



## Alberta Electric System Operator

Approval of Proposed Amended  
Section 505.2 of the ISO Rules

March 25, 2021

**Alberta Utilities Commission**  
Decision 26329-D01-2021  
Alberta Electric System Operator  
Approval of Proposed Amended  
Section 505.2 of the ISO Rules  
Application 26329-A001  
Proceeding 26329

March 25, 2021

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## **1 Introduction**

1. On February 18, 2021, the Alberta Electric System Operator (AESO)<sup>1</sup> submitted an application<sup>2</sup> to the Alberta Utilities Commission requesting approval of proposed amendments to Section 505.2 of the independent system operator (ISO) Rules, *Performance Assessment for Refund of Generating Unit Owner's Contributions*, pursuant to Section 20.2 of the *Electric Utilities Act*, to be effective immediately.

2. On February 24, 2021, the Commission issued a notice of application and requested the submission of statements of intent to participate by March 10, 2021. TransCanada Energy Ltd. submitted a statement of intent to participate, indicating that it did not object to the approval of the application.

3. The Commission considers that the record of this proceeding closed on March 10, 2021.

4. In reaching the determinations set out within this decision, the Commission has considered all relevant materials comprising the record of this proceeding. Accordingly, references in this decision to specific parts of the record are intended to assist the reader in understanding the Commission's reasoning relating to a particular matter and should not be taken as an indication that the Commission did not consider all relevant portions of the record with respect to that matter.

## **2 Legislative and regulatory framework**

5. Under Subsection 20.2(1) of the *Electric Utilities Act*, the AESO must apply to the Commission for approval of a proposed ISO rule.

6. After considering an ISO rule, in accordance with Subsection 20.21(1) of the *Electric Utilities Act*, the Commission may, by order, approve the ISO rule, direct the AESO to revise the ISO rule or refuse to approve the ISO rule.

7. In accordance with Subsection 20.21(2) of the *Electric Utilities Act*, the Commission may approve an ISO rule filed under Section 20.2 only if the Commission is satisfied:

[...]

(a) that the ISO rule

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<sup>1</sup> The ISO is established under Subsection 7(1) of the *Electric Utilities Act* and operates under the trade name AESO. For the purposes of this decision, AESO and ISO are used interchangeably.

<sup>2</sup> Application 26329-A001.

- (i) is not technically deficient,
- (ii) supports the fair, efficient and openly competitive operation of the market to which it relates, and
- (iii) is in the public interest,

[...]

and

- (c) that the Independent System Operator, in developing the rule, complied with the Commission rules made under section 20.9.

8. Section 20.9 of the *Electric Utilities Act* requires the Commission to make rules requiring the AESO to consult with parties in the development of ISO rules and permits the Commission to develop rules governing the AESO's process in the development of those rules. Rule 017: *Procedures and Process for Development of ISO Rules and Filing of ISO Rules with the Alberta Utilities Commission*, is the Commission rule which was created in response to Section 20.9 of the *Electric Utilities Act*.

### **3 Background**

9. The AESO submitted that it is required to include in the ISO tariff the "amount...payable by the owner of a generating unit to the ISO," which is referred to as the generating unit owner's contribution (GUOC) and is meant to provide a long-term siting signal for generators to site in areas that would be most beneficial to load. Section 505.2 contains the performance assessment calculations for determining the refund of a GUOC to the legal owner of the generating unit, and the currently approved version of Section 505.2 calculates a GUOC refund using Rate STS (system transmission service) contract capacity as an input.

10. Following the recent approval of the ISO tariff, which became effective on January 1, 2021, Section 505.2 requires updates to include the AESO's new method for calculating the GUOC, the revised GUOC rates, and new terms for payment of the GUOC, as the ISO tariff changes require the extension of the GUOC to generating units that are not the subject of a Rate STS agreement with the AESO. The amendments to Section 505.2 introduce a new binary approach for assessing the performance of a generating unit, which assesses the performance based on the generating unit's metered energy.

11. Under the proposed amended Section 505.2, the AESO submitted that it will carry out the following process to assess GUOC refunds:

- a) Assess performance in January;
- b) Assess a performance factor of 100% or 0%, based on the metered energy of the generating unit during the performance year; and
- c) Continue to provide the legal owner of the generating unit with a preliminary refund assessment, identifying the inputs used to arrive at the GUOC refund.

