



Alberta Electric System Operator

**Approval of Proposed Amended
Section 103.5 of the ISO Rules**

April 7, 2022

Alberta Utilities Commission
Decision 27200-D01-2022
Alberta Electric System Operator
Approval of Proposed Amended
Section 103.5 of the ISO Rules
Application 27200-A001
Proceeding 27200

April 7, 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 February 28, 2022, the Alberta Electric System Operator (AESO)¹ applied² to the Alberta Utilities Commission requesting approval of proposed amendments to Section 103.5 of the Independent System Operator (ISO) Rules, *Net Settlement Instruction*, to be effective 30 days after the date of this decision. For the reasons that follow, the Alberta Utilities Commission approves the proposed amended Section 103.5 as submitted by the AESO.

2. A net settlement instruction allows the AESO to perform netting of metered energy for purposes of calculating power pool settlements. Because the AESO considers net settlement instructions when it estimates the financial obligations of a pool participant, the registration of a net settlement instruction may affect the amount of financial security that a pool participant is required to provide to the AESO.

3. Section 103.5 of the ISO rules currently permits pool participants to de-register a net settlement instruction by providing three business days' notice to the AESO. The AESO submitted that this is an insufficient amount of time for it to request and obtain additional financial security from a pool participant, or, alternatively, to exercise its rights and remedies under Section 103.7 of the ISO Rules, *Financial Default and Remedies*. If the AESO does not have sufficient security in the event that a pool participant defaults, it will recover shortfalls by way of a charge applied to all pool participants, which is not in the public's best interest.

4. The AESO proposed amendments to Section 103.5 that require those pool participants without adequate financial security, as determined by Section 103.3 of the ISO Rules, *Financial Security Requirements*, in place to provide 15 business days' notice to the AESO if they wish to de-register a net settlement instruction. Pool participants with adequate financial security may still provide three business days' notice. The changes can be seen in the blackline version of the proposed amended Section 103.5, attached to this decision as Appendix A.

5. On March 2, 2022, the Commission issued a notice of application and requested the submission of statements of intent to participate (SIP) by March 16, 2022. No SIPs were received. The Commission considers that the record of this proceeding closed on March 16, 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.

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 27200-A001.

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 103.5, 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 103.5 are consistent with the statutory scheme and authorized by subsections 20(1)(b) and (l) of the *Electric Utilities Act*,³ 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 to Section 103.5 support the fair treatment of pool participants through the application of de-registration requirements for net settlement instructions that align with the financial security requirements for participating in the power pool. The extended timeline also ensures the AESO can efficiently administer the market by structuring the de-registration of net settlement instructions in an unbiased, transparent, and consistent manner.

14. Further, the requirements are equally applicable to all pool participants and therefore do not provide any pool participant with an unfair competitive advantage.

3.1.3 The ISO rule is in the public interest

15. The AESO asserted that the proposed amendments to Section 103.5 further the AESO's public interest mandate by giving the AESO sufficient time to obtain adequate financial security (or exercise alternative rights and remedies under the ISO rules), which minimizes the risk of defaults. Because a default forces the AESO to recover the shortfall by administering a charge to all pool participants, this reduces the risk of pool participants incurring unnecessary costs.

3.1.4 Conclusion

16. The Commission is satisfied that the proposed amendments to Section 103.5 meet all requirements for approval as set out in subsection 20.21(2) of the *Electric Utilities Act*.

17. 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 103.5: 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

18. 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

³ Section 20(1) of the *Electric Utilities Act* states:
The Independent System Operator may make rules respecting

”
(b) the operation of the power pool and the exchange of electric energy through the power pool;

”
(l) any other matter the Independent System Operator considers necessary or advisable to carry out its duties, responsibilities and functions under this Act and the regulations.

which must be posted on its website. Beginning in October 2021, the AESO issued a letter of notice to stakeholders, received comments from stakeholders and made proposed revisions to Section 103.5 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.

19. 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 103.5, and that all members of the consultation group had sufficient opportunity to make submissions on the proposed amendments.

20. The AESO stated that, following stakeholder consultations and subsequent further revisions to Section 103.5, there are no substantive issues outstanding in relation to the section. Stakeholder feedback was generally supportive of the amendments.

