

February 27th, 2018

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Via Email: kevin.dawson@atco.com

RE: ATCO RESPONSE TO CONSOLIDATED MARKET DESIGN #1

ATCO continues to appreciate being an active participant in the process to transition to a capacity market and values the ability to share our views both through the Working Groups and in written feedback. The comprehensive market design (CMD 1) is a significant step towards finalizing the future capacity market design and is much appreciated. The detail provided greatly enhances and progresses the discussion and provides additional clarity on key market concepts. ATCO has found that there are several details that require further clarification and resolution over the next six months as the design becomes finalized. In addition to this letter highlighting our main points, we have included our detailed responses to the AESO's stakeholder comment matrices for the Design, Energy & Ancillary Service, and Technical Working Groups.

Performance Framework (Payment Adjustment Mechanism)

ATCO believes the performance framework should be symmetric between the risk of penalties and the opportunity to earn rewards, should not distort energy market signals, and must recognize the need for planned maintenance. As such:

- The availability assessment framework should be made revenue neutral, which would allow for capacity suppliers to earn over-performance incentives, promote high availability, and reduce the penalty risk premium, thereby reducing costs to consumers.
- The level of the performance assessment framework should be set by providing a fixed denominator in the penalty equation. Fixing the denominator to a level consistent with the expected EEA hours from modelling the minimum reliability target (or consistent with the tightest historical years) will provide more certainty on penalty risk, and will ensure that penalties do not eclipse opportunities in the energy market.
- Both the performance framework and UCAP determination must recognize the importance of planned maintenance as a means to ensure efficient, reliable, and safe operations. The current market design exposes planned maintenance to potentially punitive penalties which creates perverse maintenance incentives. If left uncorrected, this could lead to reductions in fleet reliability, and eventually result in increased costs to consumers.

Capacity Value Calculations & Governance

ATCO acknowledges that aspects of the UCAP calculation methodology remain in development and have provided preliminary comments with the intention of supporting efficient and effective discussions in the April Working Groups. Given the use of historical availability, based on behaviour and incentives from a different market structure, it is increasingly important for a clear and concise process to address unit specific considerations of the UCAP calculation or any disputes. Operational and commercial business decisions made

under the energy-only market design should not unfairly penalize generators entering into the new capacity market structure. To support these discussions the data used for the UCAP calculation must be accessible and replicable by market participants, this includes determination of the tightest supply hours by the AESO which currently cannot be reproduced by participants with publicly available data.

Process Changes

The AESO's delay of the second draft of the CMD to late April reduces the ability for stakeholders to assess movement in market design and places added pressure to ensure feedback has been appropriately incorporated. ATCO requests the AESO provide clarity prior to the April Working Group sessions on proposed changes to CMD 1 based on written and in-session feedback received in February.

ATCO continues to be aligned with the AESO and Government's desired final outcomes of the market; delivering reliable, low-emission energy at a reasonable cost to consumers while maintaining revenue certainty for generators and supporting competition and innovation. Further detailed comment on the market design as presented in CMD 1 and in-session materials is attached.

ATCO looks forward to continued discussions through the Working Group process on the evolution of the capacity, energy, and ancillary service markets. If you have any questions or concerns, please contact the below.

Sincerely,



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Cc: Brenda Marshall, Senior Director, Regulatory & Commercial