12. The AESO submitted that its consultation process, which involved the solicitation of stakeholder comments and a virtual stakeholder consultation, included any party that was interested in, or may be directly affected by, the proposed amendments to Section 505.2; and that all members of the consultation group had sufficient opportunity to make submissions on the information identified in subsections 7.2(b) through (j) of Rule 017.

13. Throughout the consultation process, the AESO reviewed stakeholder comments and made appropriate updates to Section 505.2, most notably removing the performance adjustment factor that had been added partway through the consultations, as well as the concepts of critical and energized maximum capability, as they were deemed overly complex for the minimal benefits they were providing.

14. In the AESO's view, there are no substantive issues outstanding in relation to the proposed amendments to Section 505.2, and its consultation process satisfies the requirements of Rule 017.

15. The AESO requested that the Commission approve the proposed amendments to Section 505.2, pursuant to Section 20.21 of the *Electric Utilities Act*, having regard to each of the following factors:

(a) The ISO rule is not technically deficient (Section 20.21(2)(a)(i) of the *Electric Utilities Act*)

16. The AESO submitted that the proposed amendments to Section 505.2 are consistent with the statutory scheme, particularly Subsection 29(5) of the *Transmission Regulation*; consistent with the recently approved ISO tariff; complete and self-contained; and drafted to be clear, concise and cohesive to facilitate stakeholders' understanding.

(b) The ISO rule supports the fair, efficient and openly competitive operation of the market to which it relates (Section 20.21(2)(a)(ii) of the *Electric Utilities Act*)

17. The amendments to Section 505.2 provide for the same treatment of market participants, regardless of generation or technology types, to prevent arbitrary or discriminatory judgements regarding the GUOC, which stakeholders had raised as a concern during the consultation process.

18. Further, the AESO stated that the revisions incentivize market participants to provide the AESO with the best possible information, aligning with the goals of the ISO tariff and the AESO's connection process. In the AESO's view, this will: increase the AESO's confidence that a connection project will proceed due to financial obligations being triggered upon execution of the Rate STS agreement, where applicable; reduce the risk that system transmission facilities are built for connection projects that do not materialize and ensure that market participants with generation pay an appropriate amount of a GUOC.

(c) The ISO rule is in the public interest (Section 20.21(2)(a)(iii) of the *Electric Utilities Act*)

19. In addition to the previously stated benefits, the amendments to Section 505.2 remove duplication in the legislative scheme by instead relying on existing performance requirements, thereby aligning with the Government of Alberta's Red Tape Reduction initiative. Without

restating content that exists elsewhere, amended Section 505.2 requires generating units to meet all statutory and ISO rule requirements.

20. The AESO expressed its confidence that the proposed binary performance assessment for GUOC refunds does not incent and will not cause a reduction in generating unit performance, and provides a simplified process of lesser administrative burden for the GUOC calculation.

#### **4 Commission findings**

21. The Commission is satisfied that the application for the proposed amendments to Section 505.2 meet all requirements for approval as set out in Subsection 20.21(2) of the *Electric Utilities Act* and that the AESO has complied with the requirements set out in Rule 017.

22. More specifically, noting the absence of opposition to the application and in the absence of evidence to the contrary, the Commission is satisfied, based on the explanations afforded by the AESO, that the proposed amendments to Section 505.2: are not technically deficient; support the fair, efficient and openly competitive operation of the market to which they relate; and are in the public interest.

23. Having reviewed the details of the application including details of the consultation conducted by the AESO, the Commission is also satisfied that the informational and consultation requirements established by Rule 017 have been met.

24. Accordingly, pursuant to Subsection 20.21(1)(a) of the *Electric Utilities Act*, the Commission, by order, approves the proposed amended Section 505.2 of the ISO Rules, *Performance Assessment for Refund of Generating Unit Owner's Contribution*, to be effective as of the date of this decision.

Dated on March 25, 2021.

#### **Alberta Utilities Commission**

*(original signed by)*

Vincent Kostas  
Acting Commission Member