

Stakeholder Comments and AESO Replies Matrix



Proposed New Section 201.13 of the ISO Rules, *Capacity Market Clearing*

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
Auction Clearing Subsection 2(1)	
<p><u>Alberta Federation of Rural Electrification Associations (“AFREA”)</u></p> <p>The cost of resource adequacy cannot in our view be limited to just generation costs. We believe that the AESO should choose the least cost set of offers which include their cost for generation and for transmission. The cost for transmission may be negative in that it avoids the need for transmission. It may be zero if the generation asset used the existing transmission system. It may be positive if additional transmission must be built to serve this generation capacity. The AESO required that renewable energy providers must use the existing transmission system. We believe that the AESO should use a similar approach when choosing capacity in order to ensure Albertans are paying a reasonable cost for their electricity.</p> <p>It is important that transmission costs be included in the determination of social surplus. To delay this matter to a later date could result in the development of transmission facilities that would not be required if the rule incorporated transmission costs in the rule at this time. This could be an unintended negative consequence contrary to the public interest, and could lead to unreasonable costs for consumers.</p>	<p>The AESO is mandated to plan and develop a transmission system that is substantially congestion-free. Further, the costs of the transmission system must generally be allocated to load and recovered through the AESO’s tariff, not a deregulated market mechanism. The capacity market clearing process is not designed to minimize the cost of transmission.</p>
Subsection 3(2)	
<p><u>Powerex</u></p> <p>3(2) The ISO must, for a base auction or rebalancing auction, determine the limits on the British Columbia transfer path, Montana transfer path, Saskatchewan transfer path, and the combined British</p>	<p>The AESO does not agree with Powerex’s proposed changes. Import available transfer capacity may limit the amount of external capacity that can be imported; therefore, the transfer limits have to be identified in</p>

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<p>Columbia and Montana transfer paths by averaging the following hourly limits for each of the 250 tightest supply cushion hours identified in subsection 3(1) prior to the base auction or rebalancing auction, as applicable:</p> <p>(a) for the British Columbia transfer path, by assigning an hourly limit based on: minimum of:</p> <ul style="list-style-type: none"> - (i) the hourly import available transfer capability for the British Columbia transfer path; or - (ii) the hourly long-term firm transmission service on the British Columbia transfer path; <p>(b) for the Montana transfer path, by assigning an hourly limit based on: minimum of:</p> <ul style="list-style-type: none"> - (i) the hourly import available transfer capability for the Montana transfer path; or - (ii) the hourly long-term firm transmission service on the Montana transfer path; <p>(c) for the Saskatchewan transfer path, by assigning an hourly limit based on: minimum of:</p> <ul style="list-style-type: none"> - (i) the hourly import available transfer capability for the Saskatchewan transfer path; or - (ii) the hourly long-term firm transmission service on the Saskatchewan transfer path; and <p>(d) for the combined British Columbia and Montana transfer path, by assigning an hourly limit based on: minimum of:</p> <ul style="list-style-type: none"> - (i) the hourly import available transfer capability for the combined British Columbia and Montana transfer path. prior to LSSI arming; or - (ii) combined hourly long-term firm transmission for the British Columbia and Montana transfer paths <p>3(3) For the purposes of determining the transfer path capability of the British Columbia transfer path, Montana transfer path, Saskatchewan transfer path, and combined British Columbia and Montana transfer path, [the transfer paths] identified in subsection 3(1) is the lesser of:</p> <ul style="list-style-type: none"> (a) The average hourly import available transfer capability identified in subsection 3(2); or (b) The firm transmission service of the transfer path for British Columbia, Montana and Saskatchewan; or (c) The combined transfer path for British Columbia and Montana 	<p>each of the 250 tightest hours before the average can be calculated. The way to identify the limit in each of the 250 tightest supply cushion hours is to take the minimum of the Alberta determined available transfer capability and long-term firm transmission. This represents the amount, determined by external jurisdictions, which can be reliably transferred across or within an external jurisdiction to the Alberta border consistently in a wide range of external system conditions. The AESO is of the view that the revisions proposed by Powerex may overstate the amount of capacity that could be delivered over an intertie because the proposed approach does not select the minimum variable in each hour.</p>

