



Alberta Electric System Operator

**Approval of Proposed Amended
Section 501.3 of the ISO Rules**

February 9, 2022

Alberta Utilities Commission
Decision 26992-D01-2022
Alberta Electric System Operator
Approval of Proposed Amended
Section 501.3 of the ISO Rules
Application 26992-A001
Proceeding 26992

February 9, 2022

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The Commission may, no later than 60 days of the date of this decision and without notice, correct typographical, spelling and calculation errors and other similar types of errors and post the corrected decision on its website.

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1 Introduction

1. On November 23, 2021, the Alberta Electric System Operator (AESO)¹ applied² to the Alberta Utilities Commission requesting approval of proposed amendments to Section 501.3 of the Independent System Operator (ISO) Rules, *Abbreviated Needs Approval Process*, to be effective the date of this decision. For the reasons that follow, the Commission approves the proposed amended Section 501.3 as submitted by the AESO.

2. Section 501.3 sets out the eligibility criteria to determine whether the need for a transmission facility project can be approved by the AESO under the abbreviated needs approval process provided for under subsection 11.2 of the *Transmission Regulation*.

3. Following a review of Section 501.3, the AESO discovered that, since Section 501.3 was implemented in July 2015, only approximately 13 per cent of connection and systems projects have satisfied the eligibility criteria for the abbreviated needs approval process. In the same time period, the AESO has filed 79 abbreviated needs identification documents with the Commission, all of which were deemed complete upon submission and approved as filed and the vast majority of which were approved without further regulatory process. As a result, the AESO concluded that the criteria in Section 501.3 were too stringent and proposed amendments to the section to expand the existing eligibility requirements. The changes can be seen in the blackline version of the proposed amended Section 501.3, attached to this decision as Schedule A.

4. The AESO consulted with the Commission on these proposed changes prior to soliciting feedback from stakeholders. Specifically, the proposed amendments to Section 501.3 include:

- (a) The removal of detailed scope-based eligibility requirements for transmission facility projects based on system access service requests, and increasing the cost threshold to include all transmission facility projects with up to \$25 million in total costs, of which system costs are not expected to exceed \$15 million; and
- (b) Provision for a less prescriptive approach with respect to the factors that must be considered prior to approving a project.

5. On November 25, 2021, the Commission issued a notice of application and requested the submission of statements of intent to participate (SIP) by December 9, 2021. The Office of the Utilities Consumer Advocate (UCA) filed a SIP expressing concerns that the AESO's proposed abbreviated needs approval process would reduce the Commission's full review and vetting of qualifying projects. On January 12, 2022, the UCA filed a follow-up letter stating that it had

¹ 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.

² Application 26992-A001.

discussed its concerns with the AESO and no longer saw a need to participate in the proceeding. The Commission considers that the record of this proceeding closed on January 12, 2022.

6. 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

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

8. 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.

9. 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

- (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.

10. 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 Issues

3.1 Do the rule amendments meet the criteria set out in the Electric Utilities Act

11. The AESO requested that the Commission approve the proposed amendments to Section 501.3, 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 (subsection 20.21(2)(a)(i) of the *Electric Utilities Act*)
- (b) The ISO rule supports the fair, efficient and openly competitive operation of the market to which it relates (subsection 20.21(2)(a)(ii) of the *Electric Utilities Act*)
- (c) The ISO rule is in the public interest (subsection 20.21(2)(a)(iii) of the *Electric Utilities Act*)

3.1.1 The ISO rule is not technically deficient

12. The AESO submitted that the proposed amendments to Section 501.3 are consistent with the statutory scheme and authorized by subsection 20(1)(a) of the *Electric Utilities Act*³ and Section 11.2 of the *Transmission Regulation*;⁴ complete and reasonably self-contained; and drafted to be clear, concise and cohesive to facilitate stakeholder understanding.

3.1.2 The ISO rule supports the fair, efficient and openly competitive operation of the market to which it relates

13. The AESO indicated that the proposed amendments expand the number of eligible projects for an abbreviated needs approval process, facilitating greater efficiencies and benefiting all market participants by allowing the AESO to respond more quickly to changes. Notwithstanding, the AESO stated that some projects may still not be appropriate for consideration for the abbreviated needs approval process even if they fulfill the criteria (such as controversial or high-profile transmission developments, cases where the market participant requesting system access service requests Commission oversight, or where relevant stakeholder concerns remain unresolved), and that these projects would still be presented before the Commission.

