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November 29, 2017

AR29445

David Erickson  
Alberta Electric System Operator (AESO)  
[david.erickson@aeso.ca](mailto:david.erickson@aeso.ca)

Dear Mr. Erickson:

The Government of Alberta would like to better understand the potential role for dispatchable renewables, as Alberta transitions to the new electricity market structure and progresses towards the 30 per cent renewable electricity generation by 2030 target.

The government appreciates the potential value that on-demand renewables can provide to Alberta's electricity system reliability, especially as significant intermittent generation is brought onto the grid through initiatives such as the Renewable Electricity Program (REP). We also recognize the importance of ensuring any approach specific to dispatchable renewables is consistent with Alberta's competitive generation market.

To that end, additional analysis and stakeholder engagement is required to determine the precise need, and subsequent best means, to secure these system benefits through a competitive process compatible with Alberta's electricity market. The Government of Alberta requests the AESO to conduct a review of the electricity system requirements as described above, engaging technical and other stakeholders as necessary, and that this be completed by May 2018.

The AESO is further requested to consider the findings of this review and prepare a recommendation to the Government of Alberta detailing:

- I. whether any additional products or services are required;
- II. if so, whether they may be procured using existing market mechanisms or whether discrete competitions will be required; and
- III. if discrete competitions are required, a proposal as to the structure and timeline of such competitions.

If, at the end of the process set out above, an identified need for discrete competitions is established, recommendations on competition design—be it through REP or otherwise—need to be completed by August 2018. Subsequent competition would need to be launched no later than November 2018, pending approval from the Minister.

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We also request that recommendations be developed consistent with the following desired outcomes, should the review point towards the need for additional products and services:

- Contribute towards meeting the Government of Alberta's target to ensure that at least 30 per cent of electricity is produced by renewable sources by 2030, as per Section 2 of the *Renewable Electricity Act*.
- Maintain or improve the future reliability of Alberta's electricity grid.
- Ensure minimal market impacts outside of the desired outcomes.
- Meet Alberta's electricity system needs in a cost-effective manner (inclusive of indirect costs such as transmission requirements).

The review is to include all forms of renewable generation typically associated with the ability to be dispatched when required—hydroelectricity, biomass and geothermal—as well as the role electricity storage can play to enhance the availability of these sources and to firm wind and solar. Furthermore, as part of the process of determining system need, AESO should also put forward a recommended definition for dispatchable renewables informed by this engagement.

Lastly, we request that all engagement be framed as information gathering to inform future decisions, with no commitment to specific outcomes until such a time that the Minister directs you otherwise.

Sincerely,



Coleen Volk  
Deputy Minister

cc: Mike Law, Alberta Electric System Operator