

# Stakeholder Comments and AESO Replies Matrix



## Proposed New Section 206.6 of the ISO Rules, *Base Auction and Rebalancing Auction*

**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>Base Auction Timeline</b>  <b>Subsection 2(1)</b></p>	
<p><u>Pembina Institute</u></p> <p>The longer the period between the base auction and the start of the obligation period, the higher the risk of over-procurement. A longer period also limits the ability to correct the trajectory at the following auctions. The complexity of load forecasting has consistently led the AESO to overestimate the future growth of the Alberta Internal Load. Source: Andrew Leach, <i>AESO Outlook Forecasts of Alberta Internal Load</i>, 2018 (<a href="https://pbs.twimg.com/media/DFiKfSWsAEFqc.jpg">https://pbs.twimg.com/media/DFiKfSWsAEFqc.jpg</a>).</p> <p>Base Auction Timeline</p> <p>2(1) The ISO must conclude a base auction no later than <del>36</del>12 months prior to the start of the obligation period.</p>	<p>The AESO does not agree with the change proposed by the Pembina Institute. The three-year forward period is intended to ensure the orderly entry and exit of capacity assets, and to ensure that new entrants can effectively compete in the capacity market. The three-year forward period received unanimous support from the Capacity Market Technical Design Working Industry Group and is consistent with the forward periods in other capacity market jurisdictions, including PJM and ISO-NE. Uncertainty about future demand and supply conditions are mitigated through the rebalancing auctions. Please see subsection 5.1.1 of the CMD Final Rationale for further information.</p>
<p><b>Subsection 2(2)</b></p>	
<p><u>TransAlta Corporation (TransAlta)</u></p> <p>TransAlta has proposed minor wording changes to part (b), in the <b>yellow highlighted</b> text to provide clarity as to the exact timing of the removal.</p> <p>2(2) The ISO must:</p> <p>(a) notwithstanding subsection 2(1), conclude a base auction for the first 3 obligation periods in</p>	<p>The AESO does not agree with the change proposed by TransAlta. The intent of subsection 2(2) is to confirm that the AESO will remove subsection 2(2) after the base auction for the 2023/2024 obligation period. Subsection (2)(2)(a) is not applicable after the 2023/2024 obligation period. Therefore, the AESO considers this removal to be an administrative matter.</p>

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<p>accordance with the timelines established in the Capacity Market Auction Guidelines; and</p> <p>(b) remove subsection 2(2) on <b>or about</b> the day the base auction for the third obligation period is concluded.</p>	
<p><b>Subsection 3(2)</b></p>	
<p><u>TransAlta Corporation (TransAlta)</u></p> <p>TransAlta has proposed minor wording changes to part (b), in the <b>yellow highlighted</b> text to provide clarity as to the exact timing of the removal.</p> <p>3(2) The ISO must:</p> <ul style="list-style-type: none"> <li>(a) notwithstanding subsection 3(1), conclude one rebalancing auction, that is the last rebalancing auction, no later than 3 months prior to the start of the obligation periods for the first 3 obligation periods; and</li> <li>(b) remove subsection 3(2) on <b>or about</b> the day the rebalancing auction for the third obligation period is concluded</li> </ul>	<p>Please see the AESO’s reply to TransAlta’s comment on subsection 2(2) above.</p>
<p><b>Publication of Capacity Market Auction Guidelines</b></p>	
<p><b>Subsection 4</b></p>	
<p><u>ATCO Electricity Generation (“ATCO”)</u></p> <p>The publication timeline for the Capacity Market Guidelines is inconsistent with the timelines included in the current draft of the guidelines, which have prequalification occurring 11 months prior to the start of the base auction. ATCO submits that the auction guidelines should be published a minimum of 4 months before qualification for an auction (i.e. T-15 months for a base auction or T-11 months for a rebalancing auction). Further, the general timelines in the Capacity Market Guidelines should be known to participants as they should be wholly contained in the ISO Rules; the specific timetable for all activities of each auction should be published 4 months prior to the first deadline of the first activity.</p>	<p>The AESO expects the approximate timelines to be similar for the capacity market auctions, and plans to set out the timelines in an Information Document. However, the exact dates cannot be accurately predicted for every auction. For this reason, only the date by which the auctions must be concluded and the obligation to comply with the specific timelines published in the <i>Capacity Market Auction Guidelines</i> are included in ISO Authoritative Documents.</p> <p>To provide additional certainty, the AESO will revise Proposed Section 206.6, <i>Base and Rebalancing Auctions</i> to require the publication of the <i>Capacity Market Auction Guidelines</i> at least one month before the commencement of the qualification process. The AESO considers that this provides enough time for market participants to make business decisions and submit the relevant materials to the AESO.</p>
<p><u>Capital Power Corporation (“Capital Power”)</u></p> <p>Additional information is required from the AESO regarding the Capacity Market Auction Guidelines.</p>	<p>Please see the AESO’s reply to ATCO’s comment on subsection 4. Given the limitations to the AESO’s discretion described in that AESO reply, the AESO does not expect consultation on the <i>Capacity Market</i></p>

