Stakeholder Comments and AESO Replies Matrix

Proposed New Section 103.10 of the ISO Rules, *Capacity Award Calculation*

Date of Request for Comment:	October 26, 2018		
Period of Comment:	October 26, 2018	through	November 14, 2018

Stakeholder Comments and/or Proposed Alternative Rule Wording	AESO Replies
Capacity Award Calculation **Subsection 2**	
ATCO Electricity Generation ("ATCO") This clarification is already provided in subsection (c) above and it is not necessary to repeat it. (d) Price r1 equals the clearing price in $/kW-year of the first rebalancing auction~~, which is also the last rebalancing auction for the first 3 obligation periods~~;	The AESO agrees with the changes proposed by ATCO and will revise Proposed Section 103.10, *Capacity Award Calculation* accordingly.
Solas Energy Consulting on behalf of the Renewable Energy Coalition ("Solas") 2 The ISO must calculate the monthly capacity award, and monthly rebalancing amount, in Canadian dollars, for an asset subject to a capacity commitment as follows: *capacity award = {[commitmentb × priceb ×1000] ~~–~~ +[(~~commitmentb–~~ commitmentr1 - commitmentb)×pricer1 ×1000] ~~–~~ + [(~~commitmentr1–~~ commitmentr2 – commitmentr1)×pricer2 ×1000]} ÷ 12* *where:* *(a) Commitment b equals the capacity commitment in MW after the base auction;* *(b) Price b equals the clearing price in $/kW-year of the base auction;* *(c) Commitment r1 equals the capacity commitment in MW after the first rebalancing auction, which is also the last rebalancing auction for the first 3 obligation periods;*	The AESO does not agree with the changes proposed by Solas to subsection 2. The AESO also does not agree that the capacity award should be split into a capacity award and a monthly rebalancing amount. The AESO is not changing the asset-specific penalty rate as per the AESO's reply to TransAlta's comment on subsection 6(1) of Proposed Section 206.8, *Obligation Period Performance Assessments*. While Solas' changes can be viewed as a simplification for the settlement process, the changes modify the design of capacity market settlement and performance.

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(d) Price r1 equals the clearing price in $/kW-year of the first rebalancing auction, which is also the last rebalancing auction for the first 3 obligation periods; *(e) Commitment r2 equals the capacity commitment in MW after the second rebalancing auction, in all other cases; and* *(f) Price r2 equals:* *(i) 0 $/kW-year, in the case of the first 3 obligation periods; and* *(ii) the clearing price in $/kW-year of the second rebalancing auction, in all other cases.* *(g) and provided:* *(i) commitmentr1 is greater than or equal to commitmentb; and* *(ii) commintmentr2 is greater than or equal to commitmentr1.* *(h) If either condition in (g) fails then the AESO will calculate the CAPACITY AWARD and* *REBALANCING AMOUNT as follows:* *(i) if if commitmentr1 is less than commitment b, but commitmentr2 is greater than or equal to commitmentr1:* $capacity\ award$ = {[$commitment$r1 × $priceb$ ×1000] + [($commitmentr$ 2 – commitmentr1)×$pricer$ 2 ×1000]} ÷ 12 *REBALANCING AMOUNT = {[commitmentb – commitmentr1] x pricer1 x 1000]}/12* *(ii) if commitmentr1 is greater than or equal to commitment b, but commitmentr2 is less than commitmentr1:* $capacity\ award$ = {commitmentr2 x 1000 x [($commitment$b × $priceb$) + (($commitmentr$ 1 – commitmentb) x pricer1)] ÷ (commitmentr1)} ÷ 12 *REBALANCING AMOUNT = {[commitmentr1 – commitmentr2] x pricer2 x 1000]}/12* *(iii) if commitmentr1 is less than commitmentb and commitmentr2 is less than commitmentr1:* $capacity\ award$ = {commitmentr2 x $priceb$ x 1000 } ÷ 12 *REBALANCING AMOUNT = {[(commitmentb – commitmentr1) x pricer1 x 1000] + [(commitmentr1 –*	

