### Eligibility: Session 3 Summary
Capacity Market Working Group

**Date:** 7/13/2017  **Time:** 1:00 – 4:00  **Location:** AESO Boardroom  **Prepared by:** Jordan Ludwig

**Attendees:** (Note Regrets)

<table>
<thead>
<tr>
<th>S.No</th>
<th>Invited / Attended</th>
<th>Company Name</th>
<th>Attendance Status</th>
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<tbody>
<tr>
<td>1</td>
<td>Colette Chekerda</td>
<td>Alberta Direct Connect</td>
<td>Present</td>
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<tr>
<td>2</td>
<td>Chris Joy</td>
<td>ENMAX</td>
<td>Present</td>
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<tr>
<td>3</td>
<td>Dan Chapman</td>
<td>NRStor on behalf of Energy Storage Canada - Alberta Advocacy Council</td>
<td>Present</td>
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| 4    | Danny O’Hearn      | PowerEx Corp | Regrets  
Clark Lind (Proxy) – Present |
| 5    | Edmond de Palezieux | Depal Consulting on behalf of Devon Canada | Present |
| 6    | Grant Berry        | Capital Power | Present |
| 7    | Janene Taylor      | TransCanada Energy Ltd | Present |
| 8    | Kelly Cantwell     | Emera        | Present |
| 9    | Kevin Dawson       | Alberta Electric System Operator | Present |
| 10   | Leonard Olien      | Solas Energy Consulting on behalf of CanWEA | Present |
| 11   | Matt Davis         | ATCO Electricity Global Business Unit | Present |
| 12   | Megan Gill         | The Office of the Utilities Consumer Advocate | Present |
| 13   | Sarah Griffiths    | EnerNOC      | Present |
| 14   | Surendra Singh     | Alberta Newsprint Company | Present |
| 15   | Jordan Ludwig      | Stack’d Consulting (Facilitator) | Present |
Agenda

- Action items from previous meeting
- Review of AESO recommendations for treatment of additional questions suggested in Session 1
- Discussion of materials regarding demand side resource participation in the Alberta capacity market
- Session Wrap-Up
  - Confirm action items, decision items, and next steps with WG
  - Assignment of work
  - Confirmation of next session topic items and review schedule

Key Recommendations/Decisions

Review of AESO recommendations for treatment of additional questions suggested in Session 1

- The statements below are provided to clarify the scope of the technical market design between WIGs:
  - Self-supply will be addressed in the Procurement and Hedging WIG
  - UCAP calculation for self-supply resources will be addressed in the Eligibility WIG
    - Collaboration is required between Eligibility WIG and Procurement and Hedging WIG to reconcile how self-supply options will impact the need to alter the UCAP for co-generation resources (if at all).
  - Development of the performance incentives and penalties framework will be addressed in the Eligibility WIG
  - Testing the performance incentive and penalties framework as it relates to Cogen resources will be addressed in the Procurement and Hedging WIG
  - Cost allocation will be addressed by both the Eligibility and Procurement and Hedging WIGs, with each group focusing on its own key questions:
    - How are costs apportioned to each load (i.e. what are the billing determinants)? – Eligibility WIG
    - What mechanism is used to allocate the cost (e.g. Tariff, Retail Settlement)? – Eligibility WIG
    - What is the timing of settlement? – Procurement and Hedging WIG

Discussion: How, if at all, should demand side resources participate in the Capacity Market?

- Alternatives explored:
  1. No participation by demand side resources in the capacity market;
  2. Demand side participation by demand side resources in the capacity market (SAM Starting Point);
3. Supply side participation by demand side resources in the capacity market; and,
4. Both supply side, and demand side participation by demand side resources in the capacity market.

- WIG began to discuss how, if at all, demand side resources should participate in the capacity market, but many WIG members require additional information to form an opinion and make a recommendation
- The majority of WIG members agree that there should be equitable treatment between demand response (DR) and supply capacity resources with respect to the capacity performance obligations, penalties and incentives
- Some outstanding questions identified include:
  - Will demand response resources be treated similarly to generators in the, Energy and Ancillary markets (i.e. will demand resources be subject to MOMC, if they are required to bid into the capacity market at what price), if DR participates on the supply side, the demand side?
  - What is the total volume that a demand response resource can bid in to the capacity market on the supply side, the demand side?
  - How are demand response resources dispatched in scarcity events including how performance for DR resources will be measured, on the supply side, on the demand side?
  - How will the demand curve and the resource adequacy requirement account for DR that participates on the demand side?
  - Are energy efficiency (EE) resources (non-peaking) treated the same as demand response resources (peaking)?
    - Can EE resources participate on both the supply side, the demand side?
  - How does cost allocation, and the ability to avoid costs, impact the viability of demand side participation for DR resources?

- The following information is required to inform WIG participants to aid in a recommendation on how, if at all, demand-side resources should participate (also included in action items)
  - Sarah to provide resources and pre-read on how other markets manage baseline calculation for supply side participation and moral hazard risk, specifically:
    - How other markets calculate the baseline for demand resources to participate on the supply side of the market; and,
    - Provide an overview and list of resources illustrating how the thinking has evolved on moral hazard and complexity concerns over demand response resource participation on the supply side.
  - AESO to provide the high-level administrative implications of each alternative and an overview of the PJM process, in particular mechanisms for adjustments to the demand curve and the resource adequacy requirement.
  - Colette to provide how a flexible load may participate on the supply side, or the demand side of the capacity market and the implications for cost allocation and cost avoidance.
Energy efficiency needs to be discussed further prior to WIG agreeing upon a recommendation on how demand-resources may participate in the capacity market, however no homework was assigned at this time.

Additional homework for next session (08/01):

- Topics:
  - Capacity Cost Allocation

- Assigned homework and prep for session (also included in action items):
  - Edmond to provide the potential alternatives available for cost allocation (based on other markets)
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<th>#</th>
<th>Action Items / Next Steps</th>
<th>Action by</th>
<th>Due date</th>
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<tbody>
<tr>
<td>1</td>
<td>Confirm New / Existing refurbishment will be defined in Market Mechanics WIG</td>
<td>Kevin</td>
<td>7/31</td>
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| 2  | Provide list of resources and pre-read on how other markets manage baseline calculation for demand resources participating on the supply side of a capacity market, specifically:  
  - How other markets calculate the baseline for demand resources to participate on the supply side of the market; and,  
  - Provide an overview and list of resources illustrating how the thinking has evolved on moral hazard and complexity concerns over demand response resource participation on the supply side. | Sarah     | 7/25     |
| 3  | Develop and provide a high-level assessment of the administrative implications of demand participation in the capacity market for each alternative | Kevin     | 7/25     |
| 4  | Provide an overview of the PJM process for demand resources participation in the capacity market | Kevin     | 7/25     |
| 5  | Provide an overview on how a flexible load may participate on the supply side, or the demand side of the capacity market | Colette   | 7/25     |
| 6  | Provide the potential alternatives available for cost allocation (based on other markets) | Edmond    | 7/25     |
| 7  | Assign homework and WIG prep material creation for energy efficiency discussion (as required) | Janene, Kevin | 8/1      |