 5 Provisions and OPP 606 has been removed. As per Section 5.5(Payment and Cost Recovery), the AESO will recover costs for compensation payments as ancillary services.</p>
<p><b>At paragraph 194:</b> “the AESO must seek to minimize the payments made under subsection 32 (b) while balancing its FEOC promotion and system reliability obligations under the GOCR Rule”</p>	<p>Section 5.3.2 (Scheduled Generator Outage Planned Costs and Work Submission) of the Final New ISO Rule 5 Provisions and the definition of incremental generation costs, specifically as it relates to ISO rule 5.4 (Payment Eligibility for Incremental Generation Costs, and Claim Limitations), address the concept of payments made under subsection 32(b) of the <i>Electric Utilities Act</i> only to the extent that such payments are reasonable and follow the AESO’s cost review procedures. These allowable costs concepts are reasonable in the AESO’s view considering the relatively extraordinary and potentially costly event of cancelling an ordinary course scheduled outage. Further, the AESO must consider such economic consequences when determining whether to cancel an outage, as provided for under</p>

	Section 5.3.1(7)(a) of the Final New ISO Rule 5 Provisions.
<p>At paragraph 222: "...any provision for the payment of compensation pursuant to subsection 32(b) of the EUA must enable the AESO to make prudent arrangements to manage the financial risk associated with these costs, including specifying time periods within which incremental generation costs may be claimed by a qualifying generator. Until the AESO has provided a definition of "incremental generation costs" the Commission is unable to find that the AESO's proposed limitation period is not reasonable."</p>	<p>The Final Proposed New Rule 5 Provisions includes a detailed definition of "incremental generation costs" that contemplates the determination of reasonable costs and further ensures the reasonableness of such claims by outlining a number of specific examples of what constitutes a reasonable cost. The AESO will recover costs for compensation payments as ancillary services as per Section 5.5 (Payment and Cost Recovery) of the Final New ISO Rule 5 Provisions. With respect to the prudent management of financial risk, including specified time periods for making an incremental generation costs claim, Section 5.4 (Payment Eligibility for Incremental Generation Costs, and Claim Limitations) of the Final New ISO Rule 5 Provisions contains detailed requirements regarding the submission particulars and time limitations for the making of incremental generation cost claims, including under Section 5.4(10) certain incremental generation cost claim categories which are prohibited.</p>
<p>At paragraph 226: "it is reasonable to require the AESO to issue [a report in the event of a direction under the GOCR Rule] because market participants should be informed when the AESO takes steps in the market that interfere with its normal functioning"</p>	<p>Section 5.3.4 (Scheduled Generator Outage Cancellation Report) of the Final New ISO Rule 5 Provisions requires the AESO to produce such a detailed report and to post it on the AESO website.</p>