

ALBERTA UTILITIES COMMISSION

IN THE MATTER OF the *Alberta Utilities Commission Act*, S.A. 2007, c. A-37.2, as amended;

AND IN THE MATTER OF the *Electric Utilities Act*, S.A. 2003, c. E-5.1, as amended;

AND IN THE MATTER OF a Complaint made by Suncor Energy Inc. in respect of Independent System Operator Rule Section 203.1 and associated definitions in the Consolidated Authoritative Document Glossary.

COMPLAINT OF SUNCOR ENERGY INC. PURSUANT TO SECTION 25 OF THE *ELECTRIC UTILITIES ACT*

I. NATURE OF THE COMPLAINT

1. Suncor Energy Inc. (**Suncor**) brings this complaint before the Alberta Utilities Commission (**AUC** or **Commission**) pursuant to Section 25(1)(b)(ii) and (iii) of the *Electric Utilities Act*, S.A. 2003, c. E-5.1 (**EUA**) in respect of Section 203.1 of the Independent System Operator (**ISO**) Rules, *Offers and Bids for Energy* (**Rule 203.1**) and the associated definitions in the Consolidated Authoritative Document Glossary (**CADG**) (**Complaint**).¹ The ISO is a corporation established under and subject to the EUA and carries on business as the Alberta Electric System Operator (**AESO**). The terms AESO and ISO are used interchangeably in this Complaint.

2. Suncor is an electricity market participant within the meaning of the EUA and participates in Alberta's electricity market.² Suncor is a large, industrial electricity consumer

¹ For the remainder of the complaint, references to Rule 203.1 include the current CADG definitions.

² In certain instances, the assets in question are held by Suncor's subsidiaries and/or affiliates, and Suncor is authorized to represent them in this Complaint.

as well as a generator having invested in cogeneration to supply steam and electricity to some of its Alberta sites, with excess generation being sold to the market.

3. Suncor has retained Dr. Jeffrey Church from Church Economic Consultants Ltd. as an independent witness³ to provide economic analysis regarding the participation of importers in the Alberta electricity market. Dr. Church's report, which includes his curriculum vitae, a record of his testifying experience, and a list of documents reviewed by Dr. Church, is attached to this complaint as Appendix "F".⁴

4. Suncor has further undertaken analysis, which is contained in a Spreadsheet that is attached to this Complaint as Appendix "E".

II. GROUNDS FOR THE COMPLAINT

5. Suncor brings this Complaint in relation to Rule 203.1 pursuant to Section 25 of the EUA on the basis that Rule 203.1:

(a) does not support the fair, efficient and openly competitive (**FEOC**) operation of the electricity market; and

(b) is not in the public interest.

6. Specifically, the operation of Rule 203.1 results in Generators⁵ and Importers not being treated equitably in their respective participation in the electricity market. This distinction results in inefficient, substandard supply adequacy⁶ relative to the cost of

³ Alberta Utilities Commission Rule 001 Rules of Practice, May 17, 2021, at Section 21.

⁴ Appendices "A", "B" and "C" are part of this document in Sections V through VII. Appendices "D", "E" and "F" are filed separately.

⁵ The capitalized terms Importers and Generators are defined in paragraph 20. For the illustration in this section the intuitive definition is sufficient.

⁶ To avoid confusion, this complaint distinguishes between reliability, which concerns the real-time operation of the system, and supply adequacy as a measure of the generation capacity available to meet demand over some period going forward.

electricity in the market. As such, Rule 203.1 does not support the FEOC operation of the market and is not in the public interest.

7. Rule 203.1 is express that Generators must always offer the maximum volume of megawatts (**MW**) that they are physically capable of providing into the electricity market, resulting in a must offer obligation (**Must Offer Obligation**). Consequently, the entire physical capability of a Generator regardless of its underlying technology, is – by operation of Rule 203.1 and the Must Offer Obligation contained therein - committed to the electricity market, creating what is, in effect, a capacity commitment (**Capacity Commitment**).⁷

8. Importers, however, do not have a Must Offer Obligation and therefore do not have a Capacity Commitment to the electricity market. Unlike Generators, under Rule 203.1, Importers have the option to offer any volume of MW into the electricity market or not offer any MW at all.

9. The concern arising under the operation of Rule 203.1 can be illustrated as follows:



Figure 1: Current Issue

⁷ The Must Offer obligation creates a capacity obligation as confirmed by the AESO (<https://www.aeso.ca/download/listedfiles/AESO-Response-to-July-26-2022-Suncor-Rule-Proposals-Response.pdf>, page 1, final paragraph). The maximum capability of a unit and its capacity can therefore be used synonymously.

10. Consumers pay for supply adequacy through the pool price and for the cost incurred, they can expect a certain level of supply adequacy as depicted by the green line in Figure 1.⁸ Higher supply adequacy comes at a higher cost and vice versa. Due to Importers being held to a lower standard than Generators under Rule 203.1, consumers currently receive substandard supply adequacy for the cost they incur, while Importers receive a benefit compared to Generators. That benefit is receipt of a payment without providing a commensurate contribution to supply adequacy.

11. A solution to this situation is to impose a charge on Importers, the effect of which is illustrated by the arrow pointing left labeled “(a) Non-Commitment Recovery Charge for Imports” in Figure 2 below. This charge would bring electricity costs, borne by consumers, at point X back to the appropriate level for the received supply adequacy (point Y).