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<p>Subsection 3(2): Artificially constrains an intertie’s capability by reducing the ATC to the firm rating each hour of the 250 tightest supply cushion hours.</p> <ul style="list-style-type: none"> • There are many hours in which the BC intertie’s ATC exceeds the intertie’s firm rating. • The AESO’s Transfer Path Limits Calculation should average the specific intertie’s (BC, MATL and SASK) ATC during the tightest 250 hours identified in subsection 3(1). • The average hourly ATC over the 250 tightest supply cushion hours identified in subsection 3(1) should then be compared to that intertie’s firm transmission rating. • The lesser of the two would be used to determine the intertie’s Transfer Path Capability. <ul style="list-style-type: none"> ○ (This is proposed in Powerex’s suggested rule wording for a new subsection 3(3)) included in the blacklined suggestion) • Note - This methodology would incorporate all 0 MW ATC hours, demonstrating the true average ATC of the intertie during the tightest 250 hours per year over the previous five years. <p>Subsection 3(2): “Long term,” and “Firm transmission” are not defined</p> <ul style="list-style-type: none"> • Subsection 3(2) is unclear because the AESO has not defined “long-term,” and “Firm transmission.” • Powerex requests that the AESO define “long-term” firm transmission. Or, extract the reference to “long-term” in subsection 3(2). • Powerex also requests that the AESO define “Firm Transmission”. • Note - The “reliability” of firm transmission can vary from one Transmission Provider to the next. <ul style="list-style-type: none"> ○ Example: The MATL tie sells 300MW of the 315MW TTC as Firm, or 95% of TTC as Firm Transmission. ○ BC Hydro sells 480MW of the 1200MW TTC as Long Term Firm, and another 210MW as Long Term Conditional Firm for a total of 690MW of 1200MW, or 58% TTC as Firm Transmission. ○ Is BC Hydro’s 690MW of Firm Transmission as, or more reliable than MATL’s 300MW Firm Transmission? <p>Subsection 3(2)(d): “Prior to LSSI arming”</p>	<p>With respect to Powerex’s comments regarding “long term” and “firm transmission”, please see the AESO’s reply to Powerex’s comment on subsection 6(3) in the AESO’s Replies to Proposed Section 206.3, <i>Uniform Capacity Value Determination</i> matrix.</p> <p>The AESO does not agree with Powerex’s suggested change. The LSSi is not included in the import limit</p>

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<ul style="list-style-type: none"> There was extensive stakeholder dialogue throughout the CMD process regarding the inclusion of LSSI arming within intertie space. Based on that dialogue, Powerex feels it should be included in the calculation of available transfer capability. 	<p>determination because LSSi may not be available to support import transfer capability in the tightest 250 supply cushion hours.</p>
Subsection 3(3)	
<p><u>Powerex</u></p> <p>3(3) The ISO may, in the event that the ISO determines that the methodology for determining the transfer path limits in subsection 3(2) is no longer representative, apply an alternative methodology</p> <p>Subsection 3(3): The AESO’s proposed Subsection 3(3) is unclear and not warranted</p> <ul style="list-style-type: none"> The AESO has not provided any rationale as to why subsection 3(3) is required. Subsection 3(3) implies subsection 3(2) can be amended at any point in time without going through the required AUC rule amendment process. Powerex requests that the AESO remove subsection 3(3) from Section 201.13 	<p>The AESO agrees with the change proposed by Powerex and will update Proposed Section 201.13 by removing subsection 3(3).</p>
<p><u>TransAlta Corporation (TransAlta”)</u></p> <p>3(3)</p> <p>The ISO may, in the event that the ISO determines that the methodology for determining the transfer path limits in subsection 3(2) is no longer representative, apply an alternative methodology.</p> <p>[description of methodology and alternate approaches]</p> <p>We ask the AESO to clarify how they will determine that a transfer path limit is no longer representative and what approaches it may apply to determine the transfer path limit, as we have indicated in the yellow highlighted text.</p> <p>We recognize the concern that the methodology that is based on historical values would not reflect future intertie restorations, and that increases in intertie capacity could also affect this value. As such, we appreciate that the new language allows the AESO to deal with these issues. However, as currently worded, there is no clarity about how the AESO will determine there is a transfer path limit estimation</p>	<p>Please see the AESO’s response to Powerex’s comment on subsection 3(3) above.</p>

