

# Stakeholder Comments and AESO Replies Matrix



## Proposed New Section 206.1 of the ISO Rules, *Qualification of Capacity*

**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
<p><b>Applicability</b>  <b>Subsection 1</b></p>	
<p><u>TransAlta Corporation (“TransAlta”)</u></p> <p>All resources should carry a “must offer” requirement in the capacity market. The language in the applicability section suggests that a person that has new capacity has the option to decide whether they participate in the capacity market or not. Our understanding is that the intent of the capacity market rules is to require all new resources to offer in the capacity market. If this is not the AESO’s intent, then we question the fairness of the market rules which would imposes significant requirements on existing capacity and provide new capacity the option to avoid any of these requirements. We recommend the language of the applicability section be revised to clarify that it applies to all new capacity, as indicated in our recommended changes to the rule in yellow highlighted text.</p> <p>1 Section 206.1 applies to:</p> <ul style="list-style-type: none"> <li>(a) a person <b>seeking to have the ISO qualify</b> with new capacity <b>for the capacity market</b>;</li> <li>(b) a capacity market participant; and</li> <li>(c) the ISO.</li> </ul>	<p>The AESO does not agree with the changes proposed by TransAlta. The proposed capacity market rules do not require all new assets to offer in the capacity market.</p> <p>The AESO will assess a uniform capacity value for each asset associated with registered capacity market participants and assign a uniform capacity value to a capacity market participant’s asset where the value is 1 MW or greater. All assets that are assigned a uniform capacity value by the AESO in accordance with Proposed Section 206.3, <i>Uniform Capacity Value Determination</i> (“Proposed Section 206.3”) have a “must offer” for the respective capacity auction pursuant to Proposed Section 206.4, <i>Offers and Bids for Capacity</i> (“Proposed Section 206.4”).</p> <p>If a person wishes to obtain a capacity commitment for an obligation period and build and commission the asset during the forward period, it must have the asset qualified by the AESO in accordance with Proposed Section 206.1. A person who chooses not to have the AESO qualify a generating unit under Proposed Section 206.1 is required to register a capacity market participant upon registering a pool participant in the energy market. Please refer to the proposed definition of new capacity, as well as subsection 2.1 of the CMD Final Rationale for further information.</p>

Stakeholder Comments and/or Proposed Alternative Rule Wording	AESO Replies
<p><b>Application for Qualification of Capacity</b>  <b>Subsection 2</b></p>	
<p><u>Capital Power Corporation (“Capital Power”)</u></p> <p>Timelines regarding applications for qualification of capacity and declarations for new capacity, incremental capacity and refurbished capacity, including when a capacity market participant is notified that an asset has qualified, should be specified in the rule as opposed to deferring to the <i>Capacity Market Auction Guidelines</i>.</p> <p>These timelines are likely to (and should) remain static across all base auctions and thus should be specified in the rule, not the guidelines.</p>	<p>Please see the AESO’s reply to ATCO’s comments on subsection 4 in the AESO’s Replies to Proposed Section 206.6, <i>Base Auctions and Rebalancing Auctions</i> matrix.</p>
<p><b>Declarations for New Capacity, Incremental Capacity and Refurbished Capacity</b>  <b>Subsection 3</b></p>	
<p><u>The Cogeneration Working Group (“CWG”)</u></p> <p>It is unclear what a verification entails and how it differs from an attestation. Further, a corporate officer can’t attest to or verify something that hasn’t yet occurred. Better language would be “a declaration.”</p> <p>This section should only be applicable to new assets in the event those new assets are external to Alberta. There is no reason for this to apply to new internal assets. If this section were to apply to a new internal asset, then it would not be able to “continue to participate in the energy ... market”, nor would it be able to permanently delist from the capacity market.</p> <p>Prescriptions are authoritative and must be included in the rule rather than Guidelines.</p> <p>Track changes from the prior AESO version:</p> <p><b>(3) A capacity market participant</b> must, within the timelines prescribed by the <i>Capacity Market Auction Guidelines</i> <del>and in the manner ISO specifies</del>, submit to the <del>ISO an attestation a verification</del> from a corporate officer as to whether an asset with refurbished <b>capacity</b>, in the event that the <b>capacity market participant</b> fails to receive a <b>capacity commitment</b> for such asset in the <b>base auction</b> or <b>rebalancing auction</b>, <del>will</del>:</p>	<p>The AESO agrees with the changes proposed by the CWG for subsection 3 regarding the replacement of “verification” with “declaration”. The AESO will revise Proposed Section 206.1 accordingly.</p> <p>For an explanation of attestations, please see the AESO’s reply to the Utilities Consumer Advocate’s comment on item #10 in the AESO’s Replies to Proposed Section 201.15, <i>Delisting</i>.</p> <p>The AESO does not agree with the CWG’s suggestion that subsection 3(1) should only apply to external assets. Once qualified, the new capacity is in the capacity market. In the event that an internal asset with new capacity does not clear the auction, the capacity market participant may choose to not continue with the project, which necessitates the removal of the new capacity from the capacity market. Alternatively, the capacity market participant may continue with the project and try to obtain a capacity commitment in the next auction for the obligation period. In the latter situation, the asset does not need to go through qualification again.</p> <p>Please see the AESO’s reply to Capital Power’s comment on subsection 2 above regarding the reference</p>

