

Proposed New Section 203.5 of the ISO Rules, *Energy Market Mitigation*

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

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| <p>Applicability Subsection 1</p> | |
| <p><u>TransAlta Corporation (TransAlta)</u></p> <p>To ensure fair treatment across resource types over the long term, load assets should also be contemplated for energy market mitigation, as indicated in our recommended changes to the rule language in yellow highlighted text.</p> <p>TransAlta generally agrees with the applicability section given the current market structure. However, energy market mitigation should also apply to owners of load and sink assets should the market structure and participation evolve beyond what currently exists today.</p> <p>1 Section 203.5 applies to:</p> <ul style="list-style-type: none"> (a) a pool participant that submit offers in the energy market for a source or sink asset; (b) the legal owner of a generating unit or aggregated generating facility; and (c) the ISO. | <p>The AESO does not agree with the changes proposed by TransAlta at this time. The AESO has designed the energy market mitigation regime on the basis that the portfolio sizes of pool participants with a net load asset are unlikely to possess sufficient market power to undermine the efficiency of the energy market.</p> |

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| <p>Expected Supply Cushion Subsection 2(1)</p> | |
| <p><u>Capital Power Corporation (“Capital Power”)</u></p> <p>Capital Power supports the AESO amendment to move the formula for the expected supply cushion into the rule. However, it remains unclear how the expected supply cushion will be calculated. The AESO should develop an information document (“ID”) containing a numerical example of this calculation along with a hypothetical merit order that includes generation & import source asset offers, load & export sink asset bids, and wind assets with forecasted production. The example should also indicate the timing for when the AESO expects to: run the calculation, post the expected supply cushion and when it would be applied to the calculation of the expected residual supply index (“RSI”). Lastly, the ID should provide details regarding the input data used to calculate the expected supply cushion metric as well as a reference for where this information (if at all) can be found publicly available on the AESO website.</p> <p>The "Supply Cushion" and "RSI" formulas both possess the variable <i>expected supply in merit order t</i>. However, the AESO's proposed definition varies between formulas as illustrated in the adjacent cell. If the AESO intends for the meaning of the variable to be the same as applied across the formulas, so too should its definition. Otherwise, the AESO should create a separate variable and revise the definitions to more clearly articulate the distinction between these variables.</p> <p>Subsections 2(1)(a) - <i>expected supply in merit order t</i> is the sum of the expected available MW in the merit order for the forecast settlement interval t</p> <p>Subsection 8(3)(ii) - <i>expected supply in merit order t</i> is the sum of the expected available MW of each operating block of each source asset in the merit order for the forecast settlement interval t</p> <ul style="list-style-type: none"> Align the definition of the variable “expected supply in merit order” in these 2 subsections so that the language is the same or, if intended to be different, rename one of the variables so that it is clear that the two are distinct. | <p>The AESO will consider adding examples when developing future Information Documents.</p> <p>The AESO agrees with the suggestion to align the formulas and will revise Proposed Section 203.5 accordingly.</p> |

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| <p>Subsection 2(2)</p> | |
| <p><u>Capital Power Corporation (“Capital Power”)</u></p> <p>The current draft language outlining the sequence related to the calculation, recording and publication of the expected supply cushion appears to be disjointed and should be revised for clarity.</p> <p>Subsection 2(2)(a) and (b) note that the expected supply cushion value will be calculated and published no later than 2 hours prior to the settlement interval t. Subsection 2(2)(d) states that this value is then expected to be recorded no earlier than 2 hours prior to the settlement interval t. First, it is unclear whether the different language around timing – no later than or no earlier than 2 hours prior – is necessary if the AESO intends for the timing of the calculation, publication and recording to occur at (or around) the same time. Secondly, it is unclear what purpose the updated expected supply cushion is supposed to serve given that changes to 1 or more inputs to the calculation can occur frequently due to MW restatements within the T-2 window. If the expected supply cushion is published and recorded at (or just before) T-2 then the update and subsequent publication at subsection 2(2)(e) relating to the same settlement interval appear redundant. As such, Capital Power recommends removing subsections 2(2)(c) and 2(2)(e) and clarifying the language around timing at subsections 2(2)(b) and 2(2)(d). Alternatively, if the purpose of the update and second publication of this value is to inform market participants of the actual (not expected) supply cushion associated with the settlement interval then this should be clearly stated.</p> <p>Subsections 2(2)(a) - (e)</p> <ul style="list-style-type: none"> • Remove subsections 2(2)(c) and 2(2)(e). • Clarify the timing stated at 2(2)(b) – “no later than 2 hours” – and 2(2)(d) – “no earlier than 2 hours” by either using consistent (i.e. same) language or more clearly distinguishing the timing. | <p>Subsections 2(2)(a), (b) and (c) are intended to reflect that the AESO will calculate, update, and publish the expected supply cushion prior to T-2 for market visibility leading up to a settlement interval. Subsections 2(2)(d) and (e) are intended to reflect that the AESO will capture a final value of the expected supply cushion for the purposes of determining the asset specific reference prices in subsections 4, 5 and 6. Each publication is an expected value as the expected supply cushion is calculated prior to the start of the settlement interval.</p> <p>For greater clarity, the AESO will revise subsection 2(2) to separate subsections 2(2)(d) and (e) into a new subsection.</p> |
| <p>Asset-Specific Cost Information for a Thermal Generating Unit or Aggregated Generating Facility</p> <p>Subsection 3(1)</p> | |
| <p><u>Alberta Federation of Rural Electrification Associations (“AFREA”)</u></p> <p>When must this information be submitted and for what period of time does the data relate to?</p> <p>We believe the values here should be calculated at full output not at average output.</p> | <p>The AESO does not agree with the changes proposed by AFREA. The expected annual average of the information in subsection 3(1) is a normalization of the cost data while operating under normal operating conditions at maximum capability in accordance with subsection 3(2)(b). Subsection 3(2)(a) speaks to the</p> |