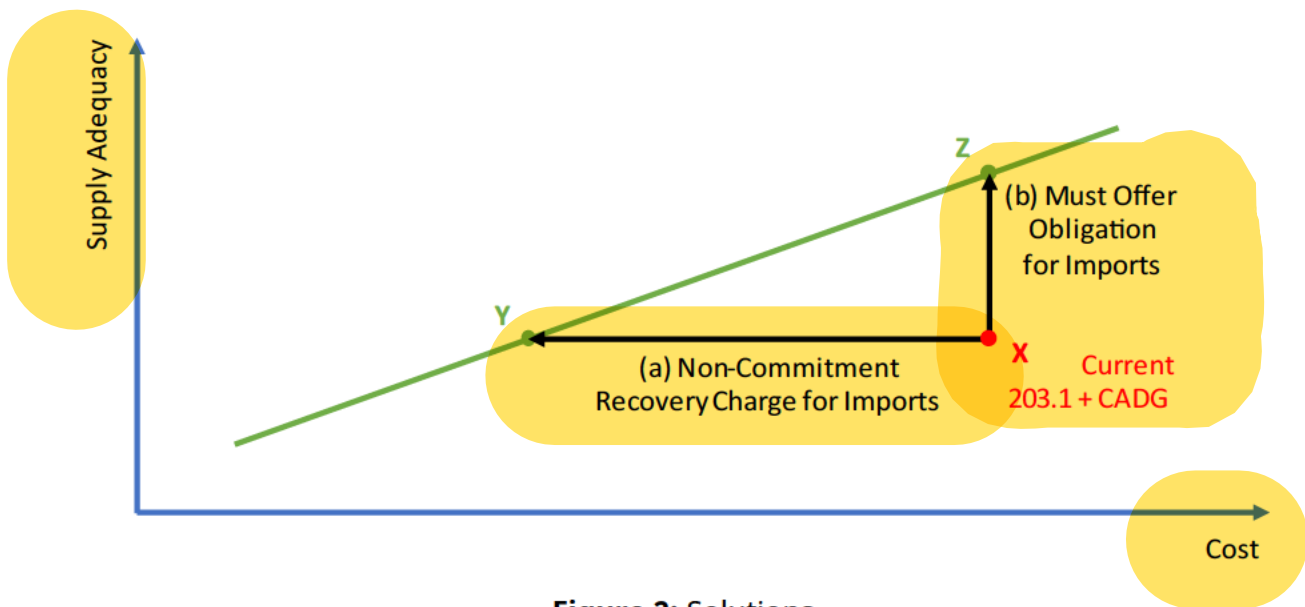


Figure 2: Solutions

12. Alternatively, equal treatment between Generators and Importers could be established by imposing on Importers the same Must Offer Obligation currently imposed on Generators under Rule 203.1. This is illustrated by the arrow pointing up, labeled “(b)

⁸ The line does not represent a specific standard for supply adequacy. It is merely an illustrative reflection of the level of supply adequacy that can be achieved at a given cost. For example, an incremental MW of installed peaking capacity in Alberta will come at a certain additional cost but will also improve supply adequacy by certain amount.

Must Offer Obligation for Imports” in Figure 2 above. This would bring supply adequacy from the substandard level at point **X** back to standard levels for the incurred cost (point **Z**).

13. Under either potential solution, consumers receive the appropriate amount of supply adequacy for the costs incurred in obtaining electricity in the market.

14. The harm caused by Rule 203.1 is real. Suncor estimates that over the last four years, consumers paid on average more than \$200 million per year⁹ through the electricity market for a contribution to supply adequacy that was not provided. Suncor estimates that its share of this was over \$800 thousand per year.¹⁰

15. An example of how the effect of the reduced supply adequacy is evident, are the circumstances surrounding the January 13, 2024, emergency alert issued by the AESO (**January 2024 Emergency Alert**).¹¹ As a result of that emergency alert, Alberta electricity users responded with a 200 MW demand reduction.¹² Over the period in which the emergency alert was operating, and as currently permitted under Rule 203.1, Importers elected to limit their participation in the Alberta electricity market despite more than 250 MW¹³ of excess import capacity being available. Simple math suggests that had Importers been subject to the Must Offer Obligation that all Generators are subject to, it is likely that the January 2024 Emergency Alert would have been avoided.

16. Over the past two years, Suncor has tried to address the non-FEOC operation of Rule 203.1 directly with the AESO. However, to date, there has been no indication that the AESO would address the issue in a timely fashion or, in fact, at all. A summary of these interactions can be found in Appendix “A”.

⁹ Appendix “E”, tab “Summary”, cell “O21”.

¹⁰ Appendix “E”, tab “Summary”, cell “O22”.

¹¹ https://www.alberta.ca/aea/cap/2024/01/13/2024-01-13T18_44_42-07_00=AlbertaEmergencyManagementAgency=1489313F-98D9-4737-8FA1-E84EB73520EC.htm

¹² <https://www.aeso.ca/aeso/media/aeso-thanks-albertans-for-quick-response-to-call-for-power-conservation/>

¹³ Appendix “E”, tab “Examples”, cells “AA96” and “AA97”.

III. SUBMISSIONS

III.1 Rule 203.1 – Discriminatory Treatment of Market Participants

17. Section 3 of Rule 203.1¹⁴ reads in part:

3(1) A ***pool participant*** must, for each ***settlement interval***, submit an ***offer*** for each of its ***source assets*** with a ***maximum capability*** of greater than or equal to 5 MW.

[...]

