

November 24, 2017

Diana Wilson – Director Interjurisdictional Affairs and Compliance
Alberta Electric System Operator
2500, 330 – 5th Avenue SW
Calgary, Alberta T2P 0L4

Dear Diana:

Re: AESO Compliance per Section 501.10 of the ISO Rules

The AESO informed the MSA in communications dated October 6, 2017 and November 22, 2017 of an anticipated compliance concern in relation to section 501.10 of the ISO rules (“the rule”). In these communications, the AESO identified that it was unable to publish 2018 loss factors on or before November 7, 2017, as required by subsection 3(1) of the rule. The AESO indicated that the delay in posting the 2018 loss factors is due to an ongoing consultation process to amend section 7 of the rule. The AESO indicated that the intended rule amendment is to revise inclusion criteria to make certain inputs to the calculation of loss factors more realistic. The AESO has received comments from market participants and expects to file the final amended rule with the Alberta Utilities Commission on November 27, 2017.

The MSA has an obligation to ensure compliance with the ISO rules, but it has also exercised its discretion to forbear from time to time in circumstances that act to promote effective long-term and enduring compliance with the rules.

In this case, the AESO identified this matter to the MSA on the basis that the rule is currently subject to a stakeholder consultation process that could not be completed in sufficient time for the AESO to publish 2018 loss factors in accordance with the prevailing section 3(1) of the rule.

In recognition of the foregoing, the MSA is prepared to temporarily forbear in respect of AESO non-compliance with subsection 3(1) of the rule, conditional upon the AESO posting 2018 loss factors by no later than December 31, 2017.

The MSA intends to publish this letter by posting it on our website with the AESO’s letter of November 22, 2017 appended. If you have any questions, please contact me.

Yours truly,

/s/ Andrew Wilkins

Manager, Compliance

cc: Jerry Mossing – AESO

November 22, 2017

Market Surveillance Administrator
Suite 500, 400 – 5 Avenue SW
Calgary Alberta T2P 0L6

Attention: Mr. Doug Doll

Dear Doug:

RE: Request for Forbearance related to ISO Rule 501.10 *Transmission Loss Factors* (“Loss Factor Rule”)

This letter provides the details of a self-report form that was filed by the AESO with the Market Surveillance Administrator on October 6, 2017 with regard to Subsection 3(1) of section 501.10 of the ISO rules, *Transmission Loss Factors* (“Loss Factor Rule”). Subsection 3(1) requires the AESO to make final loss factors for 2018 available on the AESO website no later than the fifth business day of November, 2017 (that is, no later than November 7, 2017). The AESO anticipated that this publishing deadline could not be achieved for the following reasons:

During the implementation of loss factors for 2017, the AESO found that current subsection 7, which requires the AESO to create system topologies used to calculate loss factors, required the use of project inclusion criteria that resulted in projects being included that did not have a reasonable expectation of being placed in service during the loss factor year. This resulted in inaccurate loss factors for 2017. A subsequent recalculation of the 2017 loss factors was required based on a more realistic set of projects being included in the system topologies. The recalculation of loss factors is permitted under subsection 2 of the Loss Factor Rule, after final loss factors are first published.

The AESO discussed revising the project inclusion criteria with loss factor stakeholders and has proposed to conduct a normal rule consultation process to amend subsection 7 of the Loss Factor Rule to include more realistic project inclusion criteria. However, the consultation process could not be completed in time to allow loss factors to be published by the fifth business day of November. It is anticipated that the process to amend the project inclusion criteria in subsection 7 of the Loss Factor Rule (i.e. amendment drafting, consultation process, and Commission approval) can be completed in time for the 2018 loss factors to be published by the end of December.

In light of the foregoing, on October 6, the AESO requested forbearance on the requirement in subsection 3(1) of the Loss Factor Rule that final loss factors for 2018 be made available no later than the fifth business day of November, 2017. The AESO anticipates that it will be in compliance with the Loss Factor Rule by the end of December, 2017, following the publication of the 2018 loss factors.

The AESO also noted in the self-report that the current Loss Factor Rule was developed through Proceeding 790 before the Alberta Utilities Commission. A permanent revision to the project inclusion criteria in subsection 7 of the Loss Factor Rule may require a longer time to develop than remains in 2017. Therefore, the AESO has proposed that the amendment to subsection 7 be interim and apply only to the calculation of loss factors for 2018. The AESO will commit to a more extensive examination of project inclusion criteria during 2018 for permanent project inclusion criteria in the Loss Factor Rule. The AESO anticipates that proposing an interim rule amendment will allow implementation before the end of 2017.

The interim rule amendment will also allow two years of experience (including projects in loss factor calculations for 2017 and for 2018) to be considered when developing permanent project inclusion criteria during 2018.

As mentioned above, the AESO has discussed the proposed amendment with loss factor stakeholders, all of whom supported amending the project inclusion criteria to avoid a recalculation of 2018 loss factors. Loss factor stakeholders have also generally accepted the revisions to the projects included for the 2017 loss factor calculations, and the proposed amendment will align with the criteria used for 2017 projects.

In the event the rule amendment cannot be implemented by the end of 2017, the AESO will calculate loss factors based on the existing project inclusion criteria and, if required, will address concerns that arise through a subsequent recalculation of the 2018 loss factors. However, the AESO's request for forbearance on the November publishing deadline is expected to facilitate the intention to avoid recalculating the 2018 loss factors, if possible.

Accordingly, the AESO is requesting that pursuant to s. 57(1) of the *Alberta Utilities Commission Act* the MSA grant forbearance to the AESO for Subsection 3(1) of section 501.10 of the ISO rules, *Transmission Loss Factors*. If acceptable to the MSA, the AESO requests written confirmation of the above forbearance.

Please do not hesitate to contact Diana Wilson if you have questions or require anything further from us.

We look forward to hearing from you.

Yours truly,



Jerry Mossing
Vice-President, Transmission

cc: Diana Wilson, Director Interjurisdictional Affairs and Compliance