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| <p>3(1) A pool participant must submit to the ISO the expected annual average values at full output for of the following information for a thermal generating unit or aggregated generating facility:</p> <ul style="list-style-type: none"> (a) heat rate in GJ/MWh; (b) if the thermal generating unit's or aggregated generating facility's fuel is not natural gas, fuel cost in \$/GJ; and (c) greenhouse gas emissions exposed to a carbon price levied by a public authority in tonne | <p>timing requirements for submitting the information.</p> |
| <p><u>ATCO Electricity Generation ("ATCO")</u></p> <p>The ISO Rule should specify on what relative date the pool participant is required to submit the requested cost information.</p> | <p>The AESO will revise the rule to specify that the cost information will be submitted on the effective date of Proposed Section 203.5.</p> |
| <p><u>Capital Power Corporation ("Capital Power")</u></p> <p>Based on the draft language regarding cost information requirements at subsection 3(1), it is unclear what a thermal generating unit that is co-fired, for example, would be required to submit. At minimum, an example of the cost information submissions for each of the different asset-type should be provided in an ID.</p> <p>Subsections 3(1)</p> <ul style="list-style-type: none"> • Further details required regarding the requirements for cost information submission related to thermal generating units that operate using multiple fuel types (e.g. thermal units co-fired between gas and coal). | <p>The cost information to be provided in 3(1) is the expected annual average, when operating under normal operating conditions at maximum capability in accordance with subsection 3(2). The fuel a pool participant uses in this state is dependent on a pool participant's business decisions.</p> |
| <p>Subsection 3(2)</p> | |
| <p><u>ATCO Electricity Generation ("ATCO")</u></p> <p>ATCO submits that it is not reasonable to assess the cost information assuming the unit is operating at maximum capability and believes it would be more reasonable to assess costs at reasonable levels of output (i.e. minimum stable generation, expected average output, and maximum capability) and then average these values. Assessing a unit's costs at maximum capability or minimum stable generation does not necessarily reflect its marginal costs at its average level of output, since marginal costs typically decline as output increases.</p> <p>"2(b) determine the values of such cost information assuming that the thermal generating unit or</p> | <p>The AESO does not agree with ATCO's comment. Maximum capability is objective and does not change frequently over time.</p> <p>The approximation of these costs minimizes the submission and verification of substantial amounts of information and remains a key factor behind the simplified 3x and 6x design values. There is limited value</p> |

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| <p>aggregated generating facility is operating under normal operating conditions at maximum capability;”</p> | <p>in the AESO evaluating asset specific costs at various operating states.</p> <p>For further rationale, please see subsection 10.7 in the CMD Final Rationale.</p> |
| <p><u>Capital Power Corporation (“Capital Power”)</u></p> <p>The draft requirement to submit updated cost information based on a variance greater than 1% is too stringent and is likely to result in unnecessary administrative burden. Consider, for example, the expected annual average cost of fuel, that is not natural gas, of \$2/GJ. Subsection 3(2)(c) would require a market participant to submit updated information, including an attestation by a corporate office, if the expected annual average cost were to change by more than \$0.02. In Capital Power’s view, a more reasonable threshold would be 10%. Using the same example, an update to cost information would not be required until a variance greater than \$0.20 is observed. This would strike a more reasonable balance between increasing information accuracy and minimizing administrative burden.</p> <p>Subsections 3(2)(c)</p> <ul style="list-style-type: none"> • submit updated information to the ISO upon becoming aware of more recent information that is greater than 10% different from the information provided in accordance with subsection 3(1), as soon as reasonably practicable | <p>The AESO agrees with Capital Power’s comment and will revise the variance in subsection 3(2)(c) to 10%.</p> |
| <p><u>TransAlta Corporation (TransAlta”)</u></p> <p>Cost information should reflect normal operating conditions for the asset rather than maximum capability, as indicated in our recommended changes to the rule language in yellow highlighted text.</p> <p>TransAlta disagrees that that cost information required to be submitted in part 3(2)(b) should be based upon operating at maximum capability, particularly when a generating unit or aggregated generating facility’s normal operating condition under typical levels of dispatch is not at maximum capability.</p> <p>3(2) A pool participant must, in relation to the information submitted pursuant to subsection 3(1):</p> <ul style="list-style-type: none"> (a) submit the information to the ISO: <ul style="list-style-type: none"> (i) for a thermal generating unit or aggregated generating facility that has energized and commissioned, on or before a date the ISO specifies; or (ii) for a thermal generating unit or aggregated generating facility that has not completed energization and commissioning, before the energization and | <p>See the AESO’s reply to ATCO’s comment on subsection 3(2).</p> |

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| <p>commissioning of such thermal generating unit or aggregated generating facility;</p> <p>(b) determine the values of such cost information assuming that the thermal generating unit or aggregated generating facility is operating under normal operating conditions at maximum capability;</p> <p>(c) submit updated information to the ISO upon becoming aware of more recent information that is greater than 1% different from the information provided in accordance with subsection 3(1), as soon as reasonably practicable; and</p> <p>(d) submit an attestation by a corporate officer of the legal owner the thermal generating unit or aggregated generating facility that the information provided in accordance with subsection 3(1) is complete and accurate.</p> | |
| <p><u>Utilities Consumer Advocate (“UCA”)</u></p> <p>An officer’s attestation certificate is not required as part of the submittal of asset-specific cost information and there is no scrutiny or intervention opportunities available to challenge the integrity and accuracy of the information provided. As with most cost related requirements, there should be some oversight to ensure that the submissions are prudent and reasonable.</p> <p>This reinforces the need for proper scrutiny on the costs submitted to support the asset specific cost information. There should be a submission of costs to an independent third party such as the AUC and proper process should be followed to ensure costs are prudent and reasonable.</p> | <p>Please see the AESO’s reply to the UCA’s comment on Item #10 in the AESO’s Replies to Proposed Section 201.15, <i>Delisting</i>.</p> |
| <p>Subsection 3(6)</p> | |
| <p><u>TransAlta Corporation (TransAlta”)</u></p> <p>The AESO should be required to apply cost information that is submitted by the pool participant and reviewed by AESO, as indicated in our recommended changes to the rule language in yellow highlighted text.</p> <p>The AESO should be required to apply asset-specific cost information for an asset if it is submitted by the pool participant. It is inappropriate for the AESO to apply costs that are not reflective of the true costs for an asset when asset-specific cost information is provided by the pool participant. The AESO should review the information submitted by the pool participant as contemplated in this subsection and be required to accept those costs if they are supported by reasonable information and are consistent with</p> | <p>The AESO does not agree with TransAlta’s comment. The AESO’s approximation of these costs minimizes the administrative burden associated with the submission and verification of substantial amounts of information and remains a key factor behind the simplified 3x design rather than the greater price regulation approach the introduction of such elements would necessitate. For further rationale please see subsection 10.7 of the CMD Final Rationale.</p> |

