

June 7, 2018

To: The Alberta Utilities Commission

Re: **The Alberta Electric System Operator's comments regarding draft AUC Rule 017, Procedures and Process for Development of ISO Rules and Filing of ISO Rules with the Alberta Utilities Commission**

As per Bulletin 2018-09, the Alberta Electric System Operator ("AESO") has prepared the following preliminary comments on the draft AUC Rule 017, *Procedures and Process for Development of ISO Rules and Filing of ISO Rules with the Alberta Utilities Commission* ("draft Rule 017") provided by the Alberta Utilities Commission ("Commission").

In light of the new positive ISO rule approval scheme contemplated in Bill 13, *An Act to Secure Alberta's Electricity Future*, the AESO is generally supportive of changes to existing AUC Rule 017 that are intended to create more effective opportunities for meaningful discussion and issue resolution on ISO rule-related matters, where appropriate.

To facilitate the development of a new stakeholder engagement process in this regard, the AESO will require greater flexibility than what is currently permitted by draft Rule 017. The AESO provides these comments in recognition of our obligation to decide whether to develop an ISO rule and responsibility to determine the appropriate content of the ISO rule. At a high level, the most significant concerns regarding draft Rule 017 relate to the timing associated with certain requirements on the AESO and the "one size fits all" approach that is being proposed for all ISO rules.

The requirements in section 4, *Notice for development of proposed rules* and section 10, *Notice for development of proposed provisional rules*, are, in the AESO's view, highly prescriptive and the timing associated with certain activities are not believed to be workable. For example, it is not clear what is to be achieved by requiring the AESO to post a notice once an issue has been identified (or a proposal has been received) that *may* require an ISO rule, and to post a copy of "any relevant material". It is important for the AESO that once consultation on a proposed ISO rule has commenced, momentum can be maintained. The aforementioned activities are currently required too early in the process, and are likely to result in a large volume of ISO rules that look to be "in flight", even though practically this wouldn't be the case. The requirement that "any relevant material" be posted is also believed to be overbroad. The initiation of new ISO rule projects currently requires a prioritization exercise within the AESO and in some cases with market participants. Therefore, the proposed process would not be achievable within the prescribed 30 day period in these sections.

In addition, the 30 day notification requirement does not provide the AESO with sufficient time to understand and scope a potential issue, engage with market participants, issue information requests if needed or conduct the analysis required to be provided with the notice under subsections 4.4 and 10.4. Further, this timeframe does not consider or allow for the time needed to satisfy internal governance requirements. A more efficient approach in sections 4 and 10 of draft Rule 017 would be to require the AESO to post a notice once a determination has been made that an ISO rule is in fact needed and that the rule development (or amendment, as the case may be) will be moving forward at that time. With respect to the "one size fits all" comment above, the AESO would also note that the requirement to post a notice prior to developing a proposed rule does not accurately reflect the reality of many rule amendments, in particular administrative amendments and amendments that are a result of a new or revised Alberta reliability standard or ISO glossary definition. If the challenges created by sections 4 and 10 are addressed as suggested, the AESO would also recommend that the Commission limit

section 5, *Comments* to where the AESO intends to proceed with a proposed rule or tie this subsection to the notice issued by the AESO under subsection 4.1.

The AESO would ask the Commission to consider whether there are overlapping requirements between the AESO's obligation, specifically in relation to section 20.81 of the *Electric Utilities Act* and draft Rule 017.

The AESO is also concerned about the prescriptive nature of section 6, *Consultation for development of proposed rules* and section 12, *Consultation for development of proposed provisional rules*, of draft Rule 017 which requires the AESO to form a working group for all proposed rule projects. The AESO is interested in evolving its stakeholder engagement program such that there is an ability to assess how to engage with market participants and interested parties in a manner that is best suited to the specific rule being proposed. The AESO needs the ability to determine what form of engagement is most appropriate in the specific circumstance, and the formation of working groups for each proposed rule or rule amendment may not be appropriate, nor may it be the most effective vehicle to advance ISO rule projects.

Should the AESO determine that working groups are needed, then the AESO recommends that subsections 6.1(a) and 12.1(a) be revised to enable the AESO to invite market participants and interested parties it thinks may be directly affected by a proposed rule but who did not submit a request under sections 5 or 11 to participate in a working group. The AESO would prefer not to restrict working group composition to only the parties who initially submitted a request to participate.

The AESO notes that section 12, *Consultation for the development of the proposed provisional rules* may require the formation of a working group relating to the capacity market rules. If a party who did not participate in the Straw Alberta Market ("SAM") and Capacity Market Design working groups submits a request to form a working group the AESO believes it would not be able to rely on section 13.

The AESO also recommends that section 13, *Reliance on completed consultation* be drafted in a more general nature to reference working groups held while developing SAM and the Capacity Market Design as the list identified in draft Rule 017 is not exhaustive. Further the AESO requests the removal of the reference to "during the period of June, 2017 to June, 2018" as the capacity market design consultation began prior to June 2017 and is intended to continue through the remainder of 2018.

The AESO appreciates the opportunity to provide this initial set of comments to the Commission on draft Rule 017, and looks forward to participating in the next stage of engagement on changes to this rule.

Yours truly,

Pauline McLean  
Director, Legal and Regulatory Affairs