Stakeholder Comments and AESO Replies Matrix

Proposed New Section 103.9 of the ISO Rules, *Capacity Market Financial Settlement*

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
Monthly Capacity Payment for an Asset with a Positive Capacity Award **Subsection 3(2)**	
Solas Energy Consulting on behalf of the Renewable Energy Coalition ("Solas") 2(a) is not necessary provided the capacity award is changed following the methodology in the Solas comment matrix for section 103.10 (2) The ISO must set the payment cap as the greater of: ~~(a) $2,771/MW multiplied by the capacity commitment associated with the asset, if the clearing price of the base auction was less than $33/kW-year; or~~ (b) 2 times the capacity award for the asset, in all other cases.	The AESO does not agree with the changes proposed by Solas. Taken together with Solas' proposed changes to Proposed Section 103.10, *Capacity Award Calculation* ("Proposed Section 103.10"), Proposed Section 206.8, *Obligation Period Performance Assessments* ("Proposed Section 206.8") and this Proposed Section 103.9, the AESO 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 explained in the AESO's reply to TransAlta's comment on subsection 6(1) of Proposed Section 206.8. While Solas' changes can be viewed as a simplification for the settlement process, the changes modify the design of capacity market settlement and performance.
Utilities Consumer Advocate ("UCA") The UCA seeks clarification in regards to subsection 3(2)(a). In particular, why has $2,771/MW been selected as the capacity commitment multiplier, and why has $33/kW-year been selected as a benchmark clearing price for the base auction?	The payment cap of $2771/MW is derived from the asset-specific penalty rate and the number of availability assessment hours as follows: asset-specific penalty rate for availability assessments * annual availability assessment hours ÷ number of months = $133/MWh * 250 hours/year ÷ 12 months/year. Please refer to the AESO's reply to TransAlta's comment on subsection 14(1) of Proposed Section 206.8 for more information on the derivation of the asset-specific penalty rate for availability assessment ($133/MWh) and the default rate for the annual capacity award ($33/kW-year).

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Monthly Capacity Payment for an Asset with a Negative Capacity Award **Subsection 4(1)**	
Solas Energy Consulting on behalf of the Renewable Energy Coalition (“Solas”) Based on the proposed changes to the calculation in section 103.10, there will not be negative Monthly Capacity Payments. Rather any volumes purchased in a rebalancing auction are paid for by the market participant. Monthly ~~Capacity Payment for an Asset with a Negative Capacity Award~~ Payment 4(1) Where the Monthly Capacity Payment exceeds the Rebalancing Amount, the ISO must pay the market participant the difference. (2) Where the Rebalancing Amount exceeds the Monthly Capacity Payment, the market participant must pay the ISO the difference.~~, for an asset that is subject to a capacity commitment with a negative capacity award calculated in accordance with Section 103.10 of the ISO rules, Capacity Award Calculation, pay the ISO the capacity payment determined in accordance with subsection 5 for each settlement period, if such amount is negative.~~ ~~(2) A capacity market participant must, for an asset that is not subject to a capacity commitment with a negative capacity award calculated in accordance with Section 103.10 of the ISO rules, Capacity Award Calculation, pay the ISO the capacity award for each settlement period.~~ ~~(3) The ISO must, for an asset subject to a capacity commitment with a negative capacity award calculated in accordance with Section 103.10 of the ISO rules, Capacity Award Calculation, pay the capacity market participant for each settlement period the capacity payment determined in accordance with subsection 5, if such amount is positive.~~	Please see the AESO’s reply to Solas’ comment on subsection 3(2) above.
Subsection 4(3)	
Alberta Federation of Rural Electrification Associations (“AFREA”) The wording of this section may not be correct as originally stated. 4(3) The **ISO** must, for an asset subject to a **capacity commitment** with a ~~negative~~ positive	The AESO does not agree with the changes proposed by AFREA. Subsection 4(3) of Proposed Section 103.9 deals with the monthly payment for an asset with a negative capacity award. The language in subsection 4(3) of Proposed Section 103.9 is correct.