(4) A ***pool participant*** that submits an ***offer*** must ensure that:

(a) the cumulative total MW, as entered for the highest priced ***operating block*** in the ***offer*** for the ***settlement interval***, equals the ***maximum capability*** of the ***source asset***; [...]

18. Further, Section 5 of Rule 203.1¹⁵ reads:

5 A ***pool participant*** that submits an ***offer*** must also submit the ***available capability***, in MW, for each source asset which such ***available capability*** must equal the ***maximum capability*** of the ***source asset*** unless the ***pool participant*** has submitted an ***acceptable operational reason*** with the ***offer***.

19. Bolded italicized terms in paragraphs 17 and 18, in this paragraph, and in Appendix “B” and “C” of this Complaint are bolded in the original and refer to terms defined in the CADG. They are both bolded and italicized in this Complaint to differentiate them from terms defined in this Complaint, which are only bolded. The relevant definitions from the CADG¹⁶ are as follows:

<i>“maximum capability”</i>	means: (i) for a <i>pool asset</i> , the maximum quantity expressed in MW, that it is physically capable of providing under optimal operating conditions
------------------------------------	--

¹⁴ <https://www.aeso.ca/assets/documents/Complete-Set-of-ISO-Rules-2024-4-1.pdf>

¹⁵ <https://www.aeso.ca/assets/documents/Complete-Set-of-ISO-Rules-2024-4-1.pdf>

¹⁶ <https://www.aeso.ca/assets/CADG-LARA/2024-04-01-Consolidated-Authoritative-Documents-Glossary.pdf>

	<p>while complying with all applicable ISO rules and terms and conditions of the ISO tariff</p> <p>(ii) for a source asset that is an import asset, the available capability.</p>
"available capability"	<p>means:</p> <p>(i) for a source asset, excluding an import asset, the maximum MW that the source asset is physically capable of providing; or</p> <p>(ii) for an import source asset, the MW that the pool participant submits in an offer.</p>

20. These CADG definitions make it clear that Rule 203.1 imposes certain obligations on "source assets" physically located in Alberta (**Generators**) and offering into the electricity market that do not apply to "import source assets" which are not physically located in Alberta but offer into the electricity market via transmission interties originating in jurisdictions outside of Alberta (**Importers**).

21. As outlined further below, this differential treatment between Generators and Importers is contrary to the FEOC operation of the electricity market and is not in the public interest.

III.2 Rule 203.1 – Significant Cost and Inefficient Subsidization

22. As described in paragraph 7 above, the Must Offer Obligation creates a Capacity Commitment, which is agnostic to the type of technology making up a Generator's asset. In the energy-only market, the single pool price is intended to pay pool participants for both the delivered energy and for the asset's commitment of its capability to Alberta *i.e.*, to recover the cost of investment. The latter component of the pool price is driven either by higher cost units setting price, by economic withholding, or by scarcity pricing at the price cap.

23. These two components of the pool price were expressly recognized by the AESO in its capacity market proposal in Proceeding 23757 (**Capacity Market Proposal**),¹⁷ through two payment streams: a capacity payment and a residual energy payment. The capacity payment was to reflect the value attributed to the commitment of the capability to Alberta. The residual energy payment was to reflect the value attributed to the provision of energy.¹⁸

24. In this regard, in Proceeding 23757, evidence was provided to the Commission that the value for capacity, making up the capacity payment, was expected to vary around the value of net-CONE, which was defined as the cost of new entry (**CONE**) for the next/marginal generating asset minus the expected energy market return. Estimates for net-CONE varied but were in the order of \$150/kW-year.¹⁹

25. Further, under the Capacity Market Proposal, although all Importers bidding into the electricity market would receive the residual energy payment, only those Importers that also committed their capacity – akin to a Must Offer Obligation in the current energy-only market – would also be eligible for capacity payments.²⁰

26. In addition to the Capacity Market Proposal, a more recent recognition that the amount by which the pool price exceeds the variable cost of production represents

¹⁷ In July 2018 the AUC initiated Proceeding 23757 *ISO rules to implement the capacity market* to consider the forthcoming AESO capacity market application (**Proceeding 23757**). Subsequently, in January 2019 the AESO filed its application, with Exhibit 23757-X0284 being the main application document. In July 2019 the AESO withdrew the capacity market proposal following the close of the record for Proceeding 23757.

¹⁸ See exhibit 23757-X0549.02 AESO Rebuttal Evidence, PDF page 167, para 564 and exhibit 23757-X0795 AESO Written Argument, PDF page 51, para 117. See further the oral testimony of the AESO in Proceeding 23757 at T1, P26L12-P27L1, and T3, P322L19-L25.

¹⁹ For example, in exhibit 23757-X0137 *Critical review of AESO's Final CMD and recommendations for the provisional hearing process at the Alberta Utilities Commission*, London Economic International LLC provided Net CONE values for US ISOs, which ranged from \$125.40-181.56/kW-year (PDF page 47, Figure 19).

²⁰ See also paragraph 55 and Appendix "C".

remuneration for a Capacity Commitment via investment in Alberta generation, is apparent in Section 3 of the *Market Power Mitigation Regulation, Alta Reg 23/2024*.²¹

27. Suncor submits that the operation of Rule 203.1 establishes a Must Offer Obligation which in turn creates a Capacity Commitment for Generators, which comes at a cost, while not requiring or imposing the same commitment or obligation and cost on Importers. In the result, the electricity costs, borne by consumers, is not commensurate with the level of supply adequacy received from Importers and the corollary is that Importers that are participating in the electricity market are being subsidized. The subsidy arises since Importers are not required to meet any Capacity Commitment, yet they obtain pool prices as set by Generators' bids into the power pool that contain a component of remuneration for that commitment. Such a subsidy to Importers does not support the FEOC operation of the electricity market. Further details regarding the inefficiency resulting from Rule 203.1 can be found in section 5 of Dr. Church's report.

