

Thursday, July 5, 2018

To: Alberta Utilities Commission

Re: **AESO Comments on second draft of Rule 017**

The AESO, along with the rest of Alberta's electric industry participants and stakeholders, is entering a new regulatory framework for the development and approval of ISO rules. The AESO is committed to working with both the Alberta Utilities Commission (Commission) and stakeholders to strike the right balance between an effective, meaningful stakeholder consultation process for ISO rules and an efficient positive rule approval proceeding.

In accordance with the Commission's instruction, the AESO has enclosed the comment matrix which includes a blackline of the most recent draft of Rule 017. While the comments included in the matrix represent the AESO's comprehensive feedback, two specific areas of concern are highlighted below:

- 1) The AESO provides its comments in recognition of its obligations under the amended *Electric Utilities Act* to make ISO rules and file them for approval with the Commission. Underlying these obligations is the AESO's ability to maintain discretion over the time at which proposed ISO rules are brought forward for development, which allows the AESO to prioritize work, allocate proper resources and manage its budget. The AESO has serious concerns that section 4, *Notice for development of proposed rules* fetters this discretion by requiring the AESO to consult on a proposed ISO rule even before it has made a determination that the rule is a priority for development. In the AESO's view, the Rule 017 process should be triggered only once the AESO has determined that there is merit in moving forward with the development of a proposed ISO rule.
- 2) The AESO is facing extremely tight timelines to complete the drafting and consultation on the provisional ISO rules for the capacity market. Work on identifying the necessary provisional ISO rules and their content is already underway. A consultation plan is being prepared for Q3/Q4 to ensure there are continued and meaningful opportunities for stakeholder input on all of the provisional ISO rules within a schedule that drives to achieve a Q1 2019 filing of the provisional ISO rules with the Commission. The AESO intends to begin implementing its consultation plan prior to the effective date of Rule 017.

Accordingly, if proposed sections 10 and 11 of draft AUC Rule 017 are not revised, the AESO will not be in compliance with certain of these requirements. Further, it is the AESO's understanding, based on the Commission's June 26, 2018 stakeholder session, that proceeding directly into a consultation on provisional rule language for certain capacity market rules will meet the purpose and intent of Rule 017 and, despite the removal of section 13, *Reliance on completed consultation*, the AESO may still rely on working group and broader stakeholder feedback received during the Straw Alberta Market and Comprehensive Market Design phases.

The AESO looks forward to ongoing engagement with the Commission and stakeholders on the processes for approving ISO rules, including the scoping discussion that will frame the core issues and application of the legal tests for the approval of the provisional ISO rules required to implement the capacity market.

Yours truly,

Pauline McLean  
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