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| <p>other cost information.</p> <p>3(6) The ISO must:</p> <ul style="list-style-type: none"> (a) identify the current carbon price in \$/tonne CO₂-equivalent from the appropriate public authority; (b) identify the natural gas price in \$/GJ for each settlement interval on a day-ahead basis, or as close to a day-ahead basis as reasonably practicable or apply the natural gas price submitted by the pool participant if fixed by contract; and (c) apply the variable operations and maintenance costs for the asset submitted by the pool participant or, if an estimate is not provided by the pool participant, estimate the variable operations and maintenance costs in \$/MWh for a thermal generating unit or aggregated generating facility on a class-specific basis. | |
| <p><u>TransAlta Corporation (TransAlta”)</u></p> <p>New subsection: A pool participant that submits offers for a source asset with a capacity commitment must not submit an offer higher than estimated short-run marginal cost multiplied by 1.1 unless it incurs additional dispatch-related costs not captured in the AESO’s determination of estimated short-run marginal cost.</p> <p>Economic withholding and offer behavior should be prohibited for assets that receive a capacity payment, as indicated in our recommended addition to the rule language in yellow highlighted text.</p> <p>TransAlta has repeatedly raised concerns throughout the AESO’s consultation process (e.g., in our comments to SAM, CMD2 and CMD4), as well as Alberta Energy’s consultation on Fair, Efficient and Open Competition Regulation, about permitting economic withholding and offer behavior under the capacity market design.</p> <p>As stated in our comments to Alberta Energy’s consultation submitted on August 28, 2018:</p> <p>TransAlta has repeatedly expressed concerns to the AESO about the proposed energy market mitigation in the capacity market design which we believe allows for unjustifiable offer behavior that will raise energy market prices, create unreasonably high costs to consumers, and result in other</p> | <p>The AESO does not agree with TransAlta’s comment. As discussed in subsection 10.7 of the CMD Final Rationale, the AESO’s market power mitigation proposal is a practical solution measuring an estimate of operating costs in an energy market design characterized by single-part offers and self-commitment and in the context of uncertainty about near-term future market outcomes. The simplified 3x multiplier recognizes that additional costs related to cycling and start up are operating costs that should be recoverable by prudent market participants from the energy market and are not actually an economic withholding mark up. The AESO’s analysis shows that a markup multiplier can range from 1.1x to 10x depending on minimum run time, startup costs and cycling. The 3x limit simply creates a market wide upper bound for offers and does not ensure that offers will be accepted and dispatched or will set price. The market remains competitive, especially at lower ranges of the merit order, so the AESO is not concerned about what historically has been considered economic withholding to this limit as it creates room to submit costs. The premise of energy market mitigation is to mitigate egregious exercises of market power and provides incentives for firms to self-mitigate by entering in forward arrangements, allowing market outcomes guided by competition. This allows competition in most hours by focusing on key hours when structural ability to exercise market power is greatest.</p> |

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| <p>negative consequences for the competitive market. These concerns are with respect to the ex-ante offer mitigation levels that permit mitigated market participants to offer well above (3 times) Short Run Marginal Cost (SRMC) in supply conditions that do not reflect scarcity. Further, the proposed market design allows other (unmitigated) market participants to offer at any price point up to \$999/MWh, without reference to a participant’s actual variable costs, and even if that participant already receives capacity payments to defray fixed costs.</p> <p>These concerns have been shared by the Market Surveillance Administrator’s (MSA) independent expert Charles River Associates (CRA) who stated: “Our view is that reference price threshold of 3.0 times marginal cost is overly permissive and creates the opportunity for unchecked exercise of market power”. Most recently, on August 23, 2018, the MSA issued its “MSA Response to the AESO’s Final CMD Proposal” (MSA Response), confirming that the MSA clearly has similar concerns.</p> <p>We have asked these concerns to be addressed by requiring energy market offers to reflect costs, or by prohibiting economic withholding. Our proposal would strengthen competition by ensuring that market outcomes reflect true cost-based competition and supply and demand fundamentals, rather than the exercise of market power. However, rather than addressing the concerns expressed by TransAlta and CRA about the permissiveness of the energy market mitigation framework, the AESO revised the ex-ante offer mitigation proposal in the Final Comprehensive Market Design (CMD) to make it more permissive by allowing up to 6 times SRMC when the supply cushion is greater than 250MW but less than 1,000MW. Our concerns are more elevated that the market design will drive offer behavior and conduct that does not align with the objectives of the capacity market design, and that market participants will bear greater compliance risk of ex post investigation and enforcement action related to a design element for which the views of the AESO and MSA are not aligned.</p> <p>In the MSA Response, the MSA stated that it had shared with the AESO that offers at 3 times marginal cost from mitigated market participants would be excessive in terms of cost recovery for marginal and start-up costs; further, the MSA recommended that the AESO should move away from reliance on economic withholding “in the longer term” (without clarifying the target date for this regulatory shift). In addition, the MSA disagreed with the AESO’s proposal to relax the mitigation of energy market offers when the supply cushion falls below 1000MW, and to eliminate mitigation when the supply cushion falls below 250MW, stating “The MSA does not support the relaxation of mitigation when the exercise of market power becomes easier”. The MSA is of the view that “less reliance on the exercise of market power in the energy market would make energy prices more</p> | |

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| <p>predictable, which should result in lower risk margins being incorporated in capacity market offers”.</p> | |
| <p>Asset-Specific Reference Price for a Generating Unit or Aggregated Generating Facility Subsection 4(1)</p> | |
| <p><u>TransAlta Corporation (TransAlta”)</u></p> <p>The language in this section should be amended to reflect the changes we have proposed in subsections 3(1) and 3(6) above, as indicated in our recommended changes to the rule language in yellow highlighted text.</p> <p>These changes would allow asset-specific reference prices to be determined based on cost information submitted by the pool participant.</p> <p>4(1) The ISO must, using the information provided or derived in accordance with subsection 3, calculate a simplified short-run marginal cost for each generating unit or aggregated generating facility for each settlement interval in accordance with the following formula:</p> $\text{simplified short run marginal cost} = (\text{heat rate} \times \text{fuel price}) + (\text{greenhouse gas exposure} \times \text{carbon price}) + \text{estimated variable operations and maintenance costs}$ <p>where:</p> <ul style="list-style-type: none"> (a) <i>simplified short run marginal cost_i</i> is the short run marginal cost measured in \$/MWh for a settlement interval; (b) <i>heat rate</i> is: <ul style="list-style-type: none"> (i) the heat rate provided in accordance with subsection 3(1)(a) if the generating unit or aggregated generating facility is thermal; or (ii) 0 GJ/MWh if the generating unit or aggregated generating facility is not thermal; (c) <i>fuel price</i> is: <ul style="list-style-type: none"> (i) the natural gas price in subsection 3(6)(b), if the thermal generating unit's or aggregated generating facility's fuel is natural gas; | <p>The AESO does not agree with TransAlta’s comment. Please see the AESO’s reply to TransAlta’s proposed new subsection and comment on subsection 3(6).</p> |