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<p>Newly proposed language:</p> <p><b>Declarations for New Capacity from an external asset, Incremental Capacity and Refurbished Capacity</b></p> <p>3(1) A person must, within [NTD: insert timelines] <del>the timelines prescribed by the Capacity Market Auction Guidelines</del>, submit to the ISO a <del>verification</del> declaration from a corporate officer as to whether an asset with new capacity from an external asset, in the event that the capacity market participant fails to receive a capacity commitment for such asset in a base auction or rebalancing auction, will:</p> <ul style="list-style-type: none"> <li>(a) permanently delist in accordance with Section 201.15 of the ISO rules, Delisting; or</li> <li>(b) continue to participate in the energy and capacity markets.</li> </ul> <p>(2) A capacity market participant must, within [NTD: insert timelines] <del>the timelines prescribed by the Capacity Market Auction Guidelines</del>, submit to the ISO a <del>verification</del> declaration from a corporate officer as to whether the anticipated maximum capability of the asset with incremental capacity, in the event that the capacity market participant fails to receive a capacity commitment for such asset in the base auction or rebalancing auction for all or a portion of the incremental capacity, will be either:</p> <ul style="list-style-type: none"> <li>(a) the maximum capability of the asset without the addition of the incremental capacity; or</li> <li>(b) the anticipated maximum capability with the addition of the incremental capacity.</li> </ul> <p>(3) A capacity market participant must, within [NTD: insert timelines] <del>the timelines prescribed by the Capacity Market Auction Guidelines</del>, submit to the ISO a <del>verification</del> declaration from a corporate officer as to whether an asset with refurbished capacity, in the event that the capacity market participant fails to receive a capacity commitment for such asset in the base auction or rebalancing auction, will:</p> <ul style="list-style-type: none"> <li>(a) permanently delist in accordance with Section 201.15 of the ISO rules, Delisting; or</li> <li>(b) continue to participate in the energy and capacity markets.</li> </ul> <p>(4) A person must, within [NTD: insert timelines] <del>the timelines prescribed by the Capacity Market Auction Guidelines</del>, declare to the ISO the intended interconnection location for an asset with new capacity.</p>	<p>to the Capacity Market Auction Guidelines.</p>

