

September 12, 2018

To: Market Surveillance Administrator, Market Participants and Other Interested Parties

**Re: Alberta Electric System Operator (“AESO”) Reply to Stakeholder Feedback on Set 1 of the draft ISO Rules for the Implementation of the Capacity Market**

On August 31, 2018, the AESO received written comments regarding the proposed new and amended Set 1 draft ISO rules for the implementation of the capacity market (“Set 1 rules”). All written comments can be found on the [AESO website](#).

The purpose of this letter is to summarize the feedback received and to identify the sections of the draft ISO rules to which such feedback relates. The AESO has summarized the comments received in bullet point form and has used wording similar to the comments received where possible.

At this time, the AESO will not be considering or responding to alternative options proposed in respect of design elements referenced in the final Capacity Market Design. The AESO will however review and consider all comments regarding details related to the implementation of the Capacity Market Design, and the manner in which the Capacity Market Design has been translated into ISO rules.

Feedback received in relation to the Set 1 rules has been categorized into the following high level themes, a summary of which is provided below.

### **Multiple Owners of the Same Capacity Asset**

A number of stakeholders commented that the AESO should develop the capacity market auction system so that it can support separate offers from multiple owners of a capacity asset. Suggestions proposed include that the AESO:

- develop an auction system to accept multiple offers from any number of owners;
- facilitate the registration of multiple participants that represent an asset under a joint venture agreement;
- considers providing an even number of capacity blocks to allow blocks to be easily split between an even number of owners; and
- design an IT system which limits the joint venture reliance on agency agreements and issues with the sharing of records not available to the public.

### **Transfer Path Limit Discrepancies**

Some stakeholders requested further clarity on the capacity values of the British Columbia transfer path, Montana transfer path, and the combined British Columbia and Montana transfer paths. Suggestions proposed include that the AESO:

- clarify how LSSi volumes will be treated in determining the transfer path limit;

- calculate the combined BC/Montana transfer path limit in a manner which is consistent with the individual calculations for the BC and Montana lines;
- simply refer to the combined BC/Montana transfer path limit since the BC transfer path limit and the Montana transfer path limit are effectively linked;
- clarify how intertie restorations or future increases to intertie capacity will be captured in the transfer path limit calculation; and
- clarify what the AESO defines as long-term firm transmission.

### **Social Surplus**

Some stakeholders requested that the AESO define social surplus. Comments suggested that the AESO define social surplus as encompassing the maximization of both producer and consumer surplus, while minimizing deadweight losses.

### **Transmission Congestion Constraints**

Some comments received stated that generally, uplift payments are not aligned with an unconstrained transmission system and that all participants should receive the same clearing price. Comments included suggestions that the AESO:

- explore if it is necessary to clear additional offers if there is no adequacy concern due to the un-cleared blocks;
- consider removing the uplift payment since the Alberta transmission system is designed to be unconstrained and the entire market should receive the same clearing price;
- consider giving all capacity in the market the uplift payment such that the entire market receives the same clearing price;
- provide further information regarding timing of the constraint notification;
- allow participants to adjust their offers after notification of a constraint;
- remove provisions regarding transmission congestion constraints as this approach is inconsistent with the current Alberta transmission policy and the ISO's obligations to plan and make arrangements for an unconstrained transmission system;
- remove provisions regarding transmission congestion constraints as this approach is inconsistent with the AESO's design that the Alberta capacity market will be a single zone;
- detail its approach for identifying constraints and determining the likelihood that the constraint will result in delivery issues; and
- consider only clearing additional offers when the congestion caused the market to fall short of the expected resource adequacy requirement.

### **Default Offers and Bids**

The AESO received written comments from stakeholders that defaulting an offer or bid price to \$0 is unreasonable. Comments included suggestions that the AESO:

- not automatically default offer price to \$0 until after the capacity market participant is informed and provided an opportunity to revise their offer; and
- only apply the default offer price to the volume corresponding to the capacity block that does not meet the requirements instead of the entire offer volume.

### **New Assets and Must-offer**

Some stakeholders requested for the AESO to consider removing the must-offer requirements from an asset with new capacity that did not clear an auction. Comments included suggestions that the AESO:

- exempt the must offer obligation pertaining to a new asset that did not clear in a base auction; and
- allow a new capacity asset the option for an exemption to the must offer obligation pertaining to a new asset that did not clear in a base auction.

### **Refurbished Capacity**

The AESO was asked to reconsider the requirements for an asset to be classified as refurbished capacity as well as the offer restrictions for refurbished capacity. Comments included suggestions that the AESO:

- designate units that have undergone a fuel conversion as refurbished capacity;
- reconsider forcing a unit to permanently delist because of refurbishment auction mechanics, as a refurbished bid may not be economic in the current auction but could become economic in the future;
- consider redrafting the rule regarding offers for refurbished capacity as it is overly restrictive;
- remove the limitation on how many times a refurbished asset can submit an unmitigated bid; and
- reconsider the categorizations of changes to existing facilities which would be defined as refurbished capacity as they are too restrictive.