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| <p>(ii) the price provided in accordance with subsection 3(1)(b), if the thermal generating unit's or aggregated generating facility's fuel type is not natural gas; or</p> <p>(iii) \$0, if the generating unit or aggregated generating facility is not thermal;</p> <p>(d) <i>greenhouse gas exposure</i> is the greenhouse gas emissions exposed to a carbon price levied by a public authority provided in accordance with subsection 3(1)(c);</p> <p>(e) <i>carbon price</i> is the carbon price identified in accordance with subsection 3(6)(a); and</p> <p>(f) <i>estimated variable operations and maintenance costs</i> are the submitted or estimated variable operations and maintenance costs determined by the ISO in accordance with subsection 3(6)(c); and</p> <p>(g) other dispatch-related costs.</p> | |
| <p>Subsection 4(2)</p> | |
| <p><u>TransAlta Corporation (TransAlta")</u></p> <p>The proposed asset-specific reference price will permit economic withholding and raise energy costs for consumers. The proposed framework for asset-specific reference prices should instead require cost-based offers, as indicated in our recommended changes to the rule language in yellow highlighted text and our recommended addition of a new subsection immediately below.</p> <p>4(2) The ISO must, using the simplified short-run marginal costs calculated in accordance with subsection 4(1), set the asset-specific reference price for each generating unit or aggregated generating facility for each settlement interval as an amount equal to:</p> <p>(a) the simplified short run marginal cost multiplied by 3 1.1, if the expected supply cushion selected for the settlement interval under subsection 2(2)(d) is 4,000 250 MW or greater;</p> <p>(b) the simplified short run marginal cost multiplied by 6, if the expected supply cushion selected for the settlement interval under subsection 2(2)(d) is 250 MW or greater and less than 1,000 MW; and</p> <p>(c) the maximum permissible price for an offer made under Section 203.1 of the ISO rules,</p> | <p>The AESO does not agree with TransAlta's comment. Please see the AESO's reply to TransAlta's proposed new subsection and comment on subsection 3(6).</p> |

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| <p><i>Offers and Bids for Energy</i>, if the expected supply cushion selected for the settlement interval under subsection 2(2)(d) is less than 250 MW.</p> <p>TransAlta raised the following concerns about the proposed asset-specific reference prices for energy market mitigation. We stated in our CMD2 comment matrix, filed on May 11, 2018, that “[a]llowing economic withholding and unnecessarily increasing costs to consumers does not align with the desired end state of “achiev[ing] sufficient investment to maintain supply adequacy and reliability at the lowest cost for consumers”, nor with the criterion that “[t]he capacity market should be compatible with other components of the electricity framework.”</p> <p>In our letter to the AESO dated June 18, 2018, regarding Graduated Scarcity and Reference Price Proposal, we stated that</p> <p>TransAlta has advocated for the use of marginal cost-based offers and would expect that at high supply cushion levels when generation is not expected to cycle, there would be no justification for an increasing ASRPs. 2 x marginal cost is based on [the AESO’s estimates of] the cycling cost for a simple cycle gas unit, but we have not seen any analysis such as the correlation between gas cycling and supply cushion that justifies why it should be the mitigation level above 1,000MW supply cushion. Furthermore, we do not accept that units should be allowed to economically withhold capacity and set their offers at higher levels than can be justified by their costs, particularly if those units earn a capacity payment and do not incur cycling costs.</p> <p>Furthermore, in our CMD4 comments filed on July 20, 20, we stated that:</p> <p>We provided modeling estimates performed by LEI in our CMD2 comment matrix that showed the energy market price impacts of moving from a market that prohibits economic withholding to a market where economic withholding (in the form of 3x ASRP bidding is allowed.</p> <p>The AESO has not responded to any of our concerns or provided any analysis to justify the need for substantially more than Short Run Marginal Cost offers. Therefore, we remain highly concerned with the proposed asset-specific reference price proposal for energy market mitigation because it will increase energy costs for consumers and distort the capacity market investment signal.</p> <p>TransAlta recommends that all energy offers should be mitigated to reflect short-run marginal costs and should apply a multiple of 1.1 to take into account that the short-run marginal costs are based on estimates (and assuming normal operating conditions) which may not fully reflect actual short-run</p> | |

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| <p>marginal cost. We further note that there is precedence from FERC in using a 10% adder to estimated short-run marginal cost to account for estimation error and provide for full short-run cost recovery.</p> | |
| <p>Asset-Specific Reference Price for a Designated Non-Thermal Generating Source Asset Capable of Storing Fuel Subsection 5(1)</p> | |
| <p><u>Capital Power Corporation (“Capital Power”)</u></p> <p>Draft subsection 5(1) notes that the AESO may designate a non-thermal generating source asset to which subsection 5 is applicable. However, it remains unclear how the AESO will make such a determination. Clarity of this subsection would be improved by expanding subsection 5(1) or creating another subsection outlining the criteria by which the AESO will “designate” subsection 5 to apply. See also Capital Power’s comments submitted October 16 to the information document associated with ISO Rule 203.5 titled <i>Mitigation of Prescribed Assets</i>.</p> <p>Subsections 5(1)</p> <ul style="list-style-type: none"> Expand on how the AESO will determine whether to “designate” a non-thermal generating source asset to which subsection 5 is applicable. | <p>The AESO expects to review, on a regular basis, all assets to determine whether they meet the characteristics of non-thermal and capable of storing fuel. Upon a new asset entering the market, this analysis will be done to determine whether they meet these characteristics. As indicated in the rule, the list of designated assets will be published.</p> |
| <p>Subsection 5(2)</p> | |
| <p><u>Capital Power Corporation (“Capital Power”)</u></p> <p>To improve clarity regarding the term “designated reserve quantity,” Capital Power recommends that the AESO provide a definition of the term and outline how this quantity will be calculated. See also Capital Power’s comments submitted October 16 to the information document associated with ISO Rule 203.5 titled <i>Mitigation of Prescribed Assets</i>.</p> <p>Subsections 5(2)(b)</p> <ul style="list-style-type: none"> Provide a definition for the term “designated reserve quantity.” | <p>The AESO will be re-drafting this provision to specify the real power quantity qualified by the AESO pursuant to Section 205.4, <i>Regulating Reserve Technical Requirements and Performance Standards</i>, Section 205.5, <i>Spinning Reserve Technical Requirements and Performance Standards</i>, and Section 205.6, <i>Supplemental Reserve Technical Requirements and Performance Standards</i>.</p> |
| <p>Subsection 5(3)</p> | |