Stakeholder Comments and/or Proposed Alternative Rule Wording	AESO Replies
<b>Declaration for a Load Asset</b> <b>Subsection 4(1)</b>	
<p><u>Alberta Federation of Rural Electrification Associations (“AFREA”)</u></p> <p>Should this also apply to a load asset which is neither new or incremental. That is to any load asset? The definition of new capacity does not contemplate a load asset.</p>	<p>Subsection 4(1) does not need to apply to an existing load asset. Load assets that exist today do not automatically qualify for the capacity market. All existing and future load assets must qualify for the capacity market under Proposed Section 206.1 as “new capacity” at first instance. After a load asset has qualified and cleared an auction, a capacity market participant may add additional quantities of capacity to the asset which must be qualified by the AESO as “incremental capacity” under Proposed Section 206.1.</p> <p>The AESO agrees that the definition of “new capacity” should contemplate load assets. The AESO will revise the definition to include a load asset that has not cleared in a previous base auction or rebalancing auction.</p>
<b>Subsection 4(2)</b>	
<p><u>Alberta Federation of Rural Electrification Associations (“AFREA”)</u></p> <p>The definition of dispatch here is not certain. If it is an economic dispatch in the energy market it is not clear why it is referred to here.</p>	<p>The AESO will clarify that “dispatch” in subsection 4(2) of Proposed Section 206.1 refers to an energy market dispatch.</p>
<b>Declaration for an Import Asset</b> <b>Subsection 5</b>	
<p><u>Alberta Federation of Rural Electrification Associations (“AFREA”)</u></p> <p>Why is only new or incremental capacity referred to here?</p> <p>Firm transmission is referred to. Is this firm transmission quantified at qualification or during the obligation period?</p> <p>Should you specify that the firm transmission must be held for the full obligation period in question?</p>	<p>Existing import assets do not automatically qualify for the capacity market. All existing and future import assets must qualify for the capacity market under Proposed Section 206.1 as “new capacity”. After an import asset has qualified and cleared an auction, a capacity market participant may add additional quantities of capacity to the asset which must be qualified by the AESO as “incremental capacity” under Proposed Section 206.1.</p>

Stakeholder Comments and/or Proposed Alternative Rule Wording	AESO Replies
	Subsection 6(1)(i) requires that firm transmission be held for the duration of the relevant obligation period.
<p><b>Qualification of an Asset for the Capacity Market</b> <b>Subsection 6(1)</b></p>	
<p><u>Capital Power Corporation (“Capital Power”)</u></p> <p>Capital Power remains concerned with, and unsupportive of, proposed limitations imposed on mitigated capacity market participants with respect to bidding refurbished capacity, as described in Section 206.4, subsection 6. While this issue arises in Section 206.4, properly addressing it may require changes to Section 206.1. See Capital Power’s comments regarding Section 206.4.</p> <p>Additional clarity is required in an Information Document (“ID”) regarding the proposed composite index formula for refurbished capacity. The related ID should provide an explanation and sample calculation(s) for the composite index contained in 6(1)(l)(ii). The ID should confirm what the composite index would be for today (i.e. present time) – would logic follow that it would be equal to 1?</p>	<p>Please see the AESO’s reply to Capital Power’s comment on subsection 6 in the AESO Replies to Proposed Section 206.4, <i>Offers and Bids for Capacity</i> matrix.</p> <p>The composite index is applied in each auction as per the formula referenced in 6(1)(l)(ii). If the indices used in the composite index change, then the composite index will reflect that change. The AESO will consider adding further detail on the composite index in an associated Information Document.</p>
<p><u>Pembina Institute</u></p> <p><b>Qualification of an Asset for the Capacity Market</b></p> <p><b>6(1)</b> The ISO must, based on the application provided pursuant to subsection 2, be satisfied that: [...] <del>(e) — the asset is not energy efficiency;</del></p> <p><b>Qualification of an Asset for the Capacity Market</b></p> <p><b>6(1)</b> The ISO must, based on the application provided pursuant to subsection 2, be satisfied that: [...] <del>(h) — in the case of an energy storage facility, is or will be capable of maintaining energy production at the estimated uniform capacity value for the energy storage facility for a minimum of 4 hours;</del></p>	<p>The AESO does not agree with the changes proposed by the Pembina Institute for subsection 6(1)(e). Please see subsection 2.1.5 of the CMD Final Rationale for why energy efficiency is excluded from participation in the initial implementation of the capacity market. The participation of energy efficiency in the Alberta capacity market is part of the AESO’s Market Roadmap.</p> <p>The AESO does not agree with the changes proposed by the Pembina Institute for subsection 6(1)(h). Please see subsection 2.1.10 of the CMD Final Rationale for why energy storage must be able to maintain energy production for a minimum of 4 hours.</p>

