

Information Documents are not authoritative. Information Documents are for information purposes only and are intended to provide guidance. In the event of any discrepancy between an Information Document and any Authoritative Document(s)¹ in effect, the Authoritative Document(s) governs.

1 Purpose

This Information Document relates to the following Authoritative Document:

- Section 206.10 of the ISO rules, *Volume Reallocation* (“Section 206.10”).

The purpose of this Information Document is to provide additional information in relation to Section 206.10. Specifically:

- (a) the purpose of volume reallocation;
- (b) the mechanics of volume reallocation;
- (c) eligibility to participate in volume reallocation;
- (d) incentives for participation in volume reallocation; and
- (e) the timeline for volume reallocation.

2 Purpose of Volume Reallocation

Volume reallocation is a risk mitigation mechanism for a capacity market participant with a capacity asset that is facing an under-delivery adjustment after a delivery event. It allows the capacity market participant to reduce the amount of payment adjustments it would otherwise owe.

Volume reallocation allows a capacity market participant with a capacity asset that experienced an under-delivery adjustment (i.e. under-performed its obligation volumes) to receive reallocation volumes from a qualified capacity asset that was assessed an over-delivery adjustment (i.e. over-performed its obligation) during the same event. This allows a capacity market participant to reduce its liability for under-delivering capacity relative to its obligation volume.

¹ “Authoritative Documents” is the general name given by the AESO to categories of documents made by the AESO under the authority of the *Electric Utilities Act* and associated regulations, and that contain binding legal requirements for either market participants or the AESO, or both. AESO Authoritative Documents include: the ISO rules, the Alberta reliability standards, and the ISO tariff.

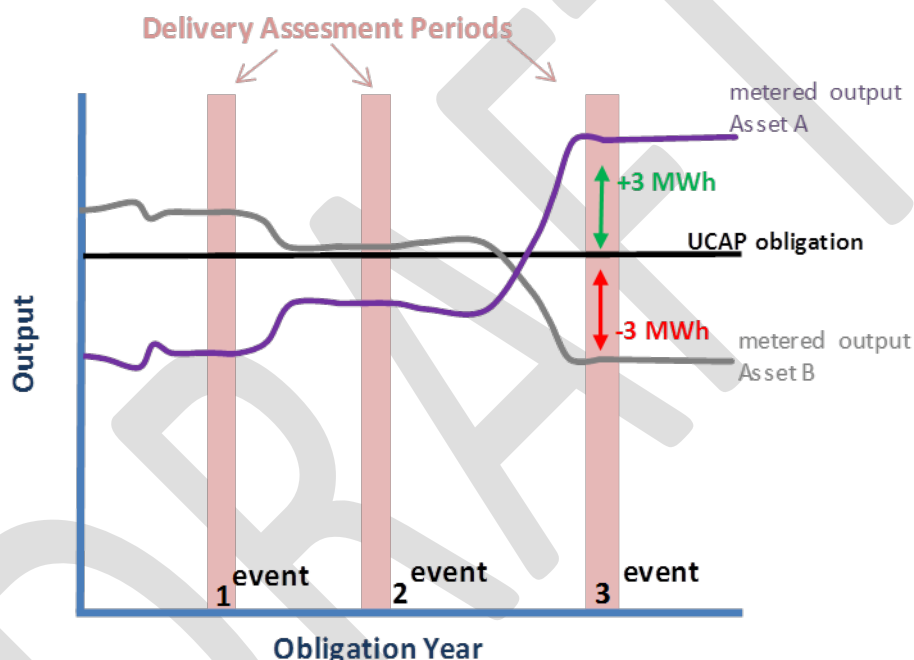
3 Mechanics of volume reallocation

The volume reallocation process requires a capacity market participant to request another capacity market participant to reallocate its over-delivered volume to cover its obligations. In response, the capacity market participant with the over-delivery volume then submits a request to take on the obligation volume being reallocated.

A capacity market participant may perform volume reallocation within its own portfolio of eligible assets or with eligible capacity assets of another capacity market participant.