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| <p><u>Capital Power Corporation (“Capital Power”)</u></p> <p>Current draft subsection 5(3) references subsection 5(5). However, subsection 5(5) does not appear in proposed new ISO rule 203.5. Therefore, the reference to subsection 5(5) should be revised to the appropriate subsection.</p> <p>Subsections 5(3)</p> <ul style="list-style-type: none"> Revise reference to subsection 5(5). <p>Capital Power strongly supports including a subsection in the rule that provides an exemption from energy market mitigation for portfolio sizes that are equal to less than the “no-look” threshold. This would reduce unnecessary administrative burden while still maintaining the purpose of the rule.</p> <p>Subsections 5(3)</p> <ul style="list-style-type: none"> [Note to draft: The AESO is considering an exemption from the energy market mitigation scheme for portfolio sizes that are less than 250 MW in response to industry feedback.] | <p>The AESO will revise the reference in subsection 5(3).</p> <p>The AESO agrees with Capital Power’s comment. The AESO will be revise Proposed Section 203.5 to incorporate the NTD.</p> |
| <p><u>TransAlta Corporation (TransAlta”)</u></p> <p>The asset-specific reference price proposed in subsection 5(3) is reflective of energy storage assets that charge from the grid, not to hydro resources that store water in an inter-monthly and seasonal hydro cycle – therefore, this subsection should only apply to non-hydro resources that are capable of energy storage, as indicated in our recommended change to the rule language in yellow highlighted text.</p> <p>5(3) The ISO must, subject to subsection 5(5), set the asset-specific reference price for a non-hydro generating source asset designated in accordance with subsection 5(1) for each settlement interval as an amount equal to:</p> <ul style="list-style-type: none"> (a) the 30-day rolling average pool price most recently published by the ISO at the time the ISO calculates the expected supply cushion multiplied by 3, if the expected supply cushion selected for the settlement interval under subsection 2(2)(d) is 1,000 MW or greater; (b) the 30-day rolling average pool price most recently published by the ISO at the time the ISO calculates the expected supply cushion multiplied by 6, if the expected supply cushion selected for the settlement interval under subsection 2(2)(d) is 250 MW or greater and less than 1,000 MW; and (c) the maximum permissible price for an offer made under Section 203.1 of the ISO rules, | |

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| <p><i>Offers and Bids for Energy</i>, if the expected supply cushion selected for the settlement interval under subsection 2(2)(d) is less than 250 MW.</p> <p>TransAlta raised our concerns related to the treatment of hydro resources in our CMD 4 comment matrix submitted on July 20, 2018:</p> <p>The AESO should also consider month to month and seasonal water management given that this is a critical aspect of managing hydro resources which are not just energy resources but also critical resources for the environment and other water users. If this temporarily dimension defines a short timeframe (a week or weeks) and the other uses of water are not properly accounted for, water is wasted not only for energy production but also for other valuable societal uses. Additionally, we do not support the AESO’s proposed asset-specific reference price based on a 3x the 30-day rolling average pool price. As mentioned above, 30 days does not properly account for the inter-monthly and seasonal hydro cycle and creates a significant risk of undervaluing the opportunity cost of hydro. We also disagree with the proposed multiplier, which appears arbitrary and is not supported by an analysis of opportunity costs.</p> <p>We continue to have significant concerns about this framework for determining asset-specific reference price for hydro resources. Our recommended change to the rule would mitigate these concerns by clarifying that this subsection only applies to non-hydro generating source assets.</p> <p>TransAlta’s recommendations on the Mitigation of Prescribed Assets are as follows (as stated in Attachment 1 to our letter dated November 14, 2018):</p> <p>Subsections 203.5(3)-(5) of the rule related to hydro mitigation continues to be insufficient to ensure the prescribed assets provide optimal levels of system support and provincial and federal obligations to provide services such as flood control, fish protection, etc.</p> <p>First, <i>the current AS offer requirements cannot be physically achieved and are therefore technically deficient and undermine the “fair treatment” of the prescribed hydro resources.</i> The definition for Maximum Qualified Capability and Maximum Capability (MC) need to be changed so that hydro is physically capable of meeting the reserve offer requirements. The AESO stated at the November 1, 2018 webinar that the references to MC would be changed to Available Capability (AC). We want to ensure this AC definition also accounts for the need to run at minimum stable generation to offer certain active AS products. The definition of AC for the purposes of reserve offer requirements should be calculated as MC minus Acceptable Operational Reasons (AOR) minus</p> | <p>The AESO does not agree with TransAlta’s comment. A 30-day rolling average pool price is the default cost input to the multiplier calculation for assets within the portfolio of a company that has an expected residual supply index of less than 1. The AESO recognizes that this may impact water management. However, the overall energy market mitigation design provides alternatives for a mitigated asset to offer capacity into the ancillary services market, and thereby have an opportunity to offer capacity that did not clear an ancillary services market at the energy market cap. The overall design ensures that Section 203.5 is fair to all market participants, recognizes the value of water management, and provides market participants wide commercial scope to manage their designated non-thermal generation assets located in</p> |

| Stakeholder Comments and/or Proposed Alternative Rule Wording | AESO Replies |
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| <p>Minimum Stable Generation (MSG). If the operating reserves offer requirements are greater than the physical capability to provide operating reserves, hydro will not meet the requirements leading to unnecessary energy market mitigation and inefficient dispatch of the hydro facilities.</p> <p>Second, <i>the proposed asset-specific reference price for non-thermal resources of 3 x 30 day rolling average pool prices (“RAPP”) is a poor estimation of hydro reference price.</i> The RAPP reliance on the past 30 days of prices does not properly account for the inter-monthly and seasonal hydro cycle. The rule’s suggested multipliers to the RAPP are also arbitrary and seem to have been justified on the basis that they align the multipliers applied to reference pricing of other units. The rationale for the other units’ multiplier should not apply to a hydro unit. These aspects of the rule <i>undermine the objective of “fair treatment”</i> by undervaluing the opportunity cost of hydro.</p> <p>Third, <i>the ID has authoritative content and compliance obligations embedded in it that should be moved to Section 203.5: Energy Market Mitigation.</i> The obligation for the AESO to “bid at a price sufficiently high such that it expects the market to clear at a strictly lower price level” is required for the existence of a competitive AS market. It is imperative this also be included in the rule.</p> <p>Fourth, <i>the AESO must create a process and timeline to determine when and how to change the AESO operating reserves market bid cap.</i> This process will require further consultation from stakeholder prior to the implementation of the capacity market.</p> <p>For this rule and overall system to work properly, <i>prescribed assets must continue to have the ability to offer above the AESO offer cap to meet their new mandatory reserve offer obligations and not waste the valuable water resource that currently supports system reliability.</i> We request the AESO confirm this in the rule with language: if the offers have been made in the operating reserves market, these shall be considered to have met the mandatory reserve offer requirements outlined in the ID 203.5: Mitigation of Prescribed Assets.</p> <p>Overall, the rule must ensure reserve offer requirements can be physically met and the ability to dynamically manage stored water through offers is not constrained.</p> | <p>Alberta.</p> <p>The AESO will be revise Proposed Section 203.5 to reflect available capability minus minimum stable generation.</p> <p>The AESO does not agree with TransAlta’s comment. While the AESO’s intent is to set the bid price to allow the market to clear, there may be instances where there is market power in the ancillary services market that may impact where the AESO sets the bid price. The overall operating reserve design has moved from 5 days ahead to a single trading day for practical reasons; however there is a risk that the liquidity in the market may corner the AESO as the sole buyer. The AESO requires discretion in setting the bid price to balance its FEOC obligations, the public interest, and the liquidity of the ancillary services market. The AESO’s practice is to set the bid price sufficiently high so that the market clears at a lower level.</p> <p>The AESO does not agree with TransAlta’s comment. Fundamental changes to the ancillary services market are not required for the implementation of the capacity market. The operating reserve market will be monitored and any required changes will be addressed as needed. The AESO expects that market fundamentals will dictate the offer behavior of assets in the market.</p> |