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<p><u>Solas Energy Consulting on behalf of the Renewable Energy Coalition (“Solas”)</u></p> <p>The suggested wording provides clarity to the Renewable Electricity Program participants. REP associated assets provide capacity value and are included in the AESO procurement volume calculation. At the expiry of the RESA contract, or if the RESA contract is terminated for any reason, the associated asset should qualify to participate in the capacity auction on an equal basis with any other asset.</p> <p><del>6(1)(d) the asset is not a source asset that is the subject of a renewable electricity support agreement in connection with rounds 1, 2 or 3 of the Renewable Electricity Program</del> <b>during the delivery period, the capacity of the asset will not be subject to a Renewable Energy Supply Agreement associated with rounds 1,2 or 3 or the Renewable Energy Program</b></p> <p>The AESO justification that EEA alerts tend to last for four hours is insufficient to justify this restriction on energy storage facilities. The UCV for energy storage facilities should be calculated based on section 206.3 6(1), with the opportunity to submit technical data and analysis per section 206.3 7(1)(b).</p> <p><del>6(1) (h) in the case of an energy storage facility, is or will be capable of maintaining energy production at the estimated uniform capacity value for the energy storage facility for a minimum of 4 hours;</del></p>	<p>The AESO does not agree with the changes proposed by Solas for subsection 6(1)(d). The AESO is of the view that subsection 6(1)(d) is sufficiently clear that Renewable Electricity Program (“REP”) resources are eligible to participate in the capacity market after a RESA contract expires or terminates because, upon expiration or termination, the asset is no longer subject to a RESA. RESA contracts for REP round 1 and the draft RESA contracts for rounds 2 and 3 carry a 20-year term. There is no certainty that a RESA contract will terminate before the expiry of this term.</p> <p>The AESO does not agree with the changes proposed by Solas for subsection 6(1)(h). Further to the AESO’s rationale in subsection 2.1.10 of the CMD Final Rationale, the purpose of the 4-hour time requirement is to standardize uniform capacity values across all energy storage facilities. Energy storage is unable to continuously produce energy at its maximum capability for an unlimited amount of time (i.e., it is energy limited). Subject to fuel availability, all other forms of generation can provide continuous output, including wind and solar. Without the 4-hour time requirement, the AESO would be unable to distinguish the reliability contribution of a 10 MW battery that is capable of discharging for 5 minutes versus a 10 MW battery capable of discharging for 5 hours. Therefore, the 4-hour time requirement is consistent with the principle of fairness and a level playing field for all assets in the capacity market.</p>
<p><u>TransAlta Corporation (TransAlta”)</u></p> <p>In order to capture the range of refurbishments that reflect sufficiently significant modifications for an asset to be considered a new capacity asset, the AESO should:</p> <ol style="list-style-type: none"> <li>1. Include coal-to-gas conversions as a criterion for qualifying an asset as refurbished capacity; and</li> <li>2. Lower the capital investment threshold to qualify as refurbished capacity to \$80/kW.</li> </ol> <p>The AESO should also clarify the meaning of the ‘largest generating unit’ in part (i) and be required to consult on the project milestones in part (c)(i). We have proposed our recommended changes to the rule in <b>yellow highlighted text</b>. Alberta is currently on the path to transition from coal- to gas-fired technology; however, as proposed, the capital investment criterion could prevent coal-to-gas conversions from qualifying as refurbished capacity. TransAlta believes coal-to-gas resources are needed to safeguard system reliability and keep costs low for consumers. A fuel conversion represents a fundamental change to the operations and operating decisions of a coal-fired generator, and therefore such resources should automatically qualify as refurbished capacity to enable them to provide their reliability and cost benefits to the grid. Moreover, the verification process for such resources would be straightforward and would not</p>	<p>The AESO does not agree with the changed proposed by TransAlta for subsection 6(1)(l)(ii) and (iii). Please see subsection 2.1.12 of the CMD Final Rationale for why the refurbishment threshold level for refurbished capacity is \$200/kW. Proposed Section 206.1 does not prohibit an asset from refurbishing. If an asset’s refurbishment costs are low, then those costs should be able to be adequately reflected within the level of the default mitigated offer cap. In this case classification as a refurbishment asset and the associated opportunity to submit an unmitigated offer as a new asset would not be necessary to enable the investment but would increase the risk of the exercise of market power within the capacity market.</p> <p>The AESO does not agree with TransAlta’s suggestion to include additional explanations in subsection 6(j)(i). Out of all the generating units producing electricity in Alberta, the largest generating unit is the unit with the largest maximum capability (this information is available on the Current Supply and Demand page on the AESO website). It does not refer to operating reserve procurement volumes. The AESO will consider adding detail in the associated information document on this topic.</p> <p>Regarding TransAlta’s comments on the Information Document for Section 206.5, please see the AESO’s</p>