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commitmentr2) x pricer2 x 1000]} ÷ 12 When mathematically expressing a change from an old value to a new value, it is easier to understand if the formula is in the form of [new] minus [old] because a positive result indicates an increase and a negative value indicates a decrease. The recommended change also changes the subtractions in from of the rebalancing terms to addition. The overall formula stays the same, but is much easier to understand. The new subsections (g) and (h) provide: • Correct treatment of the assessment rates in 206.8 (6) and (10) when commitments volumes have been purchases in the rebalancing auctions. The settlement calculation as proposed by the AESO results in changes to the assessment rates for the remaining commitment volume which does not make sense. • Simplification of the Maximum Payment Adjustments as calculated in section 206.8 (14) and (15). • Simplification of the settlement process in Section 103.10. Using the new sections (g) and (h), the capacity award cannot be negative and so the minimums can be avoided. To better understand section (h), the Coalition offers the following details. In (i), the market participant has purchased volumes in the first rebalancing auction only. The capacity award is the commitment volume remaining after the first rebalancing auction times the price from the base auction plus any volumes sold in the second rebalancing auction at the price for the second rebalancing auction. The market participant must pay the AESO the Rebalancing Amount for the volumes purchases in the first rebalancing auction at the price of the first rebalancing auction. in (ii), the market participant has purchased volume in the second rebalancing auction only. The capacity award is the commitment volume remaining after the second rebalancing auction times the weighted average price of the base and first rebalancing auctions. The market participant must pay the AESO the Rebalancing Amount for the volumes purchases in the second rebalancing auction at the price for the second rebalancing auction.	 The AESO does not agree with Solas' change to formula to reflect "[new] minus [old]". The AESO is of the view that the formula is clear as written.

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In (iii), the market participant has purchases volumes in both rebalancing auctions. The capacity award is the commitment volume remaining after the second rebalancing auction times the price from the base auction. The market participant must pay the AESO the Rebalancing amount which is the sum of purchased volumes multiplied by their respective rebalancing auction prices.	
General Comments	
<u>ATCO Electricity Generation (“ATCO”)</u> The AESO should also consider adding a term for capacity market uplift payments because of a transmission congestion constraint (ISO Rule 201.13, section 4(3)).	Uplift payments are prescribed Proposed in Section 103.9, *Capacity Market Financial Settlement*. Proposed Section 103.10 is intended to calculate the capacity award only.

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

Item #		Stakeholder comments	AESO Replies
1	whether you agree that Section 103.10 of the ISO Rules, *Capacity Award Calculation* relates to the capacity market and why or why not	<u>Capital Power Corporation ("Capital Power")</u> Capital Power agrees that the proposed rule relates to the capacity market.	The AESO acknowledges Capital Power's comment.
2	whether you agree that Section 103.10 of the ISO Rules, *Capacity Award Calculation* should or should not be in effect for a fixed term and why or why not	<u>Capital Power Corporation ("Capital Power")</u> 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.	The AESO acknowledges Capital Power's comment.
3	whether you understand and agree with the objective or purpose of Section 103.10 of the ISO Rules, *Capacity Award Calculation* and whether, in your view, Section 103.10 of the ISO Rules, *Capacity Award Calculation* meets the objective or purpose	<u>Capital Power Corporation ("Capital Power")</u> Capital Power has no comments at this time.	
4	how, in your view, Section 103.10 of the ISO Rules, *Capacity Award Calculation* affects the performance of the capacity market and the electricity market	<u>Capital Power Corporation ("Capital Power")</u> Capital Power has no comments at this time.	
5	your views on any analysis conducted or commissioned by the AESO supporting Section 103.10 of the ISO Rules, *Capacity Award Calculation*	<u>Capital Power Corporation ("Capital Power")</u> Capital Power is not aware of any analysis conducted or commissioned by the AESO supporting the proposed rule and as such has no comments at this time.	

6	whether you agree with Section 103.10 of the ISO Rules, *Capacity Award Calculation* taken together with all ISO rules and in light of the principle of a fair, efficient and openly competitive market	Capital Power Corporation ("Capital Power") Capital Power has no comments at this time.	
7	whether you would suggest any alternatives to Section 103.10 of the ISO Rules, *Capacity Award Calculation*	Capital Power Corporation ("Capital Power") Capital Power has no comments at this time.	
		Solas Energy Consulting on behalf of the Renewable Energy Coalition ("Solas") See above.	Please refer to the AESO's reply to Solas' comments above.
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 Corporation ("Capital Power") Capital Power has no comments at this time.	
		Solas Energy Consulting on behalf of the Renewable Energy Coalition ("Solas") The rule as proposed will increase the cost to consumers because generators will have to price in the risk of variable assessment rates that are due solely to the formula and settlement treatment and are not based on market factors.	The AESO is of the view that the calculation of the capacity award and the capacity market settlement regime do not increase cost to consumers. The asset-specific penalty rates vary between different assets based on the outcome of the base and rebalancing auction(s) for the obligation period and if the asset was subject to cleared offers and bids.
9	whether you agree that the proposed provisional rule supports the public interest and why or why not	Capital Power Corporation ("Capital Power") Capital Power has no comments at this time.	
10	whether you have any additional comments	Capital Power Corporation ("Capital Power") Capital Power has no further comments at this time.	