III.3 Rule 203.1 – Estimate of the Inefficient Subsidy to Importers

28. By not imposing on Importers the same Must Offer Obligation and related Capacity Commitment that Generators are subject to, while paying Importers the same hourly pool price as Generators, Importers are being paid as if they have provided a Capacity Commitment. As discussed further below, it is neither efficient nor in the public interest for consumers to pay a cost for a Capacity Commitment from Importers that is not provided.

29. An estimate of net-CONE could be used to estimate the subsidy that Importers obtain resulting from not being subject to the Must Offer Obligation. As stated in paragraph 24 above, during the capacity market consultation, net-CONE estimates were in the range of \$150/kW-year.

²¹ Background information for the Regulation is contained in the MSA's *Advice to support more effective competition in the electricity market: Interim action and an Enhanced Energy Market for Alberta* (<https://www.albertamsa.ca/assets/Documents/MSA-Advice-to-Minister.pdf>).

30. An alternative approach to estimate the subsidy and the significance of the lower standard imposed on Importers under Rule 203.1 relative to Generators, is to analyze the extent to which actual pool prices exceed a marginal cost based hypothetical price. This difference is the payment for capacity embedded in the pool price. This value can be expected to fluctuate year over year as the market goes through investment cycles, but on average this value would approximately be equal in magnitude to net-CONE.

31. ISO Rule 201.6 *Pricing*, Section 6 provides an estimate of the variable cost of an expensive unit, the reference price.²² The difference between pool price and the reference price, when positive, is therefore an estimate of the payment for the Capacity Commitment for any given period and consequently the cost to consumers in that period. For the period from 2020 to 2023, Suncor conservatively estimated this payment to be on average a little over \$60/MWh²³ or, for easier comparison to the net-CONE estimate in paragraph 29 above, about \$200/kW-year.²⁴

III.4 Rule 203.1 - Undermines Competition

32. Alberta's deregulated electricity market seeks efficiency based on fair and open competition. Specifically, Section 5 of the EUA states, *inter alia*:

²² "The reference price is intended to represent the price of a generating unit that would not be receiving additional compensation pursuant to a TMR agreement. The reference price is used to effectively reinsert the TMR energy block into the Energy Market Merit Order for the purposes of determining the unconstrained price." *Market Policy Framework "Quick Hits" Implementation, Short Term Adequacy Working Group, August 5, 2005* at PDF page 18 (Appendix "D").

²³ Appendix "E", tab "Summary", cell "O23". In line with the relief requested in Section IV, Suncor excluded hours with emergency alert conditions as in those hours the pool price would value scarcity. To be conservative, Suncor updated the reference price to be based on a 15 HR unit, to include carbon costs, and to include a \$5/MWh variable O&M charge as the reference price has not been updated recently. This raised the average reference price for 2020-2023 by about \$30 [Appendix "E", tab "Summary", cell "O7"]. Suncor notes that on March 22, 2024, a group of six generators, including Suncor, requested the AESO to update the reference price in ISO Rules Section 201.6 through the AESO's rule proposal process (<https://www.aeso.ca/rules-standards-and-tariff/iso-rule-proposals/proposal-to-amend-section-202-5-and-section-302-2/>).

²⁴ Appendix "E", tab "Summary", cell "P24". By using an assumed size for the import asset [Appendix "E", tab "Summary", cell "P15"], the dollar per MWh value [Appendix "E", tab "Summary", cell "O23"] can be converted to a net-CONE estimate.

5 The purposes of this Act are

...

(b) to provide for a competitive power pool so that an efficient electricity market based on fair and open competition can develop, where all persons wishing to exchange electric energy through the power pool may do so on non-discriminatory terms and may make financial arrangements to manage financial risk associated with the pool price;

(c) to provide for rules so that an efficient electricity market based on fair and open competition can develop in which neither the market nor the structure of the Alberta electric industry is distorted by unfair advantages of government-owned participants or any other participant;

... [Emphasis added.]

33. For a Generator to participate in the power pool and exchange electric energy through the power pool, it must commit its entire physical capability to Alberta as mandated in Rule 203.1. This is an entry requirement to participate in the market – an entry requirement that only applies to Generators and, as described in Sections III.2 and III.3, results in significant subsidies for Importers.

34. The absence of Importers being subject to the same Must Offer Obligation and Capacity Commitment that Generators are subject to under Rule 203.1, provides Importers with a competitive advantage over Generators when accessing the power pool; effectively reducing Generators' ability to compete with Importers who do not need to recover the cost of a Capacity Commitment that Generators can only recover through the power pool.

35. Rule 203.1 therefore imposes a discriminatory barrier to entry to Generators relative to Importers and thereby provides an unfair advantage to Importers, which undermines fair and open competition.

III.5 Rule 203.1 – Reduces Supply Adequacy in Alberta

36. Rule 203.1 does not impact electricity demand in Alberta, and Importers are not an incremental supply source, they are merely one supply source competing in the power pool.