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<p>issue, nor how it would address the issue.</p>	
<p><u>TransCanada Energy Ltd. (“TCE”)</u></p> <p>(3) — The ISO may, in the event that the ISO determines that the methodology for determining the transfer path limits in subsection 3(2) is no longer representative, apply an alternative methodology.</p> <p>TCE strongly encourages the AESO to remove section 3(3) of this proposed rule. This section was recently added with no justification provided by the AESO. Frankly, there is no justification that could support language that attempts to circumvent AUC Rule 017 and the Alberta Utility Commission’s jurisdiction to approve amendments to ISO Rules and authoritative documents.</p>	<p>Please see the AESO’s response to Powerex’s comment on subsection 3(3) above.</p>
<p>Consideration of Transmission Market Constraint and Transfer Path Limits in Clearing Process</p> <p>Subsection 4(1)</p>	
<p><u>Capital Power Corporation (“Capital Power”)</u></p> <p>Capital Power remains unsupportive of the proposed process for consideration of transmission constraints in the capacity auction clearing process. Capital Power has submitted comments throughout the CMD and ISO rules consultation processes highlighting concerns with the AESO’s proposed approach to dealing with internal transmission constraints in the capacity market. Capital Power remains concerned that the approach is inconsistent with current Alberta transmission policy and the ISO’s obligations to plan and make arrangements for an unconstrained transmission system under the Transmission Regulation, as well as the starting assumption employed by the AESO in its capacity market design consultations and confirmed by the Department of Energy that the Alberta capacity market will be a single zone.</p> <p>To address these issues Capital Power proposed the following solution its Set 2 rule comments:</p> <p><u>Solution:</u> In the event that the ISO determines that the energy associated with an offer may be unable to be delivered to the interconnected electric system during the obligation period due to an internal Alberta transmission constraint, the ISO may clear additional volume (above the reliability target) to cover the constrained blocks. All capacity resources that clear the auction would receive the same clearing price, including any identified constrained blocks which would receive a full capacity payment for all cleared uniform capacity value (regardless of constraint).</p> <p>Capital Power remains convinced that the above solution is consistent with the limitations imposed by legislation and policy described above in that the market would clear as a single zone and inherent in the</p>	<p>The AESO does not agree with Capital Power’s view that subsection 4(1) is inconsistent with the current transmission policy. Because the AESO is mandated to plan and develop a substantially uncongested transmission system, the capacity market clearing price should reflect the demand and supply of capacity in an uncongested transmission. Transmission system congestion should not interfere with the price signal that results from the demand and supply of capacity.</p> <p>By setting the clearing price through an uncongested clearing process, the clearing price is intended to send an accurate signal on capacity demand and supply. By clearing additional offer blocks to meet the volume determined by the uncongested clearing process, additional costs to meet supply adequacy that are caused by issues on the transmission system may be incurred and will be compensated through the uplift payment. As such, the uncongested clearing price and the uplift payment would send distinct signals, the former regarding capacity market demand and supply and the latter regarding the cost of transmission congestion.</p> <p>Further, the AESO is of the view that the rules that the AESO has proposed regarding transmission congestion are consistent with the following conclusion reached by the Alberta Utilities Commission in Decision 2013-135 regarding the AESO’s real time transmission constraint management rule:</p> <p style="text-align: center;"><i>Section 15 of the Transmission Regulation indicates that the market model intended by this</i></p>

