

Friday, June 29, 2018

Dear Stakeholders:

Re: Final Comprehensive Market Design Proposal

The AESO is pleased to issue the final Comprehensive Market Design (CMD Final) proposal (including an accompanying rationale document and glossary) and would like to thank and acknowledge all stakeholders who have contributed to the achievement of this milestone.

The technical design for the capacity market that is reflected in CMD Final is a culmination of significant analysis and due diligence completed by the AESO and CMD working group members. It is also a reflection of feedback received and considered over the course of an extensive engagement with stakeholders that has been ongoing since early 2017, following the Government of Alberta’s direction to the AESO to design and implement a capacity market for Alberta.

CMD Final positions the AESO, in collaboration with industry, to embark on the next phase of work, which primarily involves the development of ISO rules necessary for the implementation of the capacity market. CMD Final will form the foundation of the obligations that are to be reflected in both new capacity market related ISO rules and certain amendments to existing ISO rules, the final forms of which the AESO plans to file with the Alberta Utilities Commission in Q1 of 2019. However, it is anticipated that implementation details of the technical design will continue to be tested and refined via stakeholder engagement during the rules development process.

The AESO recognizes the importance, at this juncture, for stakeholders to understand next steps with respect to additional engagement opportunities. A stakeholder session is planned for July 10, 2018, the intent of which is to ensure broad understanding of the technical market design in CMD Final and to share further details regarding the schedule of engagement opportunities over the coming months.

At this time, the AESO has arranged future stakeholder engagement opportunities into the following four streams and associated timeframes for each engagement.

Market Transition Engagement Stream	Timeframe
ISO capacity market rules	Q3/Q4 2018 (first sessions to be held week of July 23 rd)
Demand curve	Q3/Q4 2018 (next session to be held week of August 13 th)

Tariff design for capacity procurement cost allocation (joint engagement with transmission tariff design)	Starting Q3 2018, and throughout 2019
Roadmap for the evolution of the capacity and energy/ancillary services markets	Starting early Q4 2018, and throughout 2019

The roadmap items include the energy and ancillary service markets flexibility roadmap items described in Section 10.8 of CMD Final as well as previously identified items related to evolution of the capacity market, such as participation of energy efficiency, future treatment of asset volumes receiving support under the Renewable Electricity Program and participation of demand side resources on the supply side of the capacity market.

The AESO’s website provides a comprehensive account of how the process for developing CMD Final has advanced. Feedback we received from working group members and other stakeholders throughout the design process, as well as the various updates and session summaries we have posted, is available to review in the capacity market transition section of www.aeso.ca. A comment matrix to gather feedback on CMD Final will be posted on July 3rd. We encourage all stakeholders to provide their feedback by July 20, 2018.

We look forward to your continued participation as we transition from the development stage to the implementation of a capacity market in Alberta.

Yours truly,

< *Original Signed By* >

Kevin Dawson,
 Director, Market Design