21. One stakeholder requested further clarification on the 15-day time period, suggesting that 10 days would be more reasonable. In response, the AESO provided the following explanation:

5 business days	Estimate of the time required for: (1) the AESO to estimate the financial obligations of a market participant, (2) the AESO to request additional financial security, and (3) the market participant to provide additional financial security (if required).
5 business days	Estimate of the time required for the AESO to exercise its rights and remedies under Section 103.7 of the ISO Rules, Financial Default and Remedies, which includes the right to suspend or terminate a market participant’s registration as a pool participant and any related transaction activity in the power pool. The AESO notes that this process can have additional complexity if the market participant is subject to proceedings under bankruptcy and insolvency legislation.
5 business days	Estimate of the time required for the AESO to implement its rights and remedies, which includes notifying load settlement agents, and for the load settlement agents to implement the necessary changes to their systems.
Total: 15 business days	

22. 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.

23. 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

24. The Commission finds that, in proposing amendments to Section 103.5, the AESO has complied with Section 20.21 of the *Electric Utilities Act* and Rule 017.

25. Accordingly, pursuant to subsection 20.21(1)(a) of the *Electric Utilities Act*, the Commission, by order, approves the proposed amended Section 103.5 of the ISO Rules, *Net Settlement Instruction*, to be effective 30 days after the date of this decision.

Dated on April 7, 2022.

Alberta Utilities Commission

(original signed by)

Vincent Kostaskey
Acting Commission Member

Appendix A – Amended Section 103.5 of the ISO Rules



ISO Rule
Section 103.5

Appendix A – ISO Rule for Proposed Amended Section 103.5 of the ISO Rules, *Net Settlement Instruction*



1. ISO rule

Attachment	ISO rule
A.1	Blackline copy of proposed amended Section 103.5 of the ISO rules, <i>Net Settlement Instruction</i>
A.2	Clean copy of proposed amended Section 103.5 of the ISO rules, <i>Net Settlement Instruction</i>

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Division 103 Administration
Section 103.5 Net Settlement Instruction



Applicability

- 1 Section 103.5 applies to:
- (a) a **pool participant**; and
 - (b) the **ISO**.

Requirements

Net Settlement Instruction

~~2~~ ~~If two (2)~~ ~~The ISO must net out the net settlement instruction volumes against metered energy volumes when calculating any power pool settlement for pool participants, if 2 pool participant~~ counterparties enter into a form of bilateral agreement, one acting as a buyer and the other acting as a seller, and complete all of the requirements under this ~~section~~ Section 103.5 for electronically registering a **net settlement instruction** with the **ISO**, ~~then the ISO must net out the net settlement instruction volumes against metered energy volumes when calculating any power pool settlement for those pool participants.~~

Electronic Registration of Net Settlement Instruction

~~3(1) Through the Energy Trading System, the~~ A **pool participant** may electronically register a **net settlement instruction** through the Energy Trading System if the following criteria are satisfied:

- (a) the counterparties to the **net settlement instruction** are registered and have digital certificates under ~~section~~ Section 201.1 of the **ISO rules**, *Pool Participant Registration*;
- (b) the initiating **pool participant** electronically submits the **net settlement instruction** to the **ISO** through the Energy Trading System not less than ~~twenty (20)~~ minutes before the beginning of the **settlement interval** in which the **net settlement instruction** is to take effect;
- (c) the **source asset** and **sink asset** are metered **pool assets**, or either the **source asset** or the **sink asset** is a metered **pool asset**;
- (d) the submitted **net settlement instruction** information includes:
 - (i) the name of the **net settlement instruction**;
 - (ii) the name of the **pool participant** as seller;
 - (iii) the **source asset** the seller designates;
 - (iv) the name of the **pool participant** as buyer;
 - (v) the **sink asset** the buyer designates;
 - (vi) the MWh volume or percentage output of the **net settlement instruction**;
 - (vii) the commencement date and **settlement interval** of the **net settlement instruction**; and
 - (viii) the expiry date and **settlement interval** of the **net settlement instruction**; and
- (e) the **pool participant** counterparty accepts the **net settlement instruction** through the Energy Trading System not less than ~~twenty (20)~~ minutes before the beginning of the

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settlement interval in which the **net settlement instruction** is to take effect.