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<p>Capital Power remains unclear of the intended document status of the Capacity Market Auction Guidelines (i.e. authoritative or non- authoritative?) and the AESO’s plans for developing the guidelines including the level of stakeholder consultation and any approval process.</p> <p>Capital Power fully expects an opportunity to engage with the AESO on the development of Capacity Market Auction Guidelines (at least for the first auction) and review and comment on draft guidelines.</p>	<p><i>Auction Guidelines</i> to be necessary.</p>
<p><b>Auction Results</b> <b>Subsection 6(1)</b></p>	
<p><u>TransAlta Corporation (TransAlta”)</u></p> <p>The AESO should publish the auction results no later than 10 business days after the auction. We recommend the requirement for the ISO should stipulate a minimum standard for when the results will be released. During the comprehensive market design working group sessions, the AESO mentioned they expected the results could be released within a couple of weeks of the auction. We propose including a requirement of no longer than 10 business days and note PJM and NYISO release final results within 5 business days and ISO-NE releases results within 15 days (though ISO-NE releases summary results within a few business days).</p> <p>TransAlta also requests further clarity about the specific information the AESO will provide to the capacity market participant.</p> <p>6(1) The ISO must, as soon as practicable <b>and no later than 10 business days</b> following a base auction and rebalancing auction, notify the capacity market participant of the capacity market participant’s capacity commitments by asset.</p> <p>We also recommend the AESO should (1) notify each capacity market participant in a joint ownership agreement of the blocks which cleared for their asset, and (2) permit more than one capacity market participant for each asset and allow for separate offer submissions.</p> <p>For preferential records sharing agreements where the joint owners assign a single owner or agent to act as the capacity market participant responsible for aggregating and offering an asset into the capacity auctions, notifying individual capacity market participants of their capacity commitment by asset may be insufficient. The joint owners may have independently determined their capacity offers, and without each being given details about which blocks of the asset cleared the market, there will be no way to properly allocate capacity commitments, capacity revenues and remaining capacity that could be offered into future auctions for the same obligation period. This would lead to an inefficient allocation of capacity in</p>	<p>The AESO intends to revise subsection 6(1) to include a standard for when results will be released at a later date.</p> <p>The AESO will notify only the capacity market participant for each asset of its corresponding capacity commitment. Jointly owned assets will have to make arrangements to receive the information from the sole capacity market participant.</p> <p>The AESO does not agree with TransAlta’s recommendation to notify capacity market participants to a joint ownership agreement. Please see the AESO’s reply to TransAlta’s comment on subsection 3(2) in the AESO’s Replies to Proposed Section 201.14, <i>Capacity Market Offer Control</i> matrix.</p>