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capacity award calculated in accordance with Section 103.10 of the **ISO rules**, *Capacity Award Calculation*, pay the **capacity market participant** for each **settlement period** the capacity payment determined in accordance with subsection 5, if such amount is positive.	
Monthly Capacity Payment **Subsection 5**	
Alberta Federation of Rural Electrification Associations ("AFREA") Should the yearly values calculated be divided by twelve? *5(e) under-delivery adjustment charge* is the amount of under-delivery adjustments in dollars divided by twelve determined in accordance with Section 206.8 of the **ISO rules**, *Obligation Period Performance Assessments*;	The AESO does not agree with the change proposed by AFREA to subsection 5(e). Under-delivery adjustments calculated in accordance with Proposed Section 206.8 are determined on an hourly basis and settled monthly. Therefore, there is no need to divide by 12.
There is no section 6(3) in this section. Perhaps you meant 6(2). *5(h) over-availability adjustment payment* is the amount of over-availability adjustment in dollars determined in accordance with Section 206.8 of the **ISO rules**, *Obligation Period Performance Assessments*, subject to the limits in subsections 6(1) and 6(~~3~~2).	The AESO will correct the numbering error in Proposed Section 103.9.
Funding Over-Delivery and Over-Availability Adjustments **Subsection 6(1)**	
Alberta Federation of Rural Electrification Associations ("AFREA") This section is confusing. Which or whose assets are referred to on the last line? 6(1)(b) the amount allocated to an asset based on the sum of all under-delivery adjustments collected in a **settlement period** prorated across all assets entitled to an over-delivery adjustment in the same **settlement period**.	The AESO is of the view that subsection 6(1)(b) is sufficiently clear as written. This is a pro rata calculation that distributes the amount of under-delivery adjustments collected on a monthly basis across all assets entitled to an over-delivery adjustment in the same settlement period.

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 103.9, *Capacity Market Financial Settlement* relates to the capacity market and why or why not	Alberta Federation of Rural Electrification Associations ("AFREA") See below.	Please see the AESO's reply to AFREA's comment in Item #10 below.
		Capital Power Corporation ("Capital Power") Capital Power agrees that the proposed rule relates to the capacity market.	The AESO acknowledges Capital Power's comment.
		Utilities Consumer Advocate ("UCA") The UCA seeks clarification in regards to subsection 3(2)(a). In particular, why has $2,771/MW been selected as the capacity commitment multiplier, and why has $33/kW-year been selected as a benchmark clearing price for the base auction?	Please see the AESO's reply to the UCA's comment on subsection 3(2) above.
2	whether you agree that Section 103.9, *Capacity Market Financial Settlement* should or should not be in effect for a fixed term and why or why not	Alberta Federation of Rural Electrification Associations ("AFREA") See below.	Please see the AESO's reply to AFREA's comment in Item #10 below.
		Capital Power Corporation ("Capital Power") 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.
		Utilities Consumer Advocate ("UCA") As the capacity market will be new and constantly evolving, the UCA believes that the proposed rules should be in effect for a fixed term in order to have the chance to review and modify it while still providing assurance that the Rule will not change during the fixed term	The AESO does not agree with UCA's suggestion to impose a fixed term for Proposed Section 103.9. The proposed rules for the implementation of the capacity market will be subject to the Alberta Utilities Commission 6-month provisional and 18-month comprehensive approval processes. Apart from the demand curve rules, the AESO is of the view that the capacity market rules do

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		(allowing parties to operate in relative certainty).	not need to reopened for regulatory review on a cyclical basis. When the AESO identifies an issue with a rule, the AESO must issue a written notice of consultation pursuant to AUC Rule 017. Stakeholders and interested parties may also submit proposals for rule amendments pursuant to the ISO rule proposals process if they identify issues with ISO rules.
3	whether you understand and agree with the objective or purpose of Section 103.9*, Capacity Market Financial Settlement* and whether, in your view, Section 103.9*, Capacity Market Financial Settlement* meets the objective or purpose	Alberta Federation of Rural Electrification Associations ("AFREA") See below.	Please see the AESO's reply to AFREA's comment in Item #10 below.
		Capital Power Corporation ("Capital Power") Capital Power has no comments at this time.	
		Utilities Consumer Advocate ("UCA") The UCA understands and agrees with the objectives of the proposed new ISO Rule.	The AESO acknowledges the UCA's comment.
4	how, in your view, Section 103.9*, Capacity Market Financial Settlement* affects the performance of the capacity market and the electricity market	Alberta Federation of Rural Electrification Associations ("AFREA") See below.	Please see the AESO's reply to AFREA's comment in Item #10 below.
		Capital Power Corporation ("Capital Power") Capital Power has no comments at this time.	
		Utilities Consumer Advocate ("UCA") The rule details the net capacity payments, payment methods, informal and formal disputes, and market settlements which ties directly into the capacity and electricity market.	The AESO acknowledges the UCA's comment.
5	your views on any analysis conducted or commissioned by the AESO supporting Section	Alberta Federation of Rural Electrification Associations ("AFREA") See below.	Please see the AESO's reply to AFREA's comment in Item #10 below.

