



July 30, 2015

Mike Law – Vice President Market Services
Alberta Electric System Operator
2500, 330-5th Avenue SW
Calgary, Alberta T2P 0L4

Dear Mike:

RE: AESO Compliance per ISO Rule Section 205.4

The AESO informed the MSA in a letter dated July 24, 2015 and in earlier communications of a project to assess and estimate the work required to enable the delivery of regulating reserves from British Columbia via the Alberta-BC interconnection. As part of this project, the AESO proposes to conduct validation testing between August 15, 2015 and December 31, 2015 to determine whether IT systems, in particular, the current version of the Dynamic Scheduling System (DSS) can reliably support this activity. Subsection 3(9) of ISO rule section 205.4 (“the rule”) currently states that “a pool participant must only provide regulating reserve from a pool asset that is located in the balancing authority area of the ISO”.

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 MSA is of the view that the AESO initiative is consistent with promoting a competitive market for regulating reserves.

The AESO identified this matter to the MSA and has requested compliance relief with respect to subsection 3(9) prior to conducting the indicated testing. In recognition of the foregoing, the MSA is prepared to temporarily forbear in respect of non-compliance with subsection 3(9) of the rule subject to the testing being conducted within the parameters set out in the AESO’s July 24, 2015 letter.

The MSA will publish this letter by posting it on our website together with the AESO letter of July 24, 2015. If you have any questions, please contact me.

Yours truly,

/s/ Doug Doll

Manager, Compliance and Corporate Services

cc: Diana Pommen – AESO
Kevin Dawson – AESO
Dilhan Rodrigo - AESO

July 24, 2015

Mr. Doug Doll
Manager, Compliance and Corporate Services
Alberta Market Surveillance Administrator
Suite 500, 400 - 5th Avenue SW
Calgary, AB T2P 0L6

Dear Doug,

Re: **Exemption on behalf of pool participants, from the requirements of subsection 9 of Section 205.4 of the ISO rules**

The AESO is seeking an exemption from the Market Surveillance Administrator (“MSA”), on behalf of pool participants, from the requirements of subsection 9 of [Section 205.4](#) of the ISO rules. The exemption is sought for the limited purpose of performing validation testing as a component of the Regulating Reserve Over the Intertie Project (the “Project”).

The tests will impact pool participant compliance with subsection 9 which states:

“A pool participant must only provide regulating reserve from a pool asset that is:
(a) located in the balancing authority area of the ISO; and
(b) connected to the interconnected electric system.”

The exemption sought will be limited to the time period during which active validation testing of the IT systems related to the Project is being conducted. The AESO expects the validation testing to be conducted during short time intervals between August 15, 2015 through December 31, 2015.

The Project goal is to determine whether the current version of the Dynamic Scheduling System (“DSS”) can support the scheduling of regulating reserves from British Columbia (“BC”) to Alberta over the intertie. The technical IT solution used for the Project has already been implemented as part of a previous project.

Should the AESO determine that a market implementation revision is warranted as a result of the validation testing, the AESO intends to propose an ISO rule amendment to allow for the same. In the AESO’s view, a market implementation revision would increase the liquidity of the regulating reserves market, increase competition and promote regulating reserve cost efficiency.

There will be no impact to the reliability of the Alberta Interconnected Electric System during the Project timeframe.

Scope of the Project:

- Assess and estimate the AESO work required to implement regulating reserves over the BC intertie, including changes to IT systems, ISO rules and/or information documents, ancillary service performance standards, regulating reserve procurement practices, system controller

procedures or compliance monitoring requirements. This assessment and estimate is to be completed by December 31, 2015.

- Make arrangements and conduct validation testing to schedule small volumes (approximately 5 to 10 MW) of regulating reserves over and above the normal regulating reserve volumes that are procured by the AESO to verify that the DSS and other systems and processes can reliably facilitate the transaction of regulating reserves over the BC intertie.
- Identify any changes required to the DSS. Any identified DSS changes will be managed outside of this Project. The AESO will, however, provide a list of changes to the WECC Joint Initiative Strike Team responsible for coordinating this work with their vendor.
- Any required changes to AESO systems identified as part of the validation testing would become part of a subsequent implementation project scope, unless they are trivial, in which case they will be handled on a case-by-case basis.

The AESO respectfully requests that the MSA consider the AESO's request for an exemption as noted above. Should you have any questions, please do not hesitate to contact the undersigned.

Yours truly,

(Original signed)

Mike Law

Vice President
Market Services

cc: Diana Pommen, Director-Interjurisdictional Affairs and Compliance

Kevin Dawson, Director- Market Design

Dilhan Rodrigo, Program Manager-Interties