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<p>the market. Therefore, the AESO should notify each capacity market participant in a joint ownership agreement of the blocks which cleared for that asset.</p> <p>In addition, we recommend the AESO permit more than one capacity market participant for each asset and allow for separate offer submissions, in order to minimize the need for preferential records sharing arrangements. While we do not expect this will completely eliminate the need for such sharing arrangements, it provides a mechanism that helps limit offer sharing to only those circumstances where separate offer submissions cannot address joint ownership arrangements. A preferential records sharing arrangement should be a last resort and should not be the only way for an asset that is jointly owned to participate effectively in the market.</p>	
<p><b>Subsection 6(2)</b></p>	
<p><u>Capital Power Corporation (“Capital Power”)</u></p> <p>The rule should require notification to a capacity market participant of a capacity commitment and for capacity auction results to be posted within 10 business days following an auction. Capital Power supports improvements made to this rule since its last release (Set 1) regarding clarity with respect to timelines for the base and rebalancing auctions as well as timelines for publishing the Capacity Market Auction Guidelines. Additional improvements could be made by specifying the timeline for notification and posting of auction results as opposed to stating “as soon as practical”.</p>	<p>Please see the AESO’s reply to TransAlta’s comment on subsection 6(1) above.</p>
<p><u>TransAlta Corporation (TransAlta”)</u></p> <p>The auction results should include a graphical supply curve and the total amount of delisted capacity. Providing the graphical supply curve and delisted capacity would allow market participants some mechanism to validate the results and identify issues where the auction results do not appear to conform to the rules on market clearing. We note that PJM publishes a graphical aggregate supply curve within 5 business days after the auction, which provides clarity and gives market participants confidence that the market clearing prices are truly reflective of the point of intersection between the supply and demand curves. Without this information, market clearing is a black box and may only be validated by the AESO itself, the Market Surveillance Administrator or an external expert that reviews auction results, which could erode faith in the fairness and accuracy of the capacity market</p> <p>6(2) The ISO must, as soon as practicable following a base auction and rebalancing auction, publish the following results of the base auction or rebalancing auction:</p> <ul style="list-style-type: none"> <li>(a) the clearing price;</li> <li>(b) the total capacity procured;</li> </ul>	<p>The AESO does not agree with the changes proposed by TransAlta. A graphical supply curve for a capacity auction would contain confidential costs and offer information of capacity market participants. Alberta’s market is significantly smaller than PJM and therefore it would be possible to reconstruct the actual supply curve from the graphical representation. The supply curve should not influence a capacity market participant’s offers, as offers should be based on a market participant’s cost.</p> <p>The total capacity delisted does not need to be published following the base or rebalancing auction. The delist outage would be reflected in the outage information for the energy market.</p>

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<p>(c) the total capacity procured by technology type; and</p> <p>(d) the total capacity procured from assets associated with an offer for new capacity, incremental capacity and refurbished capacity.</p> <p>(e) a graphical supply curve for the capacity auction; and</p> <p>(f) total capacity delisted.</p>	
<b>Subsection 6(3)</b>	
<p><u>TransAlta Corporation (TransAlta)</u></p> <p>6(3) The ISO must, as soon as practicable and no later than 10 business days following the last rebalancing auction, publish the capacity commitment associated with each asset.</p>	<p>Please see the AESO's reply to TransAlta's comment on subsection 6(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 206.6 of the ISO Rules, <i>Base Auction and Rebalancing Auction</i> relates to the capacity market and why or why not	<p><u>Pembina Institute</u></p> <p>The longer the period between the base auction and the start of the obligation period, the higher the risk of over-procurement. A longer period also limits the ability to correct the trajectory at the following auctions. The complexity of load forecasting has consistently led the AESO to overestimate the future growth of the Alberta Internal Load. Source: Andrew Leach, <i>AESO Outlook Forecasts of Alberta Internal Load</i>, 2018 (<a href="https://pbs.twimg.com/media/DFiKfSWsAEFqc.jpg">https://pbs.twimg.com/media/DFiKfSWsAEFqc.jpg</a>).</p> <p>For items 1-10, please see also part IV.D (paras. 108-114) of the accompanying Nov. 2 submission.</p>	<p>Please see the AESO's response to the Pembina Institute's comment on subsection 2(1) above.</p>
		<p><u>Capital Power Corporation ("Capital Power")</u></p> <p>Capital Power agrees that the proposed rule relates to the capacity market.</p>	<p>The AESO acknowledges Capital Power's comment.</p>
		<p><u>TransAlta Corporation (TransAlta")</u></p> <p>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	whether you agree that Section 206.6 of the ISO Rules, <i>Base Auction and Rebalancing Auction</i> should or should not be in effect for a fixed term and why or why not	<p><u>Capital Power Corporation ("Capital Power")</u></p> <p>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></p> <p>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	whether you understand and agree with the objective or purpose of Section 206.6 of the ISO Rules, <i>Base Auction and Rebalancing Auction</i> and whether, in your view, Section 206.6 of the ISO Rules, <i>Base Auction and Rebalancing Auction</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 206.6 of the ISO Rules, <i>Base Auction and Rebalancing Auction</i> 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.	
		<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 206.6 of the ISO Rules, <i>Base Auction and Rebalancing Auction</i>	<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 206.6 of the ISO Rules, <i>Base Auction and Rebalancing Auction</i> taken together with all ISO rules and in light of the principle of a fair, efficient and openly competitive market	<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.
7	whether you would suggest any alternatives to Section 206.6 of the ISO Rules, <i>Base Auction</i>	<u>Capital Power Corporation (“Capital Power”)</u> Capital Power has no comments at this time.	

	<i>and Rebalancing Auction</i>	<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>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.
9	whether you agree that the proposed provisional rule supports the public interest and why or why not	<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>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.