37. As stated in Section III.4, the lack of Must Offer Obligation for Importers provides them with a competitive advantage over Generators when competing in the power pool. Importers therefore displace Generators, or Alberta supply, resulting in reduced installed Alberta capacity. Because Importers are not committed to Alberta there is no guarantee that they will submit offers in any period, including critical periods.²⁵ This means that Alberta, with its reduced capacity in province due to displacement of Alberta supply, has lower supply adequacy. In this regard, the AESO excludes interties from its supply cushion calculation in its long-term adequacy metrics due to the “uncertain nature of the supply”.²⁶

38. Dr. Church analyzes the effect of uncommitted imports, including their detrimental effect on supply adequacy in section 4 of his report.

39. An example of the supply adequacy concern caused by a lack of commitment from Imports occurred in January of 2024. The United States (**US**) Northwest and Western Canada were under extreme cold weather conditions with temperatures significantly below normal as illustrated in Figure 3 on the following page.

40. The situation culminated in the January 2024 Emergency Alert. During that alert, between 6 and 8 PM, 642 MW²⁷ of import available transfer capability (**ATC**) were available. However, actual imports were only 378 MW in HE19 and 328 MW in HE20.²⁸

41. The ATC surplus during the January 2024 Emergency Alert is demonstrative of how the operation of Rule 203.1 can result in inadequate supply. In absence of a Must Offer Obligation, Importers were not obligated to fill the available ATC, nor did they do so on their own accord notwithstanding the high energy price. Given that 264 MW and 313 MW of ATC

²⁵ It is worth noting that critical periods are regionally correlated. Low water years, heat waves and cold snaps often affect the entire pacific northwest and south into California, which means that in those periods there may not be any excess capability available to flow into Alberta, even if prices in Alberta were high enough to attract imports.

²⁶ https://www.aeso.ca/download/listedfiles/2024_02_LTA.pdf page 21.

²⁷ Appendix “E”, tab “Examples”, cells “W96” and “W97”.

²⁸ Appendix “E”, tab “Examples”, cells “Z96” and “Z97”.

were left unfilled²⁹ and given that a 200 MW consumer response³⁰ was sufficient to avoid rolling brownouts, it is apparent that fair and equal treatment of Importers compared to Generators likely would have avoided the emergency conditions and the emergency alert.

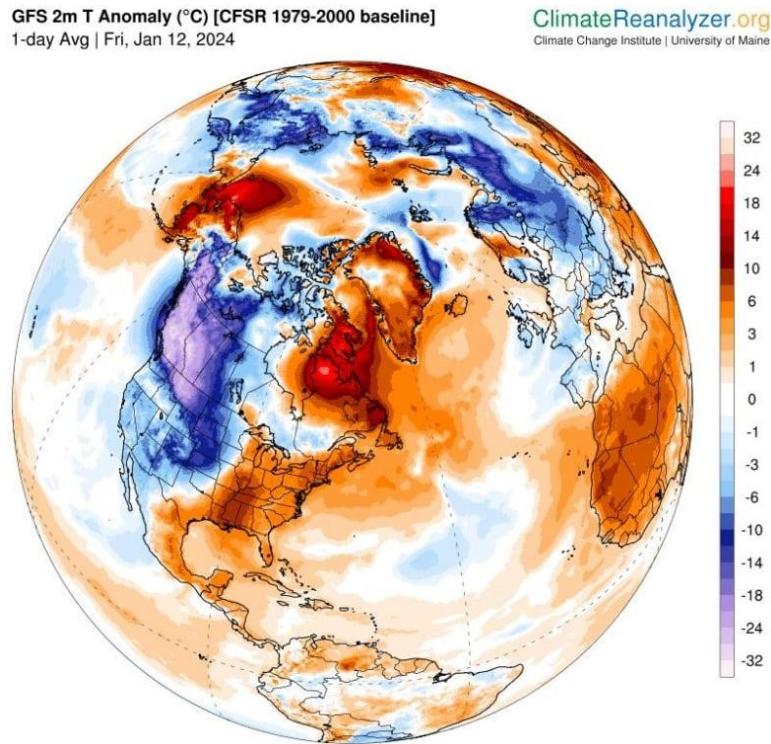


Figure 3: January 12, 2024 Temperature Anomalies³¹

42. Rule 203.1 was originally implemented as part of a package to improve supply adequacy; exempting Importers from the Must Offer Obligation has, in Suncor’s view, the opposite effect and reduces supply adequacy. As Dr. Church states: “The effect of the differential commitment between Alberta generators and imports to the Alberta EOM is to reduce supply adequacy and leave the long-run time-weighted average price for electricity in Alberta unchanged.”³²

²⁹ Appendix “E”, tab “Examples”, cells “AA96” and “AA97”.

³⁰ See footnote 12.

³¹ <https://www.cbc.ca/news/canada/british-columbia/polar-vortex-explainer-1.7082446>

³² Appendix “F”, para. 10(i).

III.6 Rule 203.1 – Public Interest

43. Historically, it has been suggested that increasing import capability, or ATC, and with that the amount of imports, lowers pool prices in Alberta. These suggestions have often been premised on imports being priced at zero dollars and on hypothetical price impact analyses (**Impact Analyses**).³³ Such suggestions are not supported by observed behaviour or economic theory.

