

NOTICE TO MARKET PARTICIPANTS AND STAKEHOLDERS

October 30, 2023

Re: MSA comments regarding AESO's Fast Frequency Response Services Procurement

On October 5, 2023, the AESO hosted a virtual stakeholder session summarizing the frequency response needs of the Alberta Interconnected Electric System (AIES) and setting out three options for procuring Proportional Fast Frequency Response (PFFR) in 2024.¹ This procurement is focused on the restoration of the available transfer capacity (ATC) of the intertie and contemplates contracting for up to 180 MW of this product over a four-year period.

The MSA previously extended forbearance to FFR market participants participating in a small pilot to enable the development and evaluation of new technologies providing FFR services, which has now ended.² In the MSA's view, the transition from the pilot program to a longer-term framework is a significant undertaking with the potential for material impacts and there remain a number of unanswered questions.

Process

In respect of the approach the AESO has proposed for contracting for PFFR, the MSA has several concerns. There is a well-established framework, with a basis in legislation, for the development of ISO rules in respect of ancillary services products, which is subject to oversight by the Alberta Utilities Commission (AUC) and AUC Rule 017. This framework includes detailed specifications of the requirements for these products, which are then subject to compliance monitoring by the AESO and enforcement by the MSA. The MSA questions why this process is not compatible with the procurement of PFFR.

While the MSA understands that the AESO, at times, must take urgent action to maintain the reliability of the AIES, it is not clear that restoration of the intertie is an urgent and severe enough issue to warrant actions outside of the standing rule development process and related oversight. Public consultation on the PFFR procurement has been integrated with the announcement of a Transferred Frequency Response Agreement (TFRA) used to ensure immediate compliance with the BAL-003 reliability standard, and the MSA is of the view that the case for change has been conflated between these two initiatives. In the AESO's 2022 Long-term Transmission Plan, activities relating to intertie restoration were classified as being "deferrable."³ The MSA supports

¹ [AESO Frequency Response Program Stakeholder Session \(October 5, 2023\)](#).

² [MSA Letter Re: AESO Fast Frequency Response Pilot Project – AESO Request for Forbearance re certain ISO rules](#).

³ [AESO 2022 Long-term Transmission Plan](#), page 39.

prompt review of inertia-related issues, including enabling ATC, but more analysis is needed to justify the current approach.

Beyond this, the AESO has indicated that PFFR procurement is part of a bridging mechanism for the Market Pathways Initiative, but this process is still subject to significant consultation and evolution.⁴ The creation of multi-year contracts for significant capacity may have the effect of constraining or foreclosing certain market designs or broader technical requirements for frequency response. The MSA has observed that out-of-market actions, once taken, have the tendency to continue. The MSA recommends that analysis of these transitional issues would help support this process, and that if a bridging mechanism is in fact necessary, it be as brief as possible.

Procurement design

The MSA understands that all three proposed procurement designs would require prospective suppliers to participate in the process from the outset, regardless of the in-service date, limiting the ability for new entry during the contract duration. In the MSA's view, the need to restrict competition over this period has not been established.

It is the MSA's understanding that several emerging technologies, such as battery energy storage, supercapacitors, controllable loads, and wind and solar resources, can be configured with the capability to respond rapidly to frequency deviations.⁵ The MSA is of the view that the potential for diverse participation makes PFFR fundamentally different from Load Shed Service and creates the opportunity to re-evaluate the procurement mechanism. Competitive markets are proven to select the most efficient resources over time, ultimately leading to the lowest cost for consumers. If the AESO believes that the PFFR procurement is not compatible with a competitive market, further analysis should be brought forward to support this conclusion.

Similarly, the range of potential technologies highlights the importance of a technology-agnostic product definition. While some technologies may be well suited to meet the requirements of both the PFFR and spinning reserve products, it is not clear whether more specialized investment may be more economic. Therefore, these products should be defined and specified independently, allowing the market to determine the efficient supply mix.

In summary, the MSA is of the view that further analysis is required to understand and evaluate the costs and benefits of PFFR and the three procurement options proposed by the AESO. In particular, further information is needed to establish the urgency of inertia restoration, which is consequential to the nature of the consultation process, the product design, and the procurement mechanism. The MSA supports the AESO's continued efforts to integrate new technologies while promoting a reliable and economic power system.

⁴ [Market Pathways Industry Update \(October 12, 2023\)](#).

⁵ [NERC White Paper: Fast Frequency Response Concepts and Bulk Power System Reliability Needs](#), Appendix B.