Comprehensive Market Design Stakeholder Comment Matrix
Design Working Group *FINAL*

The AESO is requesting written feedback from the Capacity Market Design Working Group (DWG) members about the content of the first draft Comprehensive Market Design (CMD 1) and about the working group session in which CMD 1 was discussed. This draft comment matrix is provided in advance to help working group members prepare for their upcoming session. Following the working group session, the AESO will post a **final comment matrix** one (1) day after the session. This final comment matrix should be completed by working group members within four (4) business days. The final feedback matrix is intended for working group members to provide written feedback about CMD 1 or the content of their working group session that is within the scope of their working group.

The AESO will post all comment matrices and any other feedback received from working group members on www.aeso.ca and on the Capacity Market SharePoint site. **Please note that the names of the parties submitting each completed comment matrix will be included in this posting.** The AESO does not intend to respond to individual submissions.

If you have any questions about this comment matrix, please email capacitymarket@aeso.ca

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Date: Feb 27, 2017

CMD Key Design Questions	Comments and / or Recommendations
1. UCAP: Can you support using Availability factor for dispatchable resources? Does the approach meet the intent of a resource neutral approach to capacity volume that reflects the deliverability of energy during periods of tight system conditions?	Determining the UCAP based on the Availability Factor is a reasonable approach for dispatchable resources. From a system adequacy perspective, the Availability Factor approach meets the intent of a resource neutral approach to capacity volume that reflects the deliverability of energy during periods of tight system conditions. It is critical that the determination and calculation of the UCAP under the Availability Factor approach is consistent with the resource adequacy modeling methodology and results. This will ensure the appropriate amount of UCAP capacity is assigned to individual dispatchable resources and total UCAP to be procured from individual resources is the amount required to meet resource adequacy requirement as determined by the resource adequacy modeling. The details of applying the Availability Factor approach to determine UCAP for dispatchable resources should be revisited once the resource adequacy modeling results become available.
2. Payment Adjustment Mechanism: Can you support using a 60/40 performance/ availability framework? Does the approach achieve the intent of higher adjustments to performance periods?	The 60/40 payment adjustment mechanism is a reasonable balance between the needs of incenting resource availability during performance periods and liming the risk premium demanded by a resource bidder in managing that risk.
3. Payment Adjustment Mechanism: Can you support a monthly cap at 300%? Does the approach achieve the intent of reasonably limiting adjustment payments?	A monthly cap at 300% of monthly capacity revenue is reasonable as it provides signals to incent capacity resources to perform while capping the risk of non-performance at a manageable level. It helps reduce the risk premium built into the capacity offer, by limiting participants' exposure from excessively high risk while discourages speculative capacity sales.
4. Payment Adjustment Mechanism: Can you support a 1.3x annual revenue/ rebalancing assessment limit? Does the approach achieve the intent of ensuring capacity resources are available for the obligation period?	A 1.3x of annual capacity revenue is reasonable as it provides signals to incent capacity resources to perform while capping the risk of non-performance in a manageable level. It helps reduce the risk premium built into the capacity offer by limiting participants' exposure from excessively high risk and discourages speculative capacity sales.
5. Market Power Mitigation: Can you support setting a market power screen as a fixed percentage of aggregate UCAP requirement for the auction? Does	Using a fixed percentage of aggregated UCAP to set market power screening is reasonable based on the preliminary work the AESO and Brattle conducted with respect to market power incentive testing.

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the approach meet the needs of mitigating supplier market power?	
6. Market Power Mitigation: Is a price cap of 50% of net CONE appropriate to mitigate the offers of suppliers with market power?	50% of net CONE is consistent with what have been adopted in other markets.
7. Market Power Mitigation: Do you think there is sufficient support that mitigation of buyer side market power is not initially required in the capacity market?	Byuer side market mitigation is not initially required in the capacity market. Most competitive retail providers do not own capacity resources, and statistics published by the MSA indicate that, of the competitive retail providers that do own capacity resources, none have a net-short position.
8. Delisting: Are there some circumstances where the delist bid of an asset does not clear but the asset continues to participate in the energy market?	No Comment
9. Delisting: Should a resource be able to delist from the capacity market but be eligible to participate in the energy and ancillary services market? For example: a. An asset of a non-mitigated supplier fails to clear, should it be allowed to continue energy market participation? b. For long outage requirements that are for a substantial portion of the year?	No Comment
10. Transition to Capacity Market: Is a rebalancing auction for first obligation period 2021/22 required and practical?	The original auction is going to be held in Nov 2019 with delivery period of Nov 2021. With two years before the delivery period, it is reasonable to have one rebalancing auction 3 months ahead of the Nov 2021 delivery period.

General Comments
Self-Supply

AltaLink agrees with the AESO's analysis described in the Rationale Document regarding the potential of self-suppliers not paying their fair share of reserve requirement under the same level of reliability criteria as the rest of load on the system (Page 3-6, Section 6: Physical and Bilateral Transactions and Self Supply). Given self-supplied load in Alberta is close to 20% of total gross load, it is imperative that the issue be dealt with in accordance with the principles as outlined in the AESO's Rationale Document (i.e. ensure supply adequacy, fairness, equal treatment and market efficiency, fair cost allocation, simplicity and consistency).

AltaLink agrees with the AESO's statement that the treatment of self-supply must ensure appropriate incentives are in place to discourage self-supply loads from consuming during the capacity performance periods to avoid potential reliability risk.

AltaLink further notes that appropriate treatment of self-supplied load is also important to ensure fairness and market efficiency. The net load from self-suppliers is the difference of its gross load minus output from BHF generation. As illustrated by the examples in the AESO's Rationale Document, this net load can change significantly depending on BHF generation's performance. For a pure generator, its capacity payment will be subject to a defined set of payment adjustment mechanisms that incent generators to deliver its obligation during performance periods. In contrast, as a self-supplier, there is no clearly defined performance requirements and penalty mechanism for BHF generation associated with a self-supplier. The different treatments between a pure generator and a BHF generator associated with a self-supplier in terms of performance requirements and incentives/penalties may result in an un-level playing field among grid and BHF generators and potentially lead to an inefficient market.

AltaLink agrees that, following the cost allocation policy discussion, the AESO should reconsider the Options regarding how much capacity to procure for self-supplied load.

Capacity Delivery Term

AltaLink understands that the AESO is conducting additional analysis on the appropriate length of the capacity delivery term and wishes to provide the following comments for the AESO's consideration.

AltaLink recommends that a new resource bidding into the capacity auction should have an option to lock in the auction clearing price for a period of 7 years. A longer capacity delivery period for new resource will lower financing cost and enhance competition. These outcomes will ultimately lower the cost to consumers in the form of lower auction price. In AltaLink's view, the benefit of a longer delivery term is much higher than the cost for consumers to assume the risk of locking in the prices for new resources, given the lower auction price would be applied to all resources cleared through the auction. In addition, the risk of locking in prices to consumers is mitigated by the design whereby AESO has options to reduce procurement amount in the following year, as well as hold rebalancing auctions to adjust its obligations on volume. Finally, providing new resource with an opportunity to locking in a price for a longer term than the existing resources is fair given that existing resources have largely recovered their capital and new resources will be subject to the same term as the existing resources once the locking period has ended.

In evaluating and deciding the preferred option for delivery period, it is important to consider the overall objective. As stated in AESO "Straw Alberta Market (SAM 1.0) – Proposal", one of the overall objective of capacity market design is to ensure lowest cost to consumers. The option of one-year term will not achieve this objective.