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<p>clearing price (should the ISO have to procure additional volumes to cover anticipated constraints) would be a clear signal for transmission build.</p>	<p><i>legislative regime is one that is substantially unconstrained. For this reason the Commission concludes that the AESO's single clearing price for energy in Alberta is intended to be established by the intersection of the unconstrained supply curve and the demand curve for energy as reflected through the EMMO.</i></p> <p>The AESO considers the solution proposed by Capital Power to be inconsistent with the current legislative framework. If all capacity resources that clear the auction receive the price set by the highest-priced offer block that would not otherwise clear absent of transmission congestion, the price received would not be determined by the demand and supply of capacity for the uncongested system that the AESO is required to plan and develop; nor would the price send a clear signal regarding the cost of transmission congestion because capacity assets located in the constrained area would also receive the same price as those in the uncongested area. A wealth transfer would occur from consumers to capacity providers with no improvement in efficiency.</p>
<p>Subsection 4(6)</p>	
<p><u>TransAlta Corporation (TransAlta")</u></p> <p>4(6)</p> <p>The ISO must, in respect of an additional offer cleared in accordance with subsection 4(4), provide to those capacity market participants subject to the same constraint an uplift payment for the difference between the highest cleared offer price in accordance with subsection 4(4) and the clearing price, if the offer price is higher than the clearing price.</p> <p>[clarification that uplift payments are not available to external resources]</p> <p>The uplift payment should be made available to all resources in a constrained area, but not be available to external resource, as we have indicated in the yellow highlighted text.</p> <p>TransAlta is concerned about the impacts of providing uplift payments to some resources and the potential to distort price formation and reduce the fungibility of capacity obligations. The AESO's obligations under the Transmission Regulation require it to plan an uncongested transmission system and ensure that all anticipated in-merit energy can be delivered at least 95% of the time - this should minimize the extent to which this subsection is used. However, the contemplation of uplifts calls into question whether the market is truly being fair to all resources or is a single clearing price market. For example, why is the uplift only paid to the participant with an offer that is higher than the clearing price and not to all resources in the constrained area? To ensure fairness and create a level playing field, the</p>	<p>The AESO does not agree with TransAlta's proposed change, as it does not reflect the intended design.</p> <p>The uplift payment is only paid if the offer price of an offer block cleared in the clearing process is higher than the clearing price established assuming no transmission congestion (the uncongested clearing price). If the offer price is lower than or equal to the uncongested clearing price, the capacity market participant will not incur loss by receiving the uncongested clearing price.</p> <p>Additionally, the uplift payment is based on the difference between each offer block's individual offer price and the uncongested clearing price. The uplift payment is a 'make-whole' mechanism to ensure offer blocks with an offer price higher than the uncongested clearing price do not cause a capacity market participant to incur loss when obligated to provide capacity due to transmission congestion.</p> <p>The uplift payment will be paid to a capacity market participant when its additional offers are needed to meet the volume requirement determined in the uncongested clearing process, and only for those offers with prices higher than the uncongested clearing price. Contrary to TransAlta's comment, an uplift payment is not made available for resources within a constrained area but rather for resources not subject to transmission congestion that are required to offset the capacity volume from constrained resources. This approach will be applied to internal and external resources. If an external capacity offer is</p>

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<p>uplift payment should be made available to all resources in the constrained area.</p> <p>TransAlta would also like to clarify that uplift payments will not be available to external resources.</p>	<p>cleared and its offer price is higher than the uncongested clearing price, not providing an uplift payment may result in it a capacity market participant providing capacity at a loss.</p> <p>Additionally, please see the AESO's reply to Capital Power's comment on subsection 4(1) above</p>

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 201.13 of the ISO Rules, <i>Capacity Market Clearing</i> relates to the capacity market and why or why not	<u>Alberta Federation of Rural Electrification Associations (“AFREA”)</u> See below.	Please see the AESO’s reply to AFREA’s comment in Item #10 below.
		<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.
		<u>TransAlta Corporation (TransAlta”)</u> Please see Appendix 1 of TransAlta’s submission.	Please see the AESO’s replies to Appendix 1 of TransAlta’s November 14, 2018 submission in the AESO Replies to TransAlta’s Appendix 1 matrix.
2	whether you agree that Section 201.13 of the ISO Rules, <i>Capacity Market Clearing</i> should or should not be in effect for a fixed term and why or why not	<u>Alberta Federation of Rural Electrification Associations (“AFREA”)</u> See below.	Please see the AESO’s reply to AFREA’s comment in Item #10 below.
		<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.
		<u>TransAlta Corporation (TransAlta”)</u> Please see Appendix 1 of TransAlta’s submission.	Please see the AESO’s replies to Appendix 1 of TransAlta’s November 14, 2018 submission in the AESO Replies to TransAlta’s Appendix 1 matrix.
	whether you understand and agree with the objective or purpose of Section 201.13 of the ISO Rules, <i>Capacity Market Clearing</i> and whether, in	<u>Alberta Federation of Rural Electrification Associations (“AFREA”)</u> See below.	Please see the AESO’s reply to AFREA’s comment in Item #10 below.