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<p>require an audit of capital investment.</p> <p>Should the AESO not include fuel conversion as a refurbishment qualification criterion, we have proposed a change to the capital investment threshold for a refurbished asset. We are still uncertain what the capital investment costs will be for a coal-to-gas conversion, since none have been completed in Alberta to date. We anticipate the costs could be \$100/kW, but the cost of future conversions could potentially decline as we gain experience. To accommodate these potential future efficiency gains and associated cost reductions, we propose a lower threshold of \$80/kW – which we believe is (a) low enough to qualify coal-to-gas conversion but (b) high enough that an existing asset cannot qualify as refurbished capacity due to regular planned maintenance costs.</p> <p>Lastly, TransAlta requests the AESO clarify the following:</p> <ul style="list-style-type: none"> <li>• The “largest generating unit” referenced in part (i) is a reference to the largest capacity resource and not the largest generating unit considered in operating reserves procurement volumes; and</li> <li>• TransAlta recommended that the AESO conduct further consultation on the development milestones.</li> </ul> <p>As stated in our comments submitted to ID 206.5 on September 28, 2018:</p> <p>TransAlta is concerned about the target completion dates proposed by the AESO, but has not had enough time to fully consider or evaluate the reasonableness of the timelines proposed. Therefore, these target completion dates should be considered in a separate consultation where stakeholders can more fully evaluate their reasonableness.</p> <p>At this time, our initial recommendations on the target completion dates are as follows:</p> <ul style="list-style-type: none"> <li>• The target completion dates for a natural gas combined cycle and cogeneration plant should be different. The complexity and lead time required for a small cogeneration plant should be reflected in the target completion dates.</li> <li>• The target completion dates for a natural gas simple cycle appear lengthy with respect to Regulatory Permitting and Licensing and Full Notice to Proceed.</li> </ul> <p>The regulatory permits for a coal-to-gas conversion are treated as a category 2 application with a 40-60 day approval timeframe. This makes the Regulatory Permitting and Licensing target completion date grossly overstated at 26 months, when 3 months would be more appropriate. Additionally, as mentioned above, there is no major equipment associated with a coal-to-gas conversion. Therefore, the target</p>	<p>reply to TransAlta’s comment on subsection 2(1) of in the AESO Replies to Proposed Section 206.5, <i>Forward Period Milestone Assessment</i> matrix.</p>