44. First, if Importers desire to offer into the power-pool, the corresponding offer price must be \$0/MWh due to Importers being considered non-dispatchable in real-time. However, Importers only submit an offer, if they expect pool price in Alberta to exceed their production/opportunity costs plus transportation costs.³⁴ This is evidenced by a pattern of limited imports during low or zero-dollar pool price hours, and the surplus ATC during the January 2024 Emergency Alert event, when US prices exceeded the Alberta market price cap of CAD1000.00.³⁵

45. Figure 4 shows, as an example, hourly import behaviour for a week in March 2024.³⁶ It is worth noting that Importers, just like all other suppliers would have to submit their offer at T-2, and that any decision to offer would therefore be made on expected, not actual pool price. During this period, the conservatively updated reference price would have been \$53.83.³⁷

³³ For example: Proceeding 1633, exhibit 0129.01, Q&A 9, PDF page 7; *Alberta Electric System Operator Discussion Paper: Changes to AESO Procurement of Interruptible Load Remedial Action Scheme (ILRAS) Service (October 18, 2007)* pages 5-6, available as part of Proceeding 1633, exhibit 0139.01, PDF pages 25-26; and Proceeding 28829, exhibit X0002 *BHE Canada Limited Complaint re AESO with Appendices (Feb 9 2024)*, paras. 49 and 53.

³⁴ For a more detailed explanation, see Dr. Church's report at Appendix "F", paras. 75-76.

³⁵ Importer's opportunity costs at the time exceeded Alberta's price cap and therefore the expected pool price.

³⁶ The time frame was selected to be illustrative; it represents the most recent full week in the data set during which a zero-dollar pool price occurred. The attached spreadsheet allows for an easy review of other one-week periods [Appendix "E", tab "Examples", cell "D2"].

³⁷ See footnote 23.

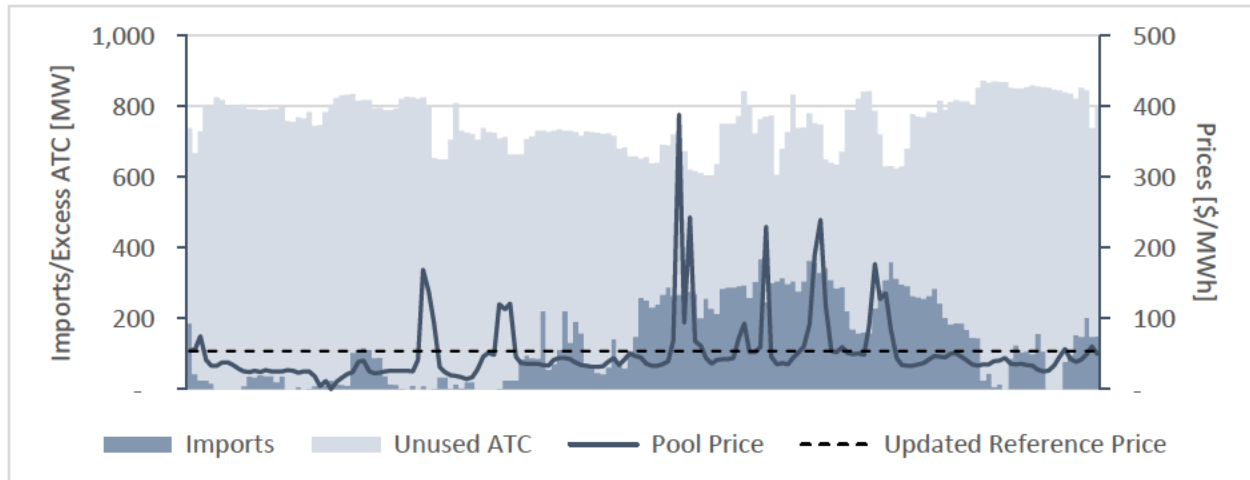


Figure 4: Imports as part of ATC relative to pool and reference price Mar 17-23, 2024

46. Second, and most importantly, past Impact Analyses have not evaluated the benefit of imports, instead they evaluated the impact of supply shocks. However, the electricity market is dynamic and continuously adapts to changes in supply or demand. What past Impact Analyses estimate is the impact of a supply shock by removing a certain amount of imports without letting the market adjust. The resulting conclusion is simple: prices rise when supply is removed and the market is not allowed to adjust, and the increase in prices would be more extreme under already tight market conditions.

47. The correct way to analyse whether imports provide a benefit to electricity consumers in the form of lower prices is to analyze long-run equilibrium prices with and without imports. As explained by Dr. Church in his report the presence or absence of imports has no impact on long-term prices.³⁸ However, due to Rule 203.1, consumers spent hundreds of millions of dollars without receiving commensurate supply adequacy.³⁹

48. Suncor submits that Rule 203.1 is not in the public interest as it results in consumers incurring significant costs through the power pool for a service – in the form of a Capacity Commitment – that they do not receive from Importers. Thus, the operation of Rule 203.1

³⁸ Appendix “F” section 4.

³⁹ See paragraph 14.

results in consumers paying Importers for a level of supply adequacy that they do not receive.

IV. REQUESTED RELIEF

49. The operation of Rule 203.1 creates a distinction between Generators and Importers participating in the Alberta electricity market and imposes obligations on Generators which are not otherwise imposed on Importers. The practical effect is that Rule 203.1 does not support the FEOC operation of the electricity market.⁴⁰ Further, Rule 203.1 is not in the public interest as it reduces supply adequacy while at the same time maintaining the cost of electricity at a level that is not commensurate with the resulting lower level of supply adequacy.