3	your view, Section 201.13 of the ISO Rules, <i>Capacity Market Clearing</i> meets the objective or purpose	<u>Capital Power Corporation (“Capital Power”)</u> Capital Power has no comments at this time.	
		<u>TransAlta Corporation (TransAlta”)</u> Please see Appendix 1 of TransAlta’s submission.	Please see the AESO’s replies to Appendix 1 of TransAlta’s November 14, 2018 submission in the AESO Replies to TransAlta’s Appendix 1 matrix.
4	how, in your view, Section 201.13 of the ISO Rules, <i>Capacity Market Clearing</i> affects the performance of the capacity market and the electricity market	<u>Alberta Federation of Rural Electrification Associations (“AFREA”)</u> See below.	Please see the AESO’s reply to AFREA’s comment in Item #10 below.
		<u>Capital Power Corporation (“Capital Power”)</u> See Capital Power’s concerns outlined above with respect the proposed process for consideration of transmission constraints in the capacity auction clearing process.	Please see the AESO’s reply to Capital Power’s comment on subsection 4(1) above.
		<u>TransAlta Corporation (TransAlta”)</u> Please see Appendix 1 of TransAlta’s submission.	Please see the AESO’s replies to Appendix 1 of TransAlta’s November 14, 2018 submission in the AESO Replies to TransAlta’s Appendix 1 matrix.
5	your views on any analysis conducted or commissioned by the AESO supporting Section 201.13 of the ISO Rules, <i>Capacity Market Clearing</i>	<u>Alberta Federation of Rural Electrification Associations (“AFREA”)</u> See below.	Please see the AESO’s reply to AFREA’s comment in Item #10 below.
		<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.	
		<u>TransAlta Corporation (TransAlta”)</u> Please see Appendix 1 of TransAlta’s submission.	Please see the AESO’s replies to Appendix 1 of TransAlta’s November 14, 2018 submission in the AESO Replies to TransAlta’s Appendix 1 matrix.

6	whether you agree with Section 201.13 of the ISO Rules, <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	<u>Alberta Federation of Rural Electrification Associations (“AFREA”)</u> See below.	Please see the AESO’s reply to AFREA’s comment in Item #10 below.
		<u>Capital Power Corporation (“Capital Power”)</u> See Capital Power’s concerns outlined above with respect the proposed process for consideration of transmission constraints in the capacity auction clearing process.	Please see the AESO’s reply to Capital Power’s comment on subsection 4(1) above.
		<u>TransAlta Corporation (TransAlta”)</u> Please see Appendix 1 of TransAlta’s submission.	Please see the AESO’s replies to Appendix 1 of TransAlta’s November 14, 2018 submission in the AESO Replies to TransAlta’s Appendix 1 matrix.
7	whether you would suggest any alternatives to Section 201.13 of the ISO Rules, <i>Capacity Market Clearing</i>	<u>Alberta Federation of Rural Electrification Associations (“AFREA”)</u> See below.	Please see the AESO’s reply to AFREA’s comment in Item #10 below.
		<u>Capital Power Corporation (“Capital Power”)</u> Capital Power has no comments at this time.	
		<u>TransAlta Corporation (TransAlta”)</u> Please see Appendix 1 of TransAlta’s submission.	Please see the AESO’s replies to Appendix 1 of TransAlta’s November 14, 2018 submission in the AESO Replies to TransAlta’s Appendix 1 matrix.
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	<u>Alberta Federation of Rural Electrification Associations (“AFREA”)</u> See below.	Please see the AESO’s reply to AFREA’s comment in Item #10 below.
		<u>Capital Power Corporation (“Capital Power”)</u> See Capital Power’s concerns outlined above with respect the proposed process for consideration of transmission constraints in the capacity auction clearing process.	Please see the AESO’s reply to Capital Power’s comment on subsection 4(1) above.

		<p><u>TransAlta Corporation (TransAlta)</u> Please see Appendix 1 of TransAlta’s submission.</p>	<p>Please see the AESO’s replies to Appendix 1 of TransAlta’s November 14, 2018 submission in the AESO Replies to TransAlta’s Appendix 1 matrix.</p>
9	whether you agree that the proposed provisional rule supports the public interest and why or why not	<p><u>Alberta Federation of Rural Electrification Associations (“AFREA”)</u> See below.</p>	<p>Please see the AESO’s reply to AFREA’s comment in Item #10 below.</p>
		<p><u>Capital Power Corporation (“Capital Power”)</u> Capital Power has no comments at this time.</p>	
		<p><u>TransAlta Corporation (TransAlta)</u> Please see Appendix 1 of TransAlta’s submission.</p>	<p>Please see the AESO’s replies to Appendix 1 of TransAlta’s November 14, 2018 submission in the AESO Replies to TransAlta’s Appendix 1 matrix.</p>
10	whether you have any additional comments	<p><u>Alberta Federation of Rural Electrification Associations (“AFREA”)</u> 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 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.</p>	<p>The AESO acknowledges AFREA’s comment.</p>
		<p><u>Capital Power Corporation (“Capital Power”)</u> Capital Power has no further comments at this time.</p>	

		<p><u>TransAlta Corporation (TransAlta™)</u> Please see Appendix 1 of TransAlta's submission.</p>	<p>Please see the AESO's replies to Appendix 1 of TransAlta's November 14, 2018 submission in the AESO Replies to TransAlta's Appendix 1 matrix.</p>
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