(2) ~~Subject~~The ISO may, subject to subsection 6, ~~if any~~reject the electronic registration or de-registration ~~by of a pool participant net settlement instruction if it~~ does not satisfy the criteria under this ~~section~~Section 103.5 for electronic registration or de-registration, ~~then the ISO's remedy is to reject the electronic registration or de-registration.~~

Request for De-registration of a Net Settlement Instruction

~~4(1) After a net settlement instruction is electronically registered, either~~4(1) Either of the **pool participant** counterparties may request to de-register the **net settlement instruction** in subsection 3(1) by delivering a written request to the **ISO** which:

- (a) the **ISO** receives:
 - (i) no less than three (3) business days prior to the requested date for de-registration, if the pool participant counterparties currently have adequate financial security in place for their financial obligations post de-registration, or
 - ~~(i)~~(ii) no less than 15 business days prior to the requested date for de-registration, if the pool participant counterparties currently do not have adequate financial security in place for their financial obligations post de-registration; and
- (b) includes the following information:
 - (i) a statement that the **net settlement instruction** is to be de-registered;
 - (ii) the **net settlement instruction** registration number;
 - (iii) the name of the **pool participant** as seller;
 - (iv) the designated **source asset**;
 - (v) the name of the **pool participant** as buyer;
 - (vi) the designated **sink asset**; and
 - (vii) the desired effective date and **settlement interval** for which the de-registration is to take effect.

~~(2) If the ISO receives a request that complies with the requirements of subsection 4(1) then the~~The **ISO** must, ~~on the effective date specified in the request,~~ de-register any net settlement instruction that is the subject of the request, on the effective date specified in the request, if

the ISO receives a request that complies with the requirements of subsection 4(1).

(3) A **pool participant** must register a new **net settlement instruction** ~~must be registered~~ replacing the one requested for de-registration if the initiating **pool participant** submits a new **net settlement instruction** in accordance with this ~~section~~Section 103.5 and the non-initiating counterparty, through the Energy Trading System, accepts the new **net settlement instruction**.

(4) The **ISO** must notify the non-requesting **pool participant** counterparty, no later than the close of business on the ~~first~~(1st) **business day** after receiving the de-registration request under subsection 4(1), that the **net settlement instruction** is being de-registered in accordance with this subsection 4.

Mandatory De-registration of a Net Settlement Instruction

5(1) A **pool participant** must provide notice to the **ISO** to de-register a **net settlement instruction** if there is:

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- (a) a change in the registered **pool participant** for any **pool asset** that is the subject of the **net settlement instruction**; or
 - (b) a voluntary termination of the registration of the **pool participant** under subsection 9 of ~~section~~Section 201.1 of the **ISO rules**, *Pool ~~Participation~~Participant Registration*.
- (2) The **pool participant** must provide notice to the **ISO** of the de-registration of the **net settlement instruction** at least ~~(3)~~ **business days** in advance of an event referred to in subsection 5(1).

ISO Initiated De-registration

6 ~~In~~The ISO may, in addition to the right ~~of the ISO~~ to suspend any **net settlement instruction** under ~~section~~Section 103.7 of the **ISO rules**, *Financial Default and Remedies*, ~~the ISO may~~ de-register one (1) or more **net settlement instructions** if:

- (a) the **ISO** suspends or terminates the registration of the **pool participant** in accordance with subsection 8 of ~~section~~Section 201.1 of the **ISO rules**, *Pool ~~Participation~~Participant Registration*;
- (b) a **pool participant** voluntarily terminates its registration in accordance with subsection 9 of ~~section~~Section 201.1 of the **ISO rules**, *Pool ~~Participation~~Participant Registration*; or
- (c) a **pool participant** fails to de-register the **net settlement instruction** as required under subsection 5.

Revision History

Effective	Description
<u>202x-xx-xx</u>	<u>Updated subsection 4(2) to require the delivery of financial security before cancelling a net settlement instruction and the ISO's satisfaction of no adverse effects.</u> <u>Other minor updates to align with AESO drafting principles.</u>
2011-07-01	Initial release

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Applicability

- 1 Section 103.5 applies to:
- (a) a **pool participant**; and
 - (b) the **ISO**.

Requirements

Net Settlement Instruction

2 The **ISO** must net out the **net settlement instruction** volumes against metered energy volumes when calculating any **power pool** settlement for **pool participants**, if 2 **pool participant** counterparties enter into a form of bilateral agreement, one acting as a buyer and the other acting as a seller, and complete all of the requirements under this Section 103.5 for electronically registering a **net settlement instruction** with the **ISO**.