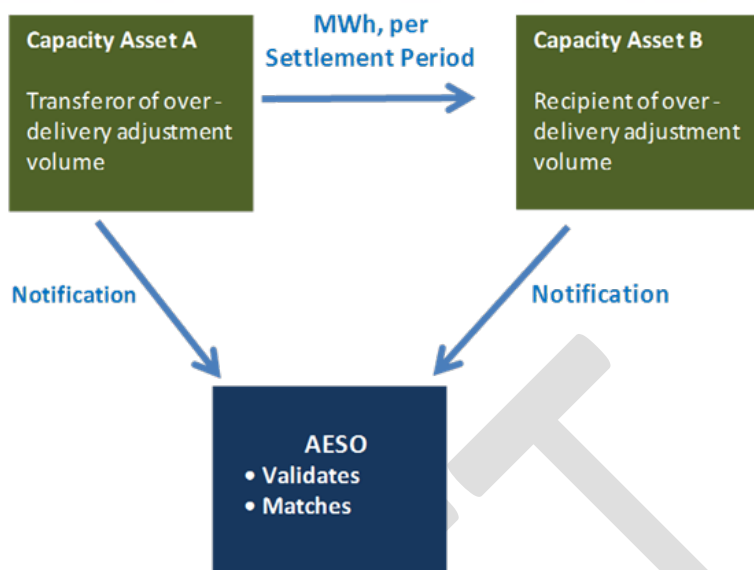
Capacity assets under- and over- delivery volumes are only final once the final settlement period has been completed.

Figure 1: volume reallocation post a delivery assessment period



In Figure 1, during the 3rd delivery event, Asset B under-delivers compared to its uniform capacity value obligation by 3 MWh. Asset A over-delivers its uniform capacity value obligation by 3 MWh. If the two assets agree to volume reallocation, Asset B will not be liable for the under-delivery adjustment, while Asset A will not be able to claim an over-delivery adjustment (performance bonus). From a performance perspective, both Asset A and Asset B are considered to have met their delivery obligations after the volume reallocation.

Figure 2: Process of volume reallocation



As shown in Figure 2, the AESO is responsible for validating volume reallocation requests, matching them to their counterparts, and notifying the capacity market participants of the outcome. All volume reallocation transactions will be determined bilaterally between capacity market participants. The AESO is not involved in any commercial aspects of volume reallocation including: volume pricing, determining the amount to reallocate, or which assets should be involved in the reallocation. Volume reallocation has no impact on a capacity asset’s uniform capacity value, and is strictly a mechanism to mitigate the risk of under-delivery.

Figure 3: Multi-hour event volume reallocation

Asset 1			
Delivery Event	Capacity Obligation (MWh)	Metered Energy (MWh)	Over/Under Delivery (MWh)
Hour 1	50	80	30
Hour 2	50	60	10
Hour 3	50	50	0
Hour 4	50	20	-30

Asset 2			
Delivery Event	Capacity Obligation (MWh)	Metered Energy (MWh)	Over/Under Delivery (MWh)
Hour 1	15	0	-15
Hour 2	15	15	0
Hour 3	15	15	0
Hour 4	15	10	-5

15 MWh volume reallocation

A delivery event may last for multiple hours but the AESO assesses an asset’s under- or over- delivery based on the asset’s delivery within a single hour. As shown in Figure 3 above, Asset 1 and Asset 2 may reallocate volumes for the first hour of the delivery event. Due to not having a delivery shortfall in hours 2 and 3, Asset 2 will not be eligible to participate in volume reallocation in those hours. In hour 4, Asset 2 would be eligible to receive a 5 MW volume reallocation. However, it may not receive those volumes from Asset 1 due to Asset 1 underperforming relative to its capacity obligations.

4 Eligibility for participation in volume reallocation

As set out in subsection 3(2) of Section 206.10, in order to participate in volume reallocation, a capacity

asset must have a capacity obligation equal to or greater than 1 MW². This allows the capacity asset to earn positive delivery assessment volumes after a delivery event.

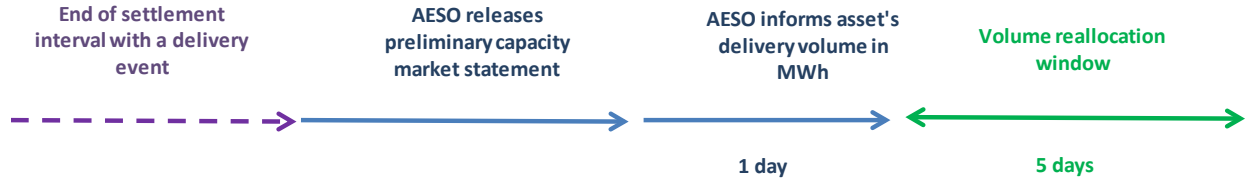
5 Incentives for participation in volume reallocation

Participating in volume reallocation may mean that the capacity market participant who owns capacity assets that have over-delivery volumes receives a payment sooner (if charging another capacity market participant) and possibly for a greater amount than they would if they waited to receive over-delivery payments at the end of the settlement period. It is anticipated that capacity market participants that have capacity assets that have under-delivered on their obligation will be seeking to pay less for the volume reallocation than the penalty would cost.

DRAFT

² This minimum offer volume requirement is set out in subsection 2(3)(b) of Section 206.4 of the ISO rules, *Offers and Bids for Capacity*.

6 Timeline for volume reallocation



Revision History

Posting Date	Description of Changes
	Initial release

DRAFT