IV.1 Primary Relief

50. Suncor submits that an immediate solution to the non-FEOC nature of Rule 203.1, is to amend the ISO Rules so as include a Non-Commitment Recovery Charge (**N-C Recovery Charge**) to Importers that reasonably recovers the cost paid by the AESO, through the pool price, for a Capacity Commitment that is not provided by Importers. Without recovering this cost from Importers, Importers are provided with a subsidy which is contrary to the FEOC operation of the market. The N-C Recovery Charge also addresses the public interest concern as it aligns consumer costs with the lack of supply adequacy they receive from Importers.

51. Suncor therefore respectfully requests pursuant to s. 25(6)(e) of the EUA that the Commission direct the AESO to change Rule 203.1 to include a charge⁴¹ applicable only to Importers for the recovery of the value of the Capacity Commitment embedded in the pool price and received by Importers without providing the commensurate supply adequacy that

⁴⁰ See also Dr. Church's evidence in this regard in Appendix "F", section 5.

⁴¹ The AESO has the authority to implement such a charge under s. 21 of the EUA.

arises under the Must Offer Obligation applicable to Generators. Suncor further requests a corresponding direction to set the N-C Recovery Charge:

- (i) at \$0/MWh for hours where AESO declared an Energy Emergency Alert,
- (ii) at \$0/MWh for hours where the pool price is less than the reference price defined in ISO Rule 201.6 *Pricing*, Section 6, and
- (iii) equal to the pool price minus the reference price for all other hours.

52. Draft rule language for the requested modifications of Rule 203.1 is attached as Appendix “B”.

53. The AESO is permitted to establish and charge fees under section 21(1) of the EUA and Suncor submits that the charge as defined in paragraph 51 above, is just and reasonable as required under section 21(2) of the EUA, as it represents a reasonable approximation of the value of the Capacity Commitment embedded in the pool price that needs to be recovered from Importers.⁴²

54. It is in the public interest to take an immediate and timely step to support the FEOC operation of the market and to reasonably align consumer costs with the services they receive.

IV.2 Secondary Relief

55. Suncor submits that in the longer term, equal treatment between Generators and some Importers can be established by imposing the same obligations on those Importers that is imposed on Generators through a future update to Rule 203.1 (**Updated Rule 203.1**). The remaining, non-committed Imports would remain subject to the N-C Recovery Charge. Draft language for an Updated Rule 203.1 could be drawn from the submissions made by

⁴² See also Dr. Church’s evidence on the requested relief in section 6 of his report.

the AESO in Proceeding 23757 as part of the Capacity Market Proposal, which included a Must Offer Obligation for capacity committed imports.⁴³

56. Suncor acknowledges that any consideration of an Updated Rule 203.1 may be validly combined with other rule modifications *e.g.*, regarding priced imports or firm service for imports. As such, development of an Updated Rule 203.1 would require consultation and would take significant time and resources.⁴⁴

57. For these reasons, in addition to the primary relief requested in paragraph 51 above, Suncor respectfully requests that the Commission pursuant to Sections 8 and 23 of the *Alberta Utilities Commission Act, S.A. 2007, c. A-37.2* direct the AESO to commence a consultation process directed at an Updated Rule 203.1.

58. Suncor stresses that the secondary relief is intended to be in addition to the primary relief, as the N-C Recovery Charge would still be required for any remaining non-committed Imports.

59. Any implementation resulting from the consultation undertaken as part of the secondary relief is likely years away,⁴⁵ and there is no justification to maintain an AESO rule that is non-FEOC and not in the public interest when a modification is immediately available, in the form of the N-C Recovery Charge, which addresses both the FEOC and the public interest issues arising under the current Rule 203.1 and the CADG.

60. ALL OF WHICH IS RESPECTFULLY SUBMITTED this 26th day of April 2024.

⁴³ See Appendix "C".

⁴⁴ For example, priced imports, which were included in the capacity market draft rules, have been contemplated since as early as 2010 (Exhibit 0044.00.AESO-1633, page 2).

⁴⁵ Suncor notes that the regulations issued by the Minister on March 11, 2024, which are intended as a bridge toward the new market design, expire three and a half years from now on November 30, 2027.

V. Appendix A – Previous Engagement Timeline

February 28, 2022	Suncor raises FEOC concern about Rule 203.1 and the CADG. ⁴⁶
June 22, 2022	AESO responds and defers the issue, in Suncor’s view, indefinitely. ⁴⁷
July 26, 2022	Suncor clarifies its position and highlights the urgency. ⁴⁸
October 14, 2022	In conversation, Suncor requests a public response from the AESO.
November 3, 2022	The AESO proposes a meeting.
November 16, 2022	The AESO and Suncor meet and discuss the issue.
Ca. 3 weeks later	Suncor reiterates its ask for a public response to its July 26, 2022 letter.
January 13, 2023	Call between senior executives from the AESO and Suncor to discuss the issue.
February 8, 2023	The AESO issues a public response reiterating its original position. ⁴⁹
April 21, 2023	Suncor informs the AESO that Suncor would proceed with this complaint. The AESO suggested it might be helpful to meet beforehand.
Following weeks	<p>The AESO and Suncor have three meetings, during which the AESO expresses its position that it does not consider Rule 203.1 a FEOC concern. The AESO suggested that the treatment of imports could be part of the then upcoming Market Pathways consultation.</p> <p>In response, Suncor refrained from filing this Complaint due to the hope that its concerns could be resolved in a reasonably timely manner.</p> <p>Suncor no longer holds this view.</p>