14. Further, the AESO indicated that the proposed amendments maintain a transparent approval process, as notice of all projects under consideration for the process in Section 501.3 will be posted to the AESO's website and stakeholders given 14 days to review. As previously stated, the AESO may restrict eligibility if there are significant stakeholder questions or concerns.

³ Subsection 20(1)(a) of the *Electric Utilities Act* states: The Independent System Operator may make rules respecting (a) the practices and procedures of the Independent System Operator.

⁴ Subsection 11.2(1) of the *Transmission Regulation* states: The ISO must make rules or establish practices for an abbreviated needs approval process for (a) each system access service interconnection, and (b) each transmission facility project of a nature, size and cost determined by the ISO rules.

15. Finally, according to the AESO, the amendments are paired with a fair and efficient governance process. All projects considered under Section 501.3 will be reviewed by multiple experts and cross-functional teams, as well as by stakeholders, to ensure that all factors are properly considered in decision-making.

3.1.3 The ISO rule is in the public interest

16. The AESO asserted that the proposed amendments are in the public interest, as the less prescriptive approach gives the AESO necessary flexibility to quickly assess and facilitate connections and implement local area grid optimizations, accelerating the progression of projects through the AESO connection process and enabling faster implementation of innovative new technologies. The amendments also simplify the approval process and significantly reduce regulatory burden, allowing the efficient allocation of AESO and Commission resources to more complex projects.

3.1.4 Conclusion

17. The Commission is satisfied that the proposed amendments to Section 501.3 meet all requirements for approval as set out in subsection 20.21(2) of the *Electric Utilities Act*.

18. 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 AESO's explanations, that the proposed amendments to Section 501.3: 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.

3.2 Did the AESO fulfill its obligation to adequately consult with stakeholders

19. Sections 4 and 5 of Rule 017 require the AESO to post notice of proposed rules, receive comments from stakeholders, and provide written responses to stakeholder comments, all of which must be posted on its website. Beginning in September 2021, the AESO issued a letter of notice to stakeholders, received comments from stakeholders and proposed revisions to Section 501.3 where appropriate. All comments, along with the AESO's replies explaining the rationale for why certain positions were accepted or rejected, were then posted to the AESO's website.

20. The AESO submitted that its consultation process included any party that was interested in, or may be directly affected by, the proposed amendments to Section 501.3; and that all members of the consultation group had sufficient opportunity to make submissions on the proposed amendments.

21. The AESO stated that, following stakeholder consultations and subsequent further revisions to Section 501.3, there are no substantive issues outstanding in relation to the section. There were two main issues raised by stakeholders throughout the process:

- (a) The eligibility criteria should be further altered; and
- (b) The amendments would impair the ability of a legal owner of an electric distribution system to plan and maintain an appropriate level of service.

22. For the first issue, a stakeholder suggested that eligibility criteria should be driven by project scope limitations rather than specific dollar figures. The AESO stated that imposing monetary limits allows for a more efficient and flexible approach, as listing specific project scope criteria within Section 501.3 would be prescriptive and rigid, with excessive regulatory burden and costs associated with it.

23. Further relating to eligibility, another stakeholder commented that the proposed amendments include transmission system development projects, specifically point of delivery substation projects that are more costly and impactful to the interconnected electric system (IES). According to this stakeholder the changes therefore appear to remove the Commission from the approval process for most connection projects. Regarding point of delivery substation projects, the AESO anticipates that they will continue to be ineligible, given that historical costs exceed \$25 million. While the AESO has not established an eligibility criterion related to impacts on the IES for eligibility in the abbreviated needs approval process, it assesses the impact of all connection and system projects and shares these results with stakeholders. The AESO also pointed out that the proposed amendments do not give it absolute authority, as disputes regarding its decisions can be submitted to the Commission under subsection 11.2(4) of the *Transmission Regulation*.

24. For the second issue, a stakeholder stated that, given the potential impairment caused by reliability criteria that align with longer term distribution plans, the abbreviated needs approval process should be limited to point of delivery substation development projects that have a minor impact on the IES. The AESO responded that the requirements set out in the proposed amended Section 501.3 align with the AESO's mandate under the *Electric Utilities Act* and the *Transmission Regulation*.

25. The AESO is of the opinion that this process provided sufficient opportunity for stakeholder submissions, and that its consultation process satisfies the requirements of Rule 017.

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

4 Order

27. The Commission finds that, in proposing amendments to Section 501.3, the AESO has complied with Section 20.21 of the *Electric Utilities Act* and Rule 017.