Stakeholder Comments and/or Proposed Alternative Rule Wording	AESO Replies
<p>completion dates for a coal-to-gas conversion should be faster than wind, solar or battery storage projects.</p> <p>6(1)(c) the asset will be:</p> <ul style="list-style-type: none"> <li>(i) developed in accordance with a project plan and timeline that aligns with the milestones established by the ISO; and</li> <li>(ii) energized and commissioned prior to the obligation period; and</li> <li>(iii) capable to connecting to the existing transmission system if the proposed interconnection location provided in subsection 3(4) is to the transmission system.</li> </ul> <p>(j) in the case of an aggregation of assets:</p> <ul style="list-style-type: none"> <li>(i) has a uniform capacity value less than or equal to the maximum capability of the largest generating unit in Alberta <i>[additional explanation here]</i> multiplied by 0.85;</li> <li>(ii) has or will have revenue quality interval metering for each site associated with the asset in the aggregation;</li> <li>(iii) is comprised of pool assets located within Alberta that are either exclusively: <ul style="list-style-type: none"> <li>(A) generating units or aggregated generating facilities;</li> <li>(B) load assets providing a firm consumption level; or</li> <li>(C) load assets providing a guaranteed load reduction;</li> </ul> </li> </ul> <p>and</p> <ul style="list-style-type: none"> <li>(iv) is not comprised of any asset that will contribute capacity individually, or as part of another aggregated asset;</li> </ul> <p>(l) in the case of refurbished capacity, will be modified in a manner that will, in the opinion of the ISO, result in either:</p> <ul style="list-style-type: none"> <li>(i) an increase in the asset's maximum capability by an amount exceeding the greater of: <ul style="list-style-type: none"> <li>(A) 15% of the asset's maximum capability; or</li> <li>(B) 40 MW above the asset's maximum capability; or</li> </ul> </li> </ul>	

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<p>(ii) a change to the primary fuel type;</p> <p>(iii) a capital investment of greater than or equal to \$200 80/kW of the asset's current maximum capability multiplied by the composite index calculated in accordance with the following formula:</p>	
<p><b>ISO Review of Refurbishment Costs</b></p> <p><b>Subsection 7(1)</b></p>	
<p><u>Capital Power Corporation (“Capital Power”)</u></p> <p>Subsection 7 must include a requirement for the ISO to provide a capacity market participant that has had all or a portion of its cost information submitted in accordance with subsection 6(1)(I)(ii) deemed unreasonable, a breakdown of all excluded costs including the basis for exclusion.</p> <p>Providing capacity market participants with a list of excluded costs and the reasons/rationale for exclusion will ensure fairness and transparency and promote better understanding.</p>	<p>The AESO agrees with Capital Power’s suggestion and will modify Section 206.1 accordingly.</p>
<p><b>Re-entry of Permanently Delisted Assets</b></p> <p><b>Subsection 9(1)</b></p>	
<p><u>Capital Power Corporation (“Capital Power”)</u></p> <p>Additional clarity is required in an ID regarding the purpose of the subsection 9 – Re-entry of Permanently Delisted Assets. The purpose of Subsection 9 appears to seek to limit assets from permanently delisting and then re-entering the market without material changes as “new capacity”. Given that these concepts were not included in CMD Final, explanation of the purpose of this subsection and the rationale should be provided in the content of the ID.</p>	<p>The AESO introduced subsection 9 as a mechanism to deal with brownfield sites. If an asset permanently delists from the capacity market, it may return to the capacity market as new capacity provided that the asset undergoes a material change or investment. The AESO will consider explaining this in further detail in the associated Information Document.</p>
<p><u>TransAlta Corporation (TransAlta”)</u></p> <p>The AESO should set the capital investment threshold to qualify as refurbished capacity to \$80/kW, as indicated in our recommended changes to the rule language in yellow highlighted text</p> <p>Please refer to our comments in subsection 6(1) above with respect to the change from “\$200/kW” to “\$80”</p> <p>9(1) The ISO must, in the case of a generating source asset that was permanently delisted from the energy and capacity markets within the previous 5 years in accordance with Section 201.15 of the ISO</p>	<p>The AESO does not agree with the change proposed by TransAlta. Please see the AESO’s reply to TransAlta’s comment on subsection 6(1)(c) above.</p>