⁴⁶ <https://www.aeso.ca/download/listedfiles/Suncor-ISO-Rule-Proposal-Form-MOMC-Redacted.pdf>

⁴⁷ <https://www.aeso.ca/download/listedfiles/AESO-Response-to-Suncor-February-28-2022-Rule-Proposals.pdf>

⁴⁸ <https://www.aeso.ca/download/listedfiles/Suncor-Response-to-AESO-June-27-2022-Response.pdf> ⁴⁹ <https://www.aeso.ca/download/listedfiles/AESO-Response-to-July-26-2022-Suncor-Rule-Proposals-Response.pdf>

VI. Appendix B – Draft Rule Language for the N-C Recovery Charge

61. To address the FEOC and public interest concerns, Rule 203.1 should be modified. The following provides draft language for a new subsection (5) under subsection 3 *Obligation to Offer and Offer Content*.

(5) A **pool participant** that submits an **offer** for a **source asset** that is an import asset, is subject to the N-C Recovery Charge for all energy associated with this offer.

The **ISO** must calculate the N-C Recovery Charge as follows:

(i) for an hour for which the **ISO** declared an Energy Emergency Alert

N-C Recovery Charge = \$0/MWh

(ii) for an hour for which the **pool price** is less than the reference price

N-C Recovery Charge = \$0/MWh

(iii) for all other hours

N-C Recovery Charge = **pool price** - reference price.

62. For administrative clarity, it might be desirable to move the definition of the N-C Recovery Charge to ISO Rule 103.6 *ISO Fees and Charges*.

VII. Appendix C – Side-by-side Comparison

63. Current rules and definitions vs. those proposed in Exhibit 23757-X0288.07.

Current Rule 203.1	Rule 203.1 in Exhibit 23757-X0288.07
<p>3(1) A <i>pool participant</i> must, for each <i>settlement interval</i>, submit an <i>offer</i> for each of its source assets with a <i>maximum capability</i> of greater than or equal to 5 MW.</p>	<p>3(1) A <i>pool participant</i> must submit <i>offers</i> in the energy market for each <i>settlement interval</i>, for each of its <i>pool assets</i>, that are:</p> <ul style="list-style-type: none"> (a) generating <i>source assets</i> with a <i>maximum capability</i> of 5 MW or greater; [...] (d) import assets.
<p>3(4) A <i>pool participant</i> that submits an <i>offer</i> must ensure that:</p> <ul style="list-style-type: none"> (a) the cumulative total MW, as entered for the highest priced <i>operating block</i> in the <i>offer</i> for the <i>settlement interval</i>, equals the <i>maximum capability</i> of the <i>source asset</i>; and [...] 	<p>4(3) A <i>pool participant</i> that submits an <i>offer</i> must ensure that:</p> <ul style="list-style-type: none"> (a) the cumulative total MW, as entered for the highest priced <i>operating block</i> in the <i>offer</i> for the <i>settlement interval</i>, equals the <i>maximum capability</i> of the <i>pool asset</i>; [...]
<p>5 A <i>pool participant</i> that submits an <i>offer</i> must also submit the <i>available capability</i>, in MW, for each <i>source asset</i> which such <i>available capability</i> must equal the <i>maximum capability</i> of the <i>source asset</i> unless the <i>pool participant</i> has submitted an <i>acceptable operational reason</i> with the <i>offer</i>.</p>	<p>6 A <i>pool participant</i> that submits an <i>offer</i> must also submit the <i>available capability</i>, in MW, where:</p> <ul style="list-style-type: none"> (a) such <i>available capability</i> must equal the <i>maximum capability</i> of the generating <i>source asset</i> or load <i>sink asset</i>, unless the <i>pool participant</i> has submitted an <i>acceptable operational reason</i> with the <i>offer</i>; or (b) such <i>available capability</i> for an import asset must: <ul style="list-style-type: none"> (i) if the import asset is subject to a <i>capacity commitment</i>, be greater than or equal to the <i>capacity commitment</i> associated with the import asset, unless the <i>pool participant</i> has submitted an

	<p>acceptable operational reason with the offer; or</p> <p>(ii) if the import asset is not subject to a capacity commitment, be greater than or equal to 0 MW.</p>
--	---

Current Definitions		Definitions in Exhibit 23757-X0288.07	
"maximum capability"	<p>means:</p> <p>(i) for a pool asset, the maximum quantity expressed in MW, that it is physically capable of providing under optimal operating conditions while complying with all applicable ISO rules and terms and conditions of the ISO tariff; or</p> <p>(ii) for a source asset that is an import asset, the available capability.</p>	"maximum capability"	<p>means:</p> <p>(i) for a generating unit or aggregated generating facility, the maximum MW that it is physically capable of providing under optimal operating conditions while complying with all applicable ISO rules and terms and conditions of the ISO tariff;</p> <p>(ii) for a source asset that is an import asset, the maximum MW that it is permitted to import into Alberta while complying with all applicable ISO rules and terms and conditions of the ISO tariff; or</p> <p>[...]</p>
"available capability"	<p>means:</p> <p>(i) for a source asset, excluding an import asset, the maximum MW that the source asset is physically</p>	"available capability"	<p>means:</p> <p>(i) for a generating source asset or load sink asset, the maximum MW that the source asset or load sink asset is</p>

	capable of providing; or (ii) for an import source asset , the MW that the pool participant submits in an offer .		physically capable of providing; or (ii) for an import source asset , the MW that the pool participant submits in an offer .
--	---	--	--