| Stakeholder Comments and/or Proposed Alternative Rule Wording | AESO Replies |
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| <p>Asset-Specific Reference Price for an Import Source Asset</p> <p>Subsection 6</p> | |
| <p><u>Powerex Corp (“Powerex”)</u></p> <p>The current proposed rule does not account for Sundays and NERC holidays, where there is no MidC (on peak) price. During these times, the most recently published MidC (on peak) price represents the most relevant reference price. For a Sunday, this typically means using the prices published on the previous Friday that traded for the Monday On-Peak price.</p> <p>6 The ISO must set the asset-specific reference price for each import source asset for each settlement interval as an amount equal to:</p> <p>(a) MidC (on peak) + min(100,3 x midC(on peak)) if the expected supply cushion selected for the settlement interval under subsection 2(2)(d) is 1,000 MW or greater;</p> <p>Where:</p> <p>(b) MidC (on peak) + min(100,6 x midC(on peak)) if the expected supply cushion selected for the settlement interval under subsection 2(2)(d) is 50 MW or greater and less than 1,000 MW;</p> <p>(i) MidC (on peak) is the day-ahead, on-peak price in the Mid-Columbia market for delivery on the same day as the energy market in Alberta;</p> <p>Or</p> <p>(ii) The most recently published MidC (on peak) price, if the same day as the energy market in Alberta is a Sunday, or a NERC holiday.</p> <p>(c) the maximum permissible price for an offer made under Section 203.1 of the ISO rules, Offers and Bids for Energy, if the expected supply cushion selected for the settlement interval under subsection 2(1)(d) is less than 250 MW.</p> | <p>The AESO will revise Proposed Section 203.5 to reflect the change proposed by Powerex.</p> |

| Stakeholder Comments and/or Proposed Alternative Rule Wording | AESO Replies |
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| Market Power Screen Subsection 8(1) | |
| <u>Capital Power Corporation (“Capital Power”)</u> Capital Power supports the AESO amendment to move the “RSI” formula for into the rule. However, it remains unclear how the RSI will be calculated. The AESO should develop an ID containing numerical examples of this calculation along with a hypothetical merit order that includes generation & import source asset offers, load & export sink asset bids, and wind assets with forecasted production. The example should also indicate how the expected demand will be produced as well as the timing for when the AESO expects to: run the RSI calculation, inform market participants of binding mitigation and when asset-specific reference prices will replace originally submitted offers and bids. Lastly, the ID should provide details regarding the input data used to the RSI as well as a reference for where this information (as applicable) can be found publicly available on the AESO website. | The AESO will consider Capital Power’s suggestions in developing future Information Documents. |
| Subsection 8(2) | |
| <u>Alberta Federation of Rural Electrification Associations (“AFREA”)</u> What does it mean to submit supply obligations equal to or less than the person’s actual supply obligations? This does not make much sense. | A person may submit supply obligations up to their actual supply obligation value, but may submit a lesser value if they choose to do so. |
| Subsection 8(3) | |
| <u>Alberta Federation of Rural Electrification Associations (“AFREA”)</u> There are two (3) subsections here. | The AESO will revise the references in subsection 8(3). |
| Mitigation of Market Power Subsection 9(3) | |
| <u>The Cogeneration Working Group</u> CWG supports the AESO’s note to draft to exempt portfolios less than 250 MW from the mitigation | The AESO does not agree with applying the exemption to portfolios less than 250 MW net of supply |

| Stakeholder Comments and/or Proposed Alternative Rule Wording | AESO Replies |
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| <p>scheme. This exemption should apply net of supply obligations. This will prevent unnecessary administrative burden.</p> | <p>obligations. Supply obligations can change on an hour to hour basis and the AESO would require cost information in the event that the portfolio size net of supply obligations exceeds 250 MW in any hour. The intent of the exemption for portfolios less than 250 MW is to exempt them from submitting cost information to reduce the administrative burden.</p> |
| <p>General Comments</p> | |
| <p><u>ATCO</u></p> <p>ATCO submits that it would be helpful if the AESO prepared an information document for the energy market mitigation rule with a timeline of events leading up to and after the settlement interval related to mitigation. This could be similar to the format used for the Capacity Market Guidelines.</p> | <p>The AESO will consider ATCO’s suggestions in developing future Information Documents.</p> |
| <p><u>Capital Power Corporation (“Capital Power”)</u></p> <p>Similar to the comments provided in response to draft subsection 5(2)(b) above, the term “maximum qualified capacity” is unclear in both meaning and how it is established. Capital Power recommends that the AESO provide a definition of the term and outline how this quantity will be calculated. See also Capital Power’s comments submitted October 16 to the information document associated with ISO Rule 203.5 titled <i>Mitigation of Prescribed Assets</i>.</p> <p>Lastly, the provisions at Appendix 1 and reproduced in the adjacent cell refer to a resource’s “maximum capability to produce” different types of reserves. However, the existing and proposed draft definition of maximum capability describes the maximum physical power capability of an asset in total as opposed to being specifically related to the provision of ancillary services. Therefore, Capital Power recommends that these provisions be further refined to more clearly articulate the AESO’s expectation of designated assets.</p> <p>Appendix 1</p> <ul style="list-style-type: none"> • “The lesser of the asset’s maximum qualified capacity to provide regulating reserve and its maximum capability to produce regulating reserves” • “The lesser of the asset’s maximum qualified capacity to provide spinning reserve and its maximum capability to produce spinning reserves” • “The lesser of the asset’s maximum qualified capacity to provide supplemental reserve and its maximum capability to produce supplemental reserves” | <p>The AESO will be re-drafting this provision to specify the real power quantity qualified by the AESO pursuant to Section 205.4, <i>Regulating Reserve Technical Requirements and Performance Standards</i>, Section 205.5, <i>Spinning Reserve Technical Requirements and Performance Standards</i>, and Section 205.6, <i>Supplemental Reserve Technical Requirements and Performance Standards</i>.</p> <p>The AESO will revise Proposed Section 203.5 to change maximum capability to reflect available capability minus minimum stable generation.</p> |
| <p>Proposed Section 203.5 – Appendix 1</p> | |