28. Accordingly, pursuant to subsection 20.21(1)(a) of the *Electric Utilities Act*, the Commission, by order, approves the proposed amended Section 501.3 of the ISO Rules, *Abbreviated Needs Approval Process*, to be effective as of the date of this decision.

Dated on February 9, 2022.

Alberta Utilities Commission

(original signed by)

Cairns Price
Commission Member

Attachment

Schedule A



Proposed Section
501.3 of ISO Rules

Appendix A – Copy of ISO Rule for Final Proposed Amended Section 501.3 of the ISO Rules, *Abbreviated Needs Approval Process*



1. ISO rule

Attachment	ISO rule
A.1	Clean copy of Final Proposed Amended Section 501.3 of the ISO Rules, <i>Abbreviated Needs Approval Process</i>
A.2	Blackline copy of Final Proposed Amended Section 501.3 of the ISO Rules, <i>Abbreviated Needs Approval Process</i>

ISO Rules

Part 500 Facilities

Division 501 General

Section 501.3 Abbreviated Needs Approval Process



Applicability

- 1 Section 501.3 applies to:
 - (a) the **ISO**.

Requirements

Legislative Authority

- 2 Pursuant to subsection 11.2 of the *Transmission Regulation*, this Section 501.3 and any associated business practices the **ISO** establishes related to a **transmission facility** project outlined in subsection 3 are the sole requirements in respect of an abbreviated needs approval process.

Eligibility Assessment

- 3 The **ISO** may approve a **transmission facility** project under the abbreviated needs approval process set out in subsection 4 if:
 - (a) the **ISO** has identified a need consistent with the criteria set out in subsection 34(1) of the *Electric Utilities Act*;
 - (b) the **ISO** has determined that the **transmission facility** project is an appropriate option to meet the need; and
 - (c) the **ISO** reasonably expects the costs of the **transmission facility** project to be less than \$25,000,000, of which system costs are not expected to exceed \$15,000,000.

Conditions for Approval

- 4 The **ISO** must, prior to approving the need for a **transmission facility** project under the abbreviated needs approval process set out in subsection 4:
 - (a) comply with the **ISO** participant involvement program guidelines in **Commission** Rule 007, *Applications for Power Plants, Substations, Transmission Lines, Industrial System Designations, Hydro Developments and Gas Utility Pipelines*;
 - (b) confirm that the **transmission facility** project is not anticipated to result in significant environmental effects;
 - (c) provide at least 14 **days** notice, by way of a posting to the AESO website, of the **ISO**'s intention to consider a **transmission facility** project for approval under the abbreviated needs approval process, including supporting documentation; and
 - (d) confirm that any stakeholder concerns or objections with the need for a **transmission facility** have been addressed

Abbreviated Needs Approval Process

- 5 The **ISO** must, where it approves the need for a **transmission facility** project under this abbreviated needs approval process:
 - (a) provide an approval letter certifying that the **ISO** has approved the need for the **transmission facility** project to the **Commission** and to the applicable **legal owner** of a **transmission facility**; and
 - (b) post a notice of the approval on the AESO website.

ISO Rules
 Part 500 Facilities
 Division 501 General
 Section 501.3 Abbreviated Needs Approval
 Process



Revision History

Date	Description
20XX-XX-XX	<p>Simplified eligibility criteria under Section 3. Removed criteria related to facility size, configurations, etc.</p> <p>Updated conditions for approval under Section 4. Removed requirements related to how the ISO conducts its assessment of the need and options.</p> <p>Simplified and updated the approval process set out under Section 5. Removed the requirement to provide an approval letter to the market participant</p>
2018-08-31	<p>Amendments to subsection 2</p> <p>Addition of subsection 3</p> <p>Administrative amendments</p>
2015-07-31	Initial release.

ISO Rules

Part 500 Facilities

Division 501 General

Section 501.3 Abbreviated Needs Approval Process



Applicability

- 1 Section 501.3 applies to:
- (a) the ISO.

Requirements

Legislative Authority

2 Pursuant to subsection 11.2 of the Transmission Regulation, this Section 501.3 and any associated business practices the ISO establishes related to a transmission facility project outlined in subsection 3 are the sole requirements in respect of an abbreviated needs approval process.

