



ALBERTA  
ENERGY

*Office of the Minister*  
*MLA, Dunvegan-Central Peace-Notley*

AR31043

October 5, 2018

Mr. David Erickson  
President and Chief Executive Officer  
Alberta Electric System Operator (AESO)  
[david.erickson@aeso.ca](mailto:david.erickson@aeso.ca)

Dear Mr. Erickson:

The Government of Alberta is carefully considering how to build on the success of the first competition of the Renewable Electricity Program (REP). As I've said before, the first round of REP was a resounding success that demonstrates the potential in Alberta to promote the development of new renewable energy at low cost. Our government recognizes that the Indexed Renewable Energy Credit and the supporting commercial framework were cornerstones to that success, driving down cost and driving up interest in the competition. The result was an astounding strike price.

At the same time, other elements of the program design accounted for maintaining lowest-cost outcomes for the system as a whole. One key element was ensuring that successful projects did not create new transmission costs by restricting eligibility to projects that would connect to the existing transmission or distribution system.

We want to maintain the central tenets that were key to that success while ensuring that our program design continuously assesses improvements that might be made as a result of changing circumstances. This includes considering where modifications may be appropriate to take advantage of new opportunities (such as technology advances and cost declines) or to recognize changing market dynamics (such as the value that renewable resources can offer in the capacity market and evolution in energy market price profiles).

By way of this letter, I request the AESO prepare recommendations on how to ensure REP continues to secure lowest cost outcomes. The ultimate goal of these recommendations should be centered on maximizing the value of future REP projects to Albertans while minimizing the cost of support, including contemplating different generation profiles.

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Specifically, the Government of Alberta would like the AESO to assess potential approaches—including bid selection criteria and payment mechanisms—that recognize the varied system benefits of different renewable projects, minimize market distortion, and continue to deliver the benefits of competition and low pricing like the Indexed Renewable Energy Credit did for REP Round 1. We would also like the AESO to explore and identify for government both the potential benefits and drawbacks of alternative approaches. As with the development of REP, stakeholder engagement should continue to be a core component of this work.

Please continue to work closely with the Electricity and Sustainable Energy Division to provide these recommendations by March 29, 2019, so they will be available to government when considering the design of future REP rounds.

Alberta is blessed with an assortment of very strong renewable energy resources, with different types stretching to each corner of the province. Thank you again for your ongoing work to advance our renewable energy development in the best way for Albertans.

Sincerely,

A handwritten signature in black ink, appearing to read "Margaret McCuaig-Boyd". The signature is fluid and cursive, written in a professional style.

Margaret McCuaig-Boyd  
Minister

cc: Coleen Volk  
Deputy Minister, Alberta Energy

David James  
Alberta Energy