Electronic Registration of Net Settlement Instruction

3(1) A **pool participant** may electronically register a **net settlement instruction** through the Energy Trading System if the following criteria are satisfied:

- (a) the counterparties to the **net settlement instruction** are registered and have digital certificates under Section 201.1 of the **ISO rules**, *Pool Participant Registration*;
- (b) the initiating **pool participant** electronically submits the **net settlement instruction** to the **ISO** through the Energy Trading System not less than 20 minutes before the beginning of the **settlement interval** in which the **net settlement instruction** is to take effect;
- (c) the **source asset** and **sink asset** are metered **pool assets**, or either the **source asset** or the **sink asset** is a metered **pool asset**;
- (d) the submitted **net settlement instruction** information includes:
 - (i) the name of the **net settlement instruction**;
 - (ii) the name of the **pool participant** as seller;
 - (iii) the **source asset** the seller designates;
 - (iv) the name of the **pool participant** as buyer;
 - (v) the **sink asset** the buyer designates;
 - (vi) the MWh volume or percentage output of the **net settlement instruction**;
 - (vii) the commencement date and **settlement interval** of the **net settlement instruction**; and
 - (viii) the expiry date and **settlement interval** of the **net settlement instruction**; and
- (e) the **pool participant** counterparty accepts the **net settlement instruction** through the Energy Trading System not less than 20 minutes before the beginning of the **settlement interval** in which the **net settlement instruction** is to take effect.

(2) The **ISO** may, subject to subsection 6, reject the electronic registration or de-registration of a **net settlement instruction** if it does not satisfy the criteria under this Section 103.5 for electronic registration or de-registration .

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Request for De-registration of a Net Settlement Instruction

4(1) Either of the **pool participant** counterparties may request to de-register the **net settlement instruction** in subsection 3(1) by delivering a written request to the **ISO** which:

- (a) the **ISO** receives:
 - (i) no less than 3 **business days** prior to the requested date for de-registration, if the **pool participant** counterparties currently have adequate **financial security** in place for their **financial obligations** post de-registration, or
 - (ii) no less than 15 **business days** prior to the requested date for de-registration, if the **pool participant** counterparties currently do not have adequate **financial security** in place for their **financial obligations** post de-registration; and
- (b) includes the following information:
 - (i) a statement that the **net settlement instruction** is to be de-registered;
 - (ii) the **net settlement instruction** registration number;
 - (iii) the name of the **pool participant** as seller;
 - (iv) the designated **source asset**;
 - (v) the name of the **pool participant** as buyer;
 - (vi) the designated **sink asset**; and
 - (vii) the desired effective date and **settlement interval** for which the de-registration is to take effect.

(2) The **ISO** must de-register any **net settlement instruction** that is the subject of the request, on the effective date specified in the request, if

the **ISO** receives a request that complies with the requirements of subsection 4(1).

(3) A **pool participant** must register a new **net settlement instruction** replacing the one requested for de-registration if the initiating **pool participant** submits a new **net settlement instruction** in accordance with this Section 103.5 and the non-initiating counterparty, through the Energy Trading System, accepts the new **net settlement instruction**.

(4) The **ISO** must notify the non-requesting **pool participant** counterparty, no later than the close of business on the 1st **business day** after receiving the de-registration request under subsection 4(1), that the **net settlement instruction** is being de-registered in accordance with this subsection 4.

Mandatory De-registration of a Net Settlement Instruction

5(1) A **pool participant** must provide notice to the **ISO** to de-register a **net settlement instruction** if there is:

- (a) a change in the registered **pool participant** for any **pool asset** that is the subject of the **net settlement instruction**; or
- (b) a voluntary termination of the registration of the **pool participant** under subsection 9 of Section 201.1 of the **ISO rules**, *Pool Participant Registration*.

(2) The **pool participant** must provide notice to the **ISO** of the de-registration of the **net settlement instruction** at least 3 **business days** in advance of an event referred to in subsection 5(1).

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ISO Initiated De-registration

6 The **ISO** may, in addition to the right to suspend any **net settlement instruction** under Section 103.7 of the **ISO rules**, *Financial Default and Remedies*, de-register one (1) or more **net settlement instructions** if:

- (a) the **ISO** suspends or terminates the registration of the **pool participant** in accordance with subsection 8 of Section 201.1 of the **ISO rules**, *Pool Participant Registration*;
- (b) a **pool participant** voluntarily terminates its registration in accordance with subsection 9 of Section 201.1 of the **ISO rules**, *Pool Participant Registration*; or
- (c) a **pool participant** fails to de-register the **net settlement instruction** as required under subsection 5.

Revision History

Effective	Description
202x-xx-xx	Updated subsection 4(2) to require the delivery of financial security before cancelling a net settlement instruction and the ISO's satisfaction of no adverse effects. Other minor updates to align with AESO drafting principles.
2011-07-01	Initial release