### **Qualification and Auction Timelines**

The AESO received written comments from stakeholders that timelines in the rules are too open-ended and that qualification and auction timelines and requirements should be included the rule instead of the Capacity Market Auction Guidelines. Additionally, stakeholders requested that the Capacity Market Auction Guidelines should be posted for a minimum amount of time prior to the qualification process commencing to provide participants time to review and prepare for an auction.

### **Capacity Commitment Notification**

Some comments proposed that the AESO should include a provision to notify a capacity market participant of their capacity commitment within a prescribed timeframe after an auction concludes.

### **Auction Results**

Some stakeholders provided comments regarding the type of information that should be published following each auction. Suggestions included:

- a list of assets in the market without a capacity commitment to facilitate asset substitution;
- information which aligns with the auction results publication in the FEOC Regulation;
- total capacity (MC) that cleared;
- expected capacity market charges for consumers, potentially including approximate charges for a typical residential, commercial, small industrial, and large industrial consumer to help consumers understand how the capacity market will impact them;
- a graphical supply curve for the auction; and
- total capacity delisted.

### **Liability of Capacity Market Participant**

The AESO received comments that a market participant should not be liable under the ISO Rules as a capacity market participant after the date of retirement given this open ended liability does not facilitate reasonable exit from the capacity market and could dissuade potential new capacity market participants from entering the market.

### **Self-supply Clarification**

Multiple stakeholders requested further clarity on self-supply requirements and restrictions on participation in the capacity market that are dependent on certain facility configurations. Comments included suggestions that the AESO:

- clarify if demand response and generation can exist on the same site;
- clarify what is required to participate as gross vs self-supply;
- clarify that self-supply in the capacity market has no implications for participation in the energy market or relative to the transmission tariff;
- consider configurations where the load and generator are owned by different entities;
- consider self-supply configurations where an on-site generator is a dispatchable peaking facility and a load can be a dispatchable capacity resource such that the self-supply resource is only self-supplying when the generator is dispatched and not at all hours like a cogen facility;
- create definitions for “load asset” and “onsite”;
- clarify the requirements for physical changes to a site which qualify for a change in self-supply status;
- clarify the delineation between a facility that must self-supply and one that may self-supply;
- clarity on metering requirements; and
- consider if the provisions regarding changes in self-supply status make it too easy for self-suppliers to change their status.

The following is a list of stakeholders which had comments relating to the themes above.

Comment Theme	Stakeholders
Multiple Owners of the Same Capacity Asset	ATCO Electricity Generation ENMAX Corporation Industrial Power Consumers Association of Alberta TransAlta Corporation
Transfer Path Limit Discrepancies	Capital Power Corporation The Cogeneration Working Group ENMAX Corporation Industrial Power Consumers Association of Alberta TransAlta Corporation TransCanada Energy Ltd.
Social Surplus	ATCO Electricity Generation Capital Power Corporation
Transmission Congestion Constraints	Alberta Newsprint Company ATCO Electricity Generation Capital Power Corporation The Cogeneration Working Group Industrial Power Consumers Association of Alberta TransAlta Corporation TransCanada Energy Ltd. Utilities Consumer Advocate
Default Offers and Bids	Capital Power Corporation TransAlta Corporation
New Assets and Must-Offer	ATCO Electricity Generation Capital Power Corporation ENMAX Corporation
Refurbished Capacity	ATCO Electricity Generation Capital Power Corporation The Cogeneration Working Group

Comment Theme	Stakeholders
	Industrial Power Consumers Association of Alberta The Market Surveillance Administrator TransAlta Corporation TransCanada Energy Ltd.
Qualification and Auction Timelines	Alberta Newsprint Company ATCO Electricity Generation Capital Power Corporation The Cogeneration Working Group ENMAX Corporation Industrial Power Consumers Association of Alberta TransAlta Corporation TransCanada Energy Ltd.
Capacity Commitment Notification	ATCO Electricity Generation EnerNOC TransAlta Corporation
Auction Results	Alberta Newsprint Company ATCO Electricity Generation The Cogeneration Working Group Industrial Power Consumers Association of Alberta TransAlta Corporation TransCanada Energy Ltd.
Liability of Capacity Market Participant	ATCO Electricity Generation Capital Power Corporation Industrial Power Consumers Association of Alberta TransAlta Corporation
Self-supply	Alberta Newsprint Company Alberta Direct Connect AltaLink Management Ltd. ATCO Electricity Generation The Cogeneration Working Group

Comment Theme	Stakeholders
	EnerNOC Industrial Power Consumers Association of Alberta The Market Surveillance Administrator Solas Energy Consulting on behalf of the Renewable Energy Coalition TransCanada Energy Ltd.

The AESO thanks all stakeholders for their feedback on the Set 1 rules.

Sincerely,

Pauline McLean  
 Direct, Legal & Regulatory Affairs and Associate General Counsel