| Stakeholder Comments and/or Proposed Alternative Rule Wording | AESO Replies |
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| <p>TransAlta Corporation (“TransAlta”)</p> <p>The list of designated generating source assets should appear in the Appendix to the ISO Rule, as indicated in the yellow highlighted text.</p> <p>The term “maximum qualified capacity” should be changed to “ancillary services maximum qualified capacity” and should be included in the Consolidated Authoritative Document Glossary.</p> <p>The term maximum qualified capacity is specific to the designated assets’ ancillary services offers and the maximum quantities that are set out in the Watt-Ex Agreement. As such, we recommend that “maximum qualified capacity” should be changed to “ancillary services maximum qualified capacity”. We also recommend that “ancillary services maximum qualified capacity” be included in the Consolidated Authoritative Document Glossary as follows:</p> <p style="padding-left: 40px;">“Ancillary services maximum qualified capacity” means the quantities referred to in the Watt-Ex Agreement in respect of a designated non-thermal generating source asset.</p> <p>The reference to “maximum capability” should be changed to “ancillary services available capability” and should be included in the Consolidated Authoritative Document Glossary.</p> <p>The reference to maximum capability commits the hydro units to higher offer requirements than they are capable of meeting. The hydro units will only be able to provide ancillary services up to their available capability less what is required to keep the unit running at minimum stable generation. As such, the current definition of “available capability” cannot apply and a new term “ancillary services available capability” that is applied only to the designated non-thermal generating source assets should be added to the <i>Consolidated Authoritative Document Glossary</i> as follows:</p> <p style="padding-left: 40px;">“Ancillary services available capability” means, for a designated non-thermal generating source asset, the available capability less the asset’s minimum stable generation.</p> <p>List of designated generating source assets:</p> <ul style="list-style-type: none"> • Bighorn (BIG) • Bow (BOW1) • Brazeau (BRA) | <p>The AESO does not agree with TransAlta’s comment. The criteria for designating generating source assets is contained within Proposed Section 203.5. The purpose of the publication of the list is for transparency.</p> <p>Please see the AESO’s reply to Capital Power’s comments under “General Comments”.</p> |

| Stakeholder Comments and/or Proposed Alternative Rule Wording | | AESO Replies |
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| Predetermined ancillary services product | Minimum quantity of offers | |
| Active Regulating Reserves | The lesser of the asset's ancillary services maximum qualified capacity to provide regulating reserve and its maximum ancillary services available capability to produce regulating reserves in the settlement interval at the time of the ancillary services auction. | |
| Active Spinning Reserve | The lesser of the asset's maximum qualified capacity ancillary services maximum qualified capacity to provide spinning reserve and its maximum ancillary services available capability to produce spinning reserves in the settlement interval at the time of the ancillary services auction <i>less</i> the volume of cleared active regulating reserve to be provided by the asset in the same settlement interval . | |
| Active Supplemental Reserve | The lesser of the asset's maximum qualified capacity ancillary services maximum qualified capacity to provide supplemental reserve and its maximum ancillary services available capability to produce supplemental reserves in the settlement interval at the time of the ancillary services auction <i>less</i> the volume of cleared active regulating reserve to be provided by the asset in the same settlement interval <i>less</i> the volume of cleared active spinning reserve to be provided by the asset in the same settlement interval . | |

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

| Item # | | Stakeholder comments | AESO Replies |
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| 1 | whether you agree that Section 203.5 of the ISO Rules, <i>Energy Market Mitigation</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 on Item #10 below. |
| | | <u>Capital Power Corporation (“Capital Power”)</u> Capital Power agrees that the proposed rule changes relate to the implementation and operation of the capacity market. | The AESO acknowledges Capital Power’s comment. |
| | | <u>Utilities Consumer Advocate (“UCA”)</u> The UCA agrees that the proposed ISO Rule-Section 203.5 relates to the capacity market as it gives the ISO the authority to modify the bid price of operating blocks for participants who have market power. | The AESO acknowledges the UCA’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 the AESO Replies to TransAlta’s Appendix 1 matrix. |
| 2 | whether you agree that Section 203.5 of the ISO Rules, <i>Energy Market Mitigation</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 on 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>Utilities Consumer Advocate (“UCA”)</u> Considering the many unknowns that will affect the market and the | The AESO does not agree with UCA’s suggestion to impose a fixed term for Proposed Section 203.5. The proposed rules for the implementation of the capacity market will be subject to the Alberta Utilities Commission 6-month |

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| | | <p>uncertainty inherent in any new design, a short-fixed term would be appropriate to allow a revision if necessary. This is fundamental to the market design and therefore it should be reviewed to ensure it is correct.</p> | <p>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 not need to be 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.</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 103.9, <i>Capacity Market Financial Settlement</i> and whether, in your view, Section 203.5 of the ISO Rules, <i>Energy Market Mitigation</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 on Item #10 below.</p> |
| | | <p><u>Utilities Consumer Advocate ("UCA")</u> Yes, ISO Rule – Section 203.5 meets its intended objective/purpose.</p> | <p>The AESO acknowledges the UCA'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> |
| 4 | <p>how, in your view, Section 203.5 of the ISO Rules, <i>Energy Market Mitigation</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> | <p>Please see the AESO's reply to AFREA's comment on Item #10 below.</p> |
| | | <p><u>Solas Energy Consulting on behalf of the Renewable Energy Coalition ("Solas")</u> The electricity market will function best when the majority of the value is transacted via the Energy Market and the Capacity Market is of secondary importance. The new rule provides clarity to market participants on acceptable energy market bidding behavior without unduly restricting the value of the Energy Market.</p> | <p>The AESO acknowledges Solas' comment.</p> |

