May 23, 2025

Laura Frank
Alberta Utilities Commission (AUC)

Submitted by email to: engage@auc.ab.ca

RE: 007 rule feedback

Dear Ms. Frank:

ENGIE Development Canada LP ("ENGIE") appreciates the opportunity to comment on the AUC's Rule 007 draft blackline, issued on March 24, 2025.

ENGIE shares many of the concerns contained in the submission of the Canadian Renewable Energy Association (CanREA). ENGIE wishes to underline our particular concern relating to the Rule 007 changes around "Timelines to construct" and their application to projects with existing approvals.

ENGIE has a project with existing AUC approval. This project was approved at a time when the AESO had a zero congestion policy, network upgrades were funded by load (not generators) and a transmission upgrade was proposed to relieve the transmission congestion that was being experienced (and projected to significantly increase) in the area where our approved project is located. The AESO initially indicated that the potential in-service date of the new transmission lines could be as early as 2027. ENGIE has not yet built our approved project in that area to avoid adding to the congestion and planned to wait until the new transmission line is in-service. The AESO's process to define the restructured energy market (REM) and optimal transmission planning (OTP) framework has delayed any progress on the previously proposed transmission upgrade. The REM and OTP processes have been ongoing for some time and will continue long into the future (as outlined below). Until these processes are finalized, it will be unclear what level of transmission congestion will be experienced, who will pay for transmission network upgrades and when, and under what circumstances, new transmission upgrades will be built to relieve congestion. The substantial delays caused by the REM and OTP processes create a prolonged period of uncertainty during which generators are unable to make investment decisions and also substantially delay the process of development and construction of new transmission lines that are required in order for new generation to deliver electricity to customers. Projects that received AUC approval prior to the REM and OTP processes are being delayed as a result of those processes, not by the generators. ENGIE agrees with CanREA's position that the timelines to construct should be longer in general. However, we particularly emphasize the necessity of this for projects that were approved prior to the REM and OTP processes, which have been held in limbo during this period of uncertainty.

ENGIE understands that the approach to Rule 007 changes in the past has been to grandfather approved projects against the impact of the changes. That approach should be retained in this instance. As the AUC notes in the Appendix to Bulletin 2025-02, the AUC's current practice is "allowing time extension applications and assessing those applications on a case-by-case basis."

ENGIE would prefer to see this opportunity for extensions to be retained. However, at a minimum, we believe it should be maintained for projects with existing AUC approvals. Alternatively, once the REM and OTP processes have been completed, approved projects should have one opportunity for a single extension for the same length as the new construction period (from the point of the extension, not from the point of the original approval), as a transitionary measure to bring them in line with the new approach.

One of these two approaches is necessary to allow developers to navigate the prolonged policy, regulatory, and market uncertainty presently facing investment decisions. Since late 2023, the depth and breadth of electricity policy instability has rendered investment decisions in new generation development virtually impossible, except in very limited instances for unique developers or projects. While policy decisions gradually emerge, design and implementation details remain that are very material to project economics, while some prior decisions have been reconsidered. Between market, transmission, regulatory (e.g., new recycling requirements), and industrial carbon pricing reforms, it is not possible to assess the economics of a new prospective investment at this time.

In fact, many of the reforms are meant to generate economic signals, such as locational signals or signals for generation technology or profile. The success of these policies relies on developers' investment decisions internalizing these economic signals from policy. In other words, the policy intent relies on the market responding to these new policies, once they become clear.

To this point, the signals are not clear and the timeline to clarity is uncertain and in flux. For example, as of March, the timeline for finalized restructured energy market (REM) rules was by the end of 2025, but now we will not see these until sometime in 2026 (the timeline has not yet been released). Meanwhile, the optimal transmission planning (OTP) framework will proceed to AUC review in 2026, for implementation beginning in 2027. This means that the risks of congestion (to which generation project economics are very sensitive) will not become clear until the AESO's first long-term plan (LTP) under the OTP, as well as the first OTP review of a transmission NID filing, both in 2027. Only then will the economics of large generation investments subject to congestion become sufficiently clear and reliable for a final investment decision. This means a full four years from the beginning of policy instability in 2023.

Approved projects caught up in this phase of uncertainty are not responsible for delays in proceeding to construction. The AUC's approach to approved projects under the new construction period (new s. 5.1 in the draft blackline) should take account of these extraneous factors. Should approved projects prove to be uneconomic under the final policy suites, they may be cancelled. But projects that expire (or whose expiry is too soon to commence construction) but prove to be economic will then need to reapply, which will not contribute to the AUC's goal of regulatory efficiency. Delays caused by policy uncertainty need to be taken into account for existing projects when introducing new restrictions through Rule 007.

Unfortunately, it is not clear from the proposed new s. 5.1 in the draft blackline how extensions for existing approvals will be treated. This was confirmed in an April 22 session with AUC staff and CanREA's Alberta Network, where staff were not able to comment on the application of the new construction period approach to existing approvals and invited input through the Rule 007 comment window.

It would be helpful to gain clarity on the draft s. 5.1 treatment of existing approvals, so that developers with existing approvals can plan how to efficiently engage with the AUC around extension requests. Requiring projects that were previously approved and delayed as a result current and ongoing policy uncertainty to re-apply without the opportunity for extension would add to the administrative burden for the AUC, proponents and stakeholders, add unnecessary red-tape and cause a much further delay to substantial capital investments in the province of Alberta.

We appreciate the opportunity to provide this input. Please feel free to contact me for further clarification on these comments.

Yours Sincerely,

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Business Development Director

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