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	103.9, *Capacity Market Financial Settlement*	Capital Power Corporation ("Capital Power") 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 103.9, *Capacity Market Financial Settlement* taken together with all ISO rules and in light of the principle of a fair, efficient and openly competitive market	Alberta Federation of Rural Electrification Associations ("AFREA") See below.	Please see the AESO's reply to AFREA's comment in Item #10 below.
		Capital Power Corporation ("Capital Power") Capital Power has no comments at this time.	
7	whether you would suggest any alternatives to Section 103.9, *Capacity Market Financial Settlement*	Alberta Federation of Rural Electrification Associations ("AFREA") See below.	Please see the AESO's reply to AFREA's comment in Item #10 below.
		Capital Power Corporation ("Capital Power") Capital Power has no comments at this time.	
		Utilities Consumer Advocate ("UCA") The UCA recommends that the ISO use any remaining adjustment funds to offset capacity market costs after each settlement period. There must be a time limit or a financial threshold that triggers the ISO to use the funds to offset costs and not simply allow the funds to accumulate.	Over-performance is wholly funded by under-performance. Excess under-performance is used to offset capacity market costs. However, there may be a delay in the payment of those penalties when the penalty amount exceeds the capacity award. This delay is caused by the payment adjustment balance mechanism which was created to minimize the barrier to entry caused by financial security requirements for market participants with a financial obligation to the AESO.
8	whether you agree that the proposed provisional rule supports ensuring a reliable supply of electricity at a reasonable cost to	Alberta Federation of Rural Electrification Associations ("AFREA") See below.	Please see the AESO's reply to AFREA's comment in Item #10 below.

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	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 cost to consumers is increased by the AESO's version of section 103.10 and the consequent adjustments made to the performance assessment methodology to account for the possibility of negative capacity awards. The changes proposed the Renewable Energy Coalition simplify and remove unwanted consequences from the purchases of capacity by the market participant in the rebalancing auction.	It is unclear to the AESO how the Proposed Section 103.10 causes an increased cost to consumers. The calculation in Proposed Section 103.10 most accurately reflects the amount of capacity awards for each capacity asset that cleared in any of the base and rebalancing auctions corresponding to a particular obligation period. Please see the AESO's reply to Solas' comments on subsections 3(2) and 4(1) above.
		Utilities Consumer Advocate ("UCA") The cost may not be reasonable for the reasons/concerns noted above.	Please see the AESO's reply above.
9	whether you agree that the proposed provisional rule supports the public interest and why or why not	Alberta Federation of Rural Electrification Associations ("AFREA") See below.	Please see the AESO's reply to AFREA's comment in Item #10 below.
		Capital Power Corporation ("Capital Power") Capital Power has no comments at this time.	
		Utilities Consumer Advocate ("UCA") If the cost is too high the public interest is not supported.	The AESO acknowledges the UCA's comment.
10	whether you have any additional comments	Alberta Federation of Rural Electrification Associations ("AFREA") AFREA continues to review the voluminous comments from other stakeholders and, as such, refrains from any final position on this proposed rule. AFREA reserves the right to comment in further	The AESO acknowledges AFREA's comment.

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		proceedings or processes about this or other ISO rules, and its impact on consumers in general and REA members specifically. Where applicable, AFREA comments upon the rationale of its changes which, in its view clarify the rule, align it more closely to the public interest, provide for greater reliability at a more reasonable cost, clarify the implementation of the capacity market, or a combination therein. In AFREA's view, the public interest includes a balance between reliable supply of electricity with a reasonable cost to consumers.	
		<u>Capital Power Corporation ("Capital Power")</u> Capital Power has no further comments at this time.	
		<u>Utilities Consumer Advocate ("UCA")</u> No.	