

Proposed New ISO rule – Section 201.13, *Capacity Market Clearing*

Period of Comment:	December 18, 2018	through	January 10, 2019	Contact:	Grant Berry
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Please provide comments relating to the subsection of the proposed rule in the corresponding box. Please include any views on whether the language clearly articulates the requirement for either the AESO or a market participant, and provide any proposed alternative wording by blacklining the proposed language below.

Section	Subsection	Proposed language	Stakeholder comments
All	General Comments	N/A	<p>Capital Power previously provided comments to the AESO on September 28, 2018 regarding Section 201.13 and the AESO's proposed process for clearing capacity impacted by potential transmission constraints. Capital Power will not reiterate those comments here. The comments that follow focus on amendments made to Section 201.13 since its last release.</p> <p>It remains Capital Power's expectation that internal transmission constraints with the potential to limit delivery of cleared capacity will be an infrequent occurrence in the capacity market as the three-year forward period will provide the AESO with ample time to identify, plan and make arrangements to resolve potential transmission constraints prior to the delivery year. Situations where transmission constraints impacting delivery of capacity cannot be avoided must be managed in a manner that is clear and transparent to all market participants and ensures a level playing field.</p>
3	(1)	<p>3(1) The ISO must, using the unconstrained clearing methodology in subsection 5, establish the clearing price for a base auction or rebalancing auction at the point on the final demand curve established in accordance with Section 207.4 of the ISO rules, <i>Shape of the Demand Curve</i>:</p> <p>(a) that intersects with the <u>unconstrained</u> supply curve; or</p> <p>(b) when all the <u>unconstrained</u> cleared offers are below the final demand curve, that corresponds to the price above the volume of the last cleared offer on the <u>unconstrained</u> supply curve.</p>	<p>Subsection 3(1) states the ISO must establish the clearing price for a base or rebalancing auction using the unconstrained clearing methodology in subsection 5. Capital Power recommends adding explicit language to subsection 3(1) to reflect that the clearing price established is unconstrained.</p>

Section	Subsection	Proposed language	Stakeholder comments
6	(1) and (2)	N/A	<p>Capital Power is concerned with the AESO’s proposal to apply different clearing processes to existing capacity assets and new capacity assets whose ability to deliver or connect may be limited by a transmission constraint, as described in subsections 6(1) and 6(2), respectively. The rationale for applying different treatment to new and existing assets in this respect and the need for separate subsections is unclear. Please explain.</p> <p>Capital Power believes that the clearing process outlined in 6(1) for existing assets whose ability to deliver capacity may be impacted by a limit on the transmission system should be the same clearing process applied to new assets whose ability to connect in an unconstrained manner may be impacted by a transmission limit. Such an approach appears more consistent with the principle of ensuring a level playing field. If all market participants are aware of anticipated transmission limits prior to the auction, they can effectively compete for available transmission, adjusting the type and price of their offer blocks to reflect individual risk tolerances. It is not clear to Capital Power why new assets with a potential connection constraint would be cleared on the basis of weighted average offer price and existing assets behind a potential constraint cleared based on capacity block price. Capital Power believes that it would be more conducive to effective competition to clear all assets impacted by transmission limits in the same manner, i.e. based on capacity block price.</p> <p>The proposed dissimilar treatment of new and existing assets impacted by transmission limits creates additional confusion in the event where both new and existing assets are located behind the same constraint. The rule does not specify how the auction would be cleared in such situations and whether one asset type would take priority over another. Capital Power believes that this confusion could be resolved by removing subsection 6(2) and having subsection 6(1) apply to all assets, new and existing. Using the same clearing process would allow the best opportunity for all assets behind a constraint to compete for available transmission.</p> <p>The AESO’s rationale for applying different clearing processes to new and existing assets impacted by transmission limits must be explained, and Capital Power requests the opportunity to comment further on Section 201.13 in light of such explanation.</p>

Please provide your comments on the following (as set out in AUC Rule 017 s. 13(b-j)):

Item #		Stakeholder comments
1	whether you agree that Section 201.13, <i>Capacity Market Clearing</i> relates to the capacity market and why or why not	Capital Power agrees that the proposed rule relates to the capacity market.
2	whether you agree that [the proposed ISO rule] should [or should not] be in effect for a fixed term and why or why not	Capital Power does not see any rationale for prescribing a fixed term for the proposed rule and as such believes that the proposed rule should not be in effect for a fixed term. This will provide needed certainty to market participants regarding the longevity of the capacity market rules and design.
3	whether you understand and agree with the objective or purpose of Section 201.13, <i>Capacity Market Clearing</i> and whether, in your view, Section 201.13, <i>Capacity Market Clearing</i> meets the objective or purpose	See comments above.
4	how, in your view, Section 201.13, <i>Capacity Market Clearing</i> affects the performance of the capacity market and the electricity market	Capital Power has no comments at this time.
5	your views on any analysis conducted or commissioned by the AESO supporting Section 201.13, <i>Capacity Market Clearing</i>	Capital Power has no comments at this time.
6	whether you agree with Section 201.13, <i>Capacity Market Clearing</i> taken together with all ISO rules and in light of the principle of a fair, efficient and openly competitive market	Capital Power has no comments at this time.
7	whether you would suggest any alternatives to Section 201.13, <i>Capacity Market Clearing</i>	Capital Power has no comments at this time.
8	whether you agree that the proposed provisional rule supports ensuring a reliable supply of electricity at a reasonable cost to customers and why or why not	Capital Power has no comments at this time.

Item #		Stakeholder comments
9	whether you agree that the proposed provisional rule supports the public interest and why or why not	Capital Power has no comments at this time.

Please provide your views on the type of content that should be included in an information document associated with Section 201.13, Capacity Market Clearing

Capital Power requests that detailed information be included in an associated information document with respect to the ISO’s proposed process for identifying transmission constraints, determining the likelihood that such constraints will limit unconstrained delivery or connection during the obligation period, and notifying potentially constrained resources and the market of constraints prior to the auction.

Additionally, Capital Power believes that an associated information document should provide greater clarity with respect to how auctions will be cleared “randomly” and what oversights the ISO will have in place to ensure impartiality.