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<p>rules, Delisting, designate the generating source asset as new capacity if the generating source asset meets the following criteria:</p> <ul style="list-style-type: none"> <li>(a) has undergone a material change including:               <ul style="list-style-type: none"> <li>(A) a change to the primary fuel type;</li> <li>(B) the addition of generation equipment;</li> <li>(C) a change to the maximum capability; or</li> <li>(D) the generating source asset was sold to a person, other than an associate of the market participant as defined in subsection 5 of the Fair, Efficient and Openly Competitive Regulation;</li> </ul> </li> <li>and</li> <li>(b) a capital investment of greater than or equal to <b>\$200 80/kW</b> multiplied by the escalation rate calculated in subsection 9(2) per kW of the asset's current maximum capability.</li> </ul>	
<p><b>Subsection 9(2)</b></p>	
<p><u>TransAlta Corporation (TransAlta")</u></p> <p>The formula for the escalation rate should be dynamic and remove hardcoded values, allowing for updates through the Consolidated Authoritative Document Glossary rather than needing to reopen this ISO rule.</p> <p>This rule should be drafted to be a permanent rule – therefore, variables that require periodic review and update should be handled through changes to the Consolidated Authoritative Document Glossary.</p> <p>9(2) The ISO must, in calculating the capital investment in subsection 9(1)(b), calculate the escalation rate in accordance with the following formula:</p> <p>escalation rate        = <b>labour index weighting 0.25</b> x labour index / <b>60.7 labour index factor</b>        + <b>materials index weighting 0.25</b> x materials index / <b>418.5 materials index factor</b>        + <b>turbine index weighting 0.40</b> x turbine index x exchange rate / <b>268.7 turbine index factor</b></p> <p>where:</p>	<p>The AESO uses defined terms to provide a consistent meaning to terms that are industry specific or not commonly understood across the ISO rules. Definitions form part of ISO rules that are required to be approved by the Alberta Utilities Commission ("AUC") under the <i>Electric Utilities Act</i> and, as part of that approval, need to be understood in their context. There may be future scenarios where the context of the ISO rule needs to adapt to the changing variable, or where a change to the definition does not work across all ISO rules. Therefore, the AESO is of the view that the related ISO rules would likely require review in any event.</p> <p>The AESO is also of the view that the location of authoritative content in a definition versus ISO rule should not be the deciding factor of whether it is subject to AUC review. Rather, it should be determined based on the merits of the argument for review. In preparing consultation and application materials, the AESO is mindful of scope and endeavors to define scope appropriately in each case.</p>

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<p>(a) labour index weighting is a term defined in the Consolidated Authoritative Document Glossary;</p> <p>(ba) labour index is the most recent 12 month average of published Statistics Canada Construction Union Wage Rates (Electrician), Monthly for Edmonton Alberta, Table 18 10-0046-01;</p> <p>(c) labour index factor is a term defined in the Consolidated Authoritative Document Glossary;</p> <p>(d) materials index weighting is a term defined in the Consolidated Authoritative Document Glossary;</p> <p>(eb) materials index is the most recently published Statistics Canada Gross National and Gross Domestic Income, Indexes and Related Statistics, Annual, Table 36-10-0105-01;</p> <p>(f) materials index factor is a term defined in the Consolidated Authoritative Document Glossary;</p> <p>(g) turbine index weighting is a term defined in the Consolidated Authoritative Document Glossary;</p> <p>(he) turbine index is the most recent 12 month average of published Federal Reserve Economic Data (St. Louis) Producer Price Index by Industry: Turbine and Turbine Generator Set Units Manufacturing (PCU333611333611);</p> <p>(i) turbine index factor is a term defined in the Consolidated Authoritative Document Glossary;</p> <p>and</p> <p>(jd) exchange rate is the most recent 12 month average of published Statistics Canada Monthly Average Exchange Rates in Canadian Dollars, U.S. Dollar monthly average, Table 33-10-0163-01.</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 206.1 of the ISO Rules, <i>Qualification of Capacity</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>Pembina Institute</u> With respect to the energy efficiency exclusion in section 6(1)(e) – energy efficiency can provide capacity and therefore should be allowed to participate in the capacity market.  With respect to the energy storage requirement in section 6(1)(h) - energy storage facilities that can supply capacity for less than four hours are still providing valuable capacity to the market and their shorter production periods can be valued accordingly. For example, an energy storage facility providing one hour of capacity would provide a quarter of the value of a storage facility providing four hours of capacity.  For items 1-10, please also see <ul style="list-style-type: none"> <li>• part IV.B (paras. 92-101) of the accompanying Nov. 2 submission to the AUC, with respect to Pembina’s proposed change to section 6(1)(e) (energy efficiency exclusion).</li> <li>• part IV.C (paras. 102-107) of the accompanying Nov. 2 submission to the AUC, with respect to Pembina’s proposed change to section 6(1)(h) (pre-qualification requirement for energy storage facilities)</li> </ul>	Please see the AESO’s reply to the Pembina Institute’s comment on subsection 6(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>
2	<p>whether you agree that Section 206.1 of the ISO Rules, <i>Qualification of Capacity</i> should or should not be in effect for a fixed term and why or why not</p>	<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 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.</p>	<p>The AESO acknowledges Capital Power's comment.</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>
3	<p>whether you understand and agree with the objective or purpose of Section 206.1 of the ISO Rules, <i>Qualification of Capacity</i> and whether, in your view, Section 206.1 of the ISO Rules, <i>Qualification of Capacity</i> meets the objective or purpose</p>	<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>
	<p>how, in your view, Section 206.1 of the ISO Rules, <i>Qualification of Capacity</i> affects the performance of the capacity market and the electricity market</p>	<p><u>Alberta Federation of Rural Electrification Associations ("AFREA")</u> See below.</p>	

