



ALBERTA
ENERGY

*Office of the Minister
Deputy Government House Leader
MLA, Calgary-North West*

July 25, 2019

AR33195

Mr. Will Bridge
Board Chair
Alberta Electric System Operator
330-5 Avenue SW
Calgary AB T2P 0L4
will.d.bridge@gmail.com

Dear Mr. Bridge:

Over the past several weeks, I have met with both senior officials of the Alberta Electric System Operator (AESO) and stakeholders representing broad interests across the sector on the subject of Alberta's market design.

After careful consideration, the Government of Alberta has decided it is in the public interest to return to the existing energy-only market. Alberta's energy-only market is a proven system that has successfully attracted investment into the province and supported a high quality of life for Albertans. Government believes the existing energy-only market will continue to provide Albertans with a reliable supply of electricity at affordable prices.

We understand that timely implementation of this decision is key to providing policy clarity to agencies. Government intends to introduce legislation as quickly as possible to halt implementation of a capacity market and return to an energy-only market.

During the consultations, I heard concerns about a lack of clarity regarding mandates and roles of Alberta's electricity agencies. I have directed Alberta Energy to examine and propose options to address these concerns.

In addition, I heard repeatedly that certainty and stability in electricity market design are critical to secure future investment in our electricity system and our province. I also heard a range of views on whether the existing energy-only market requires design changes to remain successful in the future. Because of the clear need for certainty and stability, I am

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directing the AESO to take a measured and thoughtful pace to examining if any changes to the existing energy-only market are needed, and to work in consultation with Alberta Energy. By July 31, 2020, the AESO must provide me with analyses and recommendations on whether changes are needed to the price floor/ceiling and shortage pricing in Alberta's energy-only market. I ask require a status update on this work on or before February 1, 2020.

I also heard repeated references to concerns with market power and market power mitigation. In response to those concerns, I have asked Alberta Energy to complete a policy review of this particular issue for both the energy-only and ancillary services markets. I ask the AESO to submit its advice on this topic to me by November 29, 2019.

Please accept my sincerest gratitude for the AESO's availability and advice during the 90-day review and your significant and high-quality efforts to date. The government of Alberta continues to value and rely on the AESO to support our outcomes regarding the implementation and operation of Alberta's energy-only market, which supports our broader economy and benefits all Albertans. I know I can count on the AESO's full support as we implement this decision and seek to restore predictability and certainty to Alberta's electricity market design.

Sincerely,



Sonya Savage
Minister

cc: Mike Law, President and Chief Executive Officer, AESO
Grant D. Sprague, Q.C., Deputy Minister of Energy
Doug Lammie, Assistant Deputy Minister of Electricity and Sustainable Energy