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| | | <p><u>Utilities Consumer Advocate (“UCA”)</u></p> <p>The intent of energy market mitigation is to ensure a fair market to all participants regardless of market share. However, insufficient mitigation could have an impact on competitive market forces.</p> | Please see the AESO’s reply to UCA’s comment on item #9 below. |
| | | <p><u>TransAlta Corporation (TransAlta”)</u></p> <p>Please see Appendix 1 of TransAlta’s submission.</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. |
| 5 | your views on any analysis conducted or commissioned by the AESO supporting Section 203.5 of the ISO Rules, <i>Energy Market Mitigation</i> | <p><u>Alberta Federation of Rural Electrification Associations (“AFREA”)</u></p> <p>See below.</p> | Please see the AESO’s reply to AFREA’s comment on Item #10 below. |
| | | <p><u>Utilities Consumer Advocate (“UCA”)</u></p> <p>The UCA has no further comment regarding the analysis supporting the proposed ISO Rule – Section 203.5.</p> | The AESO acknowledges the UCA’s comment. |
| | | <p><u>TransAlta Corporation (TransAlta”)</u></p> <p>Please see Appendix 1 of TransAlta’s submission.</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. |
| 6 | whether you agree with Section 203.5 of the ISO Rules, <i>Energy Market Mitigation</i> taken together with all ISO rules and in light of the principle of a fair, efficient and openly competitive market | <p><u>Alberta Federation of Rural Electrification Associations (“AFREA”)</u></p> <p>See below.</p> | Please see the AESO’s reply to AFREA’s comment on Item #10 below. |
| | | <p><u>Solas Energy Consulting on behalf of the Renewable Energy Coalition (“Solas”)</u></p> <p>The choice of 3 times short run marginal cost is the minimum acceptable value, along with the increase to 6 times when the supply cushion is below 1,000 MW. Resources will not necessarily recover full capital costs through the capacity market and therefore flexibility is required in the energy market to allow generators to earn a fair return.</p> | The AESO acknowledges Solas’ comment. |

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| | | <p><u>Utilities Consumer Advocate (“UCA”)</u> Yes, the UCA agrees with the new ISO Rule-Section 203.5 taken together with all ISO rules in light of FEOC.</p> | The AESO acknowledges the UCA’s comment. |
| | | <p><u>TransAlta Corporation (TransAlta”)</u> Please see Appendix 1 of TransAlta’s submission.</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. |
| 7 | whether you would suggest any alternatives to Section 203.5 of the ISO Rules, <i>Energy Market Mitigation</i> | <p><u>Alberta Federation of Rural Electrification Associations (“AFREA”)</u> See above.</p> | Please see the AESO’s reply to AFREA’s comment on Item #10 below. |
| | | <p><u>Solas Energy Consulting on behalf of the Renewable Energy Coalition (“Solas”)</u> Energy storage facilities do not fit into the description of subsection 3 or subsection 5. Energy storage facilities should be included in the expected supply in merit order for a person (section 8(3)(iii) except when the storage is co-located with a generating asset and the maximum deliverable volume (or STS contract volume) is equal to the maximum capacity of the generating asset.</p> | An energy storage facility meets the definition of a generating source asset. Energy storage facilities may be captured under subsection 3 or subsection 5, depending on the characteristics of the energy storage facility. |
| | | <p><u>Utilities Consumer Advocate (“UCA”)</u> There are no alternatives the UCA is proposing at this time.</p> | The AESO acknowledges the UCA’s comment. |
| | | <p><u>TransAlta Corporation (TransAlta”)</u> Please see Appendix 1 of TransAlta’s submission.</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. |
| 8 | whether you agree that the proposed provisional rule supports ensuring a reliable supply of electricity at a reasonable cost to | <p><u>Alberta Federation of Rural Electrification Associations (“AFREA”)</u> See below.</p> | Please see the AESO’s reply to AFREA’s comment on Item #10 below. |

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| | customers and why or why not | <p><u>Utilities Consumer Advocate (“UCA”)</u></p> <p>The cost may not be reasonable for the reasons stated.</p> <p>Currently the balancing auction is not subject to Market Mitigation as it is expected to be relatively small in comparison to the initial auction. This should be closely monitored and changed if higher than anticipated volumes are encountered in the balancing auctions.</p> | Please see subsections 7.1.3 - 7.1.5 in the CMD Final Rationale for the AESO’s rationale regarding market power mitigation and its application to future rebalancing auctions. |
| | | <p><u>TransAlta Corporation (TransAlta”)</u></p> <p>Please see Appendix 1 of TransAlta’s submission.</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. |
| 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></p> <p>See above.</p> | Please see the AESO’s reply to AFREA’s comment on Item #10 below. |
| | | <p><u>Utilities Consumer Advocate (“UCA”)</u></p> <p>The AESO has proposed an asset-specific reference price (ASRP) as a multiple of the asset’s short-run marginal cost that represents the maximum price level at which the asset would be allowed to offer if the firm is assessed to have market power. In the case of scarcity in the energy market, the AESO has proposed a 3x ASRP offer limit with a supply cushion of >1000MW and 6x between 250-1000MW.</p> <p>In June 2018, the AESO proposed 2x and 3x multipliers respectively. If the limits to the multipliers unnecessarily raise prices, it will significantly impact consumers and would not be considered in the public interest.</p> | The AESO is of the view that its proposed approach strikes a balance for mitigating egregious market power while allowing generators to recover their costs, taking into account cycling and startup costs. |
| | | <p><u>TransAlta Corporation (TransAlta”)</u></p> <p>Please see Appendix 1 of TransAlta’s submission.</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. |
| 10 | whether you have any additional comments | <p><u>Alberta Federation of Rural Electrification Associations (“AFREA”)</u></p> <p>AFREA continues to review the voluminous comments from other</p> | The AESO acknowledges AFREA’s comment. |

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| | | <p>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.</p> <p>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><u>Utilities Consumer Advocate (“UCA”)</u></p> <p>An officer’s attestation certificate is not required as part of the submittal of asset-specific cost information and there is no scrutiny or intervention opportunities available to challenge the integrity and accuracy of the information provided. As with most cost related requirements, there should be some oversight to ensure that the submissions are prudent and reasonable.</p> <p>This reinforces the need for proper scrutiny on the costs submitted to support the asset specific cost information. There should be a submission of costs to an independent third party such as the AUC and proper process should be followed to ensure costs are prudent and reasonable.</p> | <p>Please see the AESO’s response to UCA’s comment on subsection 3(2).</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> |