4		<u>Capital Power Corporation (“Capital Power”)</u> See Capital Power’s comments regarding Section 206.4 and its concerns with respect to the proposed bidding process for refurbished capacity.	Please see the AESO’s reply to Capital Power’s comment on subsection 6(1) above.
		<u>Solas Energy Consulting on behalf of the Renewable Energy Coalition (“Solas”)</u> The restriction on the qualification of energy storage facilities in subsection 6(1)(h) negatively impacts the ability of energy storage facilities to participate in the energy market and reduces the competitiveness of the capacity market.	Please see the AESO’s reply to Solas’ comment on subsection 6(1)(h) 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 206.1 of the ISO Rules, <i>Qualification of Capacity</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.
6	whether you agree with Section 206.1 of the ISO Rules, <i>Qualification of Capacity</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 comments regarding Section 206.4 and its concerns with respect to the proposed bidding process for	

		refurbished capacity.	
		<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 206.1 of the ISO Rules, <i>Qualification of Capacity</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 comments regarding Section 206.4 and its concerns with respect to the proposed bidding process for refurbished capacity.	Please see the AESO's reply to Capital Power's comment on subsection 6(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.

9	whether you agree that the proposed provisional rule supports the public interest 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 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.
10	whether you have any additional comments	<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.	The AESO acknowledges AFREA’s comment.
		<u>Capital Power Corporation (“Capital Power”)</u> Capital Power has no further 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.

		<p><u>TransCanada Energy Ltd. (“TCE”)</u></p> <p>The term “import asset” is used on several occasions within this proposed rule. TCE notes that this term has never been explicitly defined within the AESO’s Consolidated Authoritative Document Glossary and is not included as one of the AESO’s new terms. Nevertheless, the term “pool asset” is defined as:</p> <p style="padding-left: 40px;">one (1) or more generating units, aggregated generating facilities, load assets, import assets or export assets, identified by a single pool ID the ISO assigns, and registered to a pool participant.</p> <p>TCE interprets this to mean that an import-related asset with a single pool ID registered to a pool participant is an import asset. Historically, these import assets have not been tied to a specific generation source or system, but rather with the intertie that connects to the AIES. Accordingly, TCE expects that the use of this term in the proposed rule will be consistent with TCE’s interpretation of the meaning of, and the historical use of, “import asset”. TCE seeks the AESO’s confirmation that this is indeed the case. If this is not the case, TCE requests that the AESO provide a new definition of this term and rationale for the different treatment.</p>	<p>The AESO confirms that use of “import asset” in Proposed Section 206.1 is consistent with TCE’s historical interpretation of the term.</p>
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