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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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?	No. The AESO mentions in the rationale document that historical AC submissions can be used to determine resource-specific Availability Factors. However, this same data could also be used to determine *Equivalent Availability Factors*, thereby accounting for the inevitability of planned, random, and seasonal derates into UCAP determinations. This may be especially relevant for some dispatchable resources whose availability during performance periods will tend to be less than usual. For example, natural gas combustion turbines typically derate during warm ambient air conditions, and cannot be expected to perform as well during summer performance periods. An Availability Factor method would not capture this relationship, and the UCAP of such resources would tend to be overstated, whereas an Equivalent Availability Factor (EAF) method would capture this and bring the resulting UCAP more in line with actual expectations.
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 adjustment mechanism should place a greater emphasis on actual performance to ensure capacity is actually delivered when it is required. Slow ramping assets (such as coal to gas conversions) may be technically in compliance with their dispatch and "available" during a performance period, however if the assets are not actually generating during the performance period then the capacity contribution of the asset is negligible.
3. Payment Adjustment Mechanism: Can you support a monthly cap at 300%? Does the approach achieve the intent of reasonably limiting adjustment payments?	Yes - The existence of a cap will reduce the risk of excessive under-performance adjustments to capacity resources, allowing them to bid more confidently at lower prices.
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?	Yes - The existence of a cap will reduce the risk of excessive under-performance adjustments to capacity resources, allowing them to bid more confidently at lower prices.
5. Market Power Mitigation: Can you support setting a market power screen as a fixed percentage of aggregate UCAP requirement for the auction? Does the approach meet the needs of mitigating supplier	Yes, given the existence of a mechanism whereby a participant bidding a large portfolio of resources can become exempt from ex-ante offer mitigation on a case by case basis by demonstrating under scrutiny a resource's higher on-going costs.

CMD Key Design Questions	Comments and / or Recommendations
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?	Yes, given the existence of a mechanism whereby a participant bidding a large portfolio of resources can become exempt from ex-ante offer mitigation on a case by case basis by demonstrating under scrutiny a resource's higher on-going costs.
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?	Yes.
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?	
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?	Yes, but only in unusual circumstances, such as for long outage requirements that are for a substantial portion of the year. This should not be used as a mechanism whereby resources can easily circumvent the must offer requirements of the capacity market. Assets that do not clear the capacity auctions should be allowed to continue to participate in the Energy and AS markets, although this should not necessitate delisting of the resource from the capacity market.
10. Transition to Capacity Market: Is a rebalancing auction for first obligation period 2021/22 required and practical?	Yes, because the Forward Auction occurring in Nov 2019 will occur 24 months in advance of delivery, which is longer than both of the proposed timings of the two rebalancing auctions of 18 months and 3 months prior to delivery. However, it would be practical to only hold one rebalancing auction at 3 months prior to delivery rather than the usual two, given the relative proximity of the initial forward auction to the usual T-18 month rebalancing auction.

General Comments

EPCOR does not support the proposed mechanism of providing the proceeds from under-performance adjustments to over-performing resources for several reasons:

1. This mechanism goes against the principles of **equity.** If load is paying for a service, and the service is not provided, then load should be entitled to the penalties imposed.
2. This mechanism goes against the principles of **economic efficiency** and **cost effectiveness** because capacity resources will not value the chance of receiving proceeds from under-performance adjustments as highly as load will value the guaranteed return of such proceeds. As a result, this mechanism will result in overall capacity costs that are needlessly high.
3. This mechanism serves no useful purpose. During the Design Working Group meeting, the AESO described the rationale for giving the underperformance penalties to over-performers as a way to get as much capacity to perform as possible when needed. However, this approach is redundant and ineffective because contracted capacity resources are a) already obligated to perform under “must offer, must comply” rules in the Energy market, and b) will be capturing prices in the Energy market that are reflective of the scarcity in effect at the time (up to 1000 $/MWh). Providing the proceeds of under-performance adjustments to over-performers would be paying them to do what they are already otherwise obligated and well-incented to do in the Energy market.
4. EPCOR is further concerned that the distribution of underperformance adjustments to over-performers may result in potential gaming opportunities whereby market participants with a portfolio of capacity resources can seek to influence or manipulate the resulting performance adjustments.

Rather, the proceeds from under-performance adjustments should be returned to the consumers that are allocated and paying the capacity charges.