Eligibility Assessment

~~23~~ The ISO must use the following eligibility criteria to determine whether the need for may approve a transmission facility project can be approved by the ISO under the abbreviated needs approval process provided for under Section 4 set out in subsection 4 if:

- (a) ~~the ISO has identified a need consistent with the criteria set out in subsection 34(1) of the Transmission Deficiency Regulation: Electric Utilities Act;~~
- ~~(a) for a the ISO has determined that the transmission facility project that responds to a request for system access service:~~
- (b) ~~if the request for system access service is to connect generation, an appropriate option to meet the total increase of maximum capability as a result of the request is less than 45 MW; need; and~~
- ~~(i) if the ISO reasonably expects the request for system access service is to connect load, the load has contracted for an increase of less than 45 MW of Rate DTS in accordance with the ISO tariff;~~
- ~~(ii) the transmission facility project can be provided through substation additions, enhancements, rebuilds and reconfigurations, all within an existing substation fenced area, and through line reconfigurations within 300 metres of the substation;~~
- ~~(iii) the costs of the transmission facility project that to be less than \$25,000,000, of which system costs are classified as system related in accordance with the ISO tariff are estimated to be less than \$5,000,000 in the service proposal; and~~
- ~~(iv) the studies used by the ISO to assess the transmission facility project have been conducted in accordance with reliability standards; or~~
- (c) ~~for a transmission facility project that does not respond to a request for system access service, the costs classified as system related in accordance with the ISO tariff are estimated to be less than \$5 expected to exceed \$15,000,000 in the service proposal.~~

Conditions for Approval

~~3(1)4~~ The ISO must, prior to approving the need for a **transmission facility** project under the abbreviated needs approval process set out in subsection 4:

- (a) comply with the ISO participant involvement program requirements for needs identification documents guidelines in Commission Rule 007, *Applications for Power Plants, Substations,*

ISO Rules

Part 500 Facilities

Division 501 General

Section 501.3 Abbreviated Needs Approval Process



Transmission Lines, Industrial System Designations ~~and~~, Hydro Developments; and Gas Utility Pipelines;

~~(b)~~ confirm that the **transmission facility** project is not anticipated to result in significant environmental effects;

~~(b)(c)~~ provide at least ~~fourteen (14)~~ **days** notice, by way of a posting to the AESO website, of the ISO's intention to consider a **transmission facility** project for approval under the abbreviated needs approval process, including supporting documentation; and

~~(c)(d)~~ (2) — The ISO must not approve the need for a **transmission facility** project under the abbreviated needs approval process if aconfirm that any stakeholder, identified by the ISO in accordance with the participant involvement program requirements for **needs identification documents** in **Commission** Rule 007, *Applications for Power Plants, Substations, Transmission Lines, Industrial System Designations and Hydro Developments*, has concerns or objections with the need for a **transmission facility** that, as determined by the ISO, have ~~nothave~~ been ~~resolved~~ addressed

~~(3) — The ISO must, when considering whether to approve the need for a **transmission facility** project under the abbreviated needs approval process, in accordance with the requirements for **needs identification documents** in **Commission** Rule 007, *Applications for Power Plants, Substations, Transmission Lines, Industrial System Designations and Hydro Development*:~~

~~(a) — assess the current transmission system capability and the record of the last five-year recorded summer and winter peak substation loads applicable to the development area;~~

~~(b) — perform a comparison of the options considered to connect or serve the **transmission facility** project, including, as applicable, connection configurations, capital costs, system impacts, environmental and land-use effects, and other considerations; and~~

~~(c) — obtain an implementation schedule for the ISO's preferred option to connect or serve the **transmission facility** project.~~

Abbreviated Needs Approval Process

~~4(1) — The ISO may, subject to subsection 3, approve the need for a **transmission facility** project that meets the eligibility criteria described in subsection 2 under the abbreviated needs approval process.~~

~~(2)5~~ The ISO must, where it approves the need for a **transmission facility** project ~~that responds to a request for **system access service** under the~~ under this abbreviated needs approval process:

~~(a) — provide an approval letter to the **market participant** that has requested **system access service**, certifying that the ISO has approved the need for the **transmission facility** project; to the **Commission** and~~

~~(b)(a)~~ provide to the applicable **legal owner** of a **transmission facility** who is eligible to apply for construction or operation of a **transmission facility** in the applicable geographic area, as determined under section 24(1) of the *Transmission Regulation*, with a copy of the approval letter described in subsection 5(2)(a); and

~~(3) — The ISO must, where it approves the need for a **transmission facility** project that does not respond to a request for **system access service** under the abbreviated needs approval process, provide the **legal owner** of a **transmission facility** who is eligible to apply for the construction or operation of a **transmission facility** in the applicable geographic area, as determined under section 24(1) of the *Transmission Regulation*, with an approval letter, certifying that the ISO has approved the **transmission facility** project.~~

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(b) post a notice of the approval on the AESO website.

Revision History

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