

January 26, 2018

Dear Stakeholders:

Re: **Comprehensive Market Design First Draft**

In January 2017, the Government of Alberta [directed](#) the AESO to design and implement a capacity market in Alberta. The first capacity market auction is to commence in 2019 with first delivery of capacity to occur in 2021. To assist with the delivery of this mandate, the AESO is leveraging the collective expertise of Alberta's electricity sector participants and stakeholders.

During the course of 2017, the AESO engaged both working groups and the broader stakeholder community at multiple stages to advance the technical elements of the capacity market design. Three iterations of a Straw Alberta Market proposal document (SAM 1.0, 2.0 and 3.0), which reflected the AESO's analysis and the recommendations of the working groups, were developed and posted for stakeholder comment.

To initiate the next stage in the advancement of the capacity market design, the AESO is posting its first draft of the proposed Comprehensive Market Design ([CMD 1](#)). CMD 1 sets out the AESO's proposed framework of the technical design of the capacity market, as informed by SAM 3.0 recommendations, stakeholder feedback, third party expert advice and internal AESO analysis. Given certain legislative changes required to enable the development and implementation of the capacity market have not yet been enacted, CMD 1 is premised on the assumptions that the preliminary technical design work can continue to proceed and that the authority, roles and responsibilities of Alberta's electricity-related agencies will ultimately be specified in legislation. Such legislation could necessitate the modification of some market design elements discussed in this draft of the CMD.

Concurrently with CMD 1, the AESO is posting an accompanying [rationale](#), which contains the AESO's support and other considerations for design proposals made in CMD 1. Both CMD 1 and the accompanying rationale, while posted as separate documents that each contain a number of discrete sections, are intended to be read holistically, and together. In addition, as part of its design activities the AESO modelled the Comprehensive Market Design to simulate capacity and energy market conditions under forecast scenarios to review various potential market conditions and determine the revenue sufficiency of select generating assets under those conditions. This analysis is presented in the report titled [Summary of Integrated Capacity and Energy Revenue Modelling](#) accompanying the CMD 1 and rationale documents. This collective set of documentation will facilitate discussions amongst three new streams of working groups scheduled to begin meeting in early February.

The CMD proposal and the accompanying rationale document will evolve over the coming months. The AESO will develop two drafts of the CMD, CMD 1 and CMD 2, before releasing a third draft, CMD 3, on April 24, 2018 for broad industry review and feedback. In February and March, CMD 1 and CMD 2 will be reviewed with working groups, and working group members will have the opportunity to provide feedback via this process. The AESO's objective for CMD 1 and CMD 2 is to leverage the working groups to ensure that CMD 3 will be sufficiently developed to allow for meaningful review and feedback by industry stakeholders in April. Stakeholders who wish to provide comments on CMD 1 or the accompanying documents before the formal comment period on CMD 3 (April 24 – May 11) can submit them to [capacitymarket@aeso.ca](mailto:capacitymarket@aeso.ca).

Any comments should be provided by February 22, 2018 to ensure they can be considered for CMD 2, which will be released on March 15, 2018. Please note that comments received will be considered but not formally responded to. Please [click here](#) for the AESO CMD engagement schedule. The technical design of the capacity market is currently scheduled to be completed by June 30, 2018 with the issuance of a final CMD. Subsequent engagement on the final CMD is currently scheduled to be completed by July 25, 2018. Stakeholder feedback received during this period will inform the next phase of capacity market implementation which is the formalization of the CMD into authoritative documents.

Sincerely,

Kevin Dawson  
Director, Market Design