

January 3, 2019

To: Market Surveillance Administrator, Market Participants and Other Interested Parties

Re: Letter of Notice – Re-consultation on Proposed New Section 206.5, Forward Period Milestone Assessment (“Section 206.5”) and the Proposed New “Obligation Period” Definition

Pursuant to Section 12.3 of Alberta Utilities Commission (“AUC” or “Commission”) Rule 017, the Alberta Electric System Operator (“AESO”) is providing notice and seeking feedback from the Market Surveillance Administrator, market participants, and other interested parties (“stakeholders”) on proposed new Section 206.5 and the proposed new “obligation period” definition.

Background

On October 22, 2018, the AESO posted a [Letter of Notice](#) regarding the proposed new and amended Capacity Market Rules and Definitions. The Capacity Market Rules and Definitions included proposed new Section 206.5 and the proposed new “obligation period” definition. On November 29, 2018, the AESO posted stakeholder comments regarding the Capacity Market Rules and Definitions and AESO replies. The AESO is still in the process of determining whether any amendments will be made to proposed new Section 206.5 and the “obligation period” definition as a result of previously received stakeholder comments.

However, the AESO has decided to re-consult on proposed new Section 206.5 and the “obligation period” definition in the context of the following two documents commissioned by the AESO:

1. *Capital Markets Impacts of Electricity Capacity Market Length of Contract*, prepared by Morrison Park Advisors dated February 2018; and
2. *New Asset Development Milestone Schedules*, prepared by Sargent and Lundy Consulting dated July 2018.

While the AESO commissioned and considered these documents in the course of designing the Alberta capacity market, in light of the overall market design, AESO personnel exercised their own judgment to establish the final design elements to be incorporated in the provisional rules, including those relating to milestone schedules and term. The AESO views these documents as being peripheral to its final rule drafting decisions. However, in light of the Commission’s December 14, 2018 ruling, out of an abundance of caution the AESO is consulting on these documents in the context of the associated rule and definition, with the intention of including these documents in its application.

Defined Terms

When reviewing the attached proposed new Section 206.5, stakeholders should note that all defined terms appear in **bold**. Market participants are encouraged to refer to the AESO’s [Consolidated Authoritative Documents Glossary](#) (“CADG”) when reviewing the proposed Capacity Market Rules to ensure they have an accurate understanding of those defined terms.

Request for Comments

Please use the *Stakeholder Comment Matrix – Development of Proposed ISO Rule* when submitting comments to the AESO. Only written comments will be considered in finalizing the proposed new Section 206.5 and the “obligation period” definition. Stakeholders should ensure that comments provided

represent all interests within their organization. The scope of comments is limited to comments on the proposed new Section 206.5, the definition of “obligation period” and any other proposed new and amended Capacity Market Rules and Definitions arising from the two documents described above. Any comments received that are outside of this scope will not be considered by the AESO. Please also note that any comments that were previously submitted to the AESO will be considered and should not be resubmitted.

Stakeholders are asked to provide comments no later than January 18, 2019 to rules_comments@aeso.ca. Adherence to deadlines is essential to the integrity of the ISO rules comment process. As such, any stakeholder comments received after January 18, 2019 may not be published, replied to, or otherwise considered by the AESO.

The AESO expects to publish all comments received and AESO replies by January 31, 2019.

Attachments to Letter of Notice

In accordance with Section 12.3 of AUC Rule 017, the following documents are attached:

1. Clean copies of [proposed new Section 206.5](#) and the [obligation period definition](#).
2. [Stakeholder Comment Matrix for proposed new Section 206.5](#)
3. [Stakeholder Comment Matrix for the “obligation period” definition](#).
4. [Capital Markets Impacts of Electricity Capacity Market Length of Contract](#), prepared by Morrison Park Advisors dated February 2018.
5. [New Asset Development Milestone Schedules](#), prepared by Sargent and Lundy Consulting dated July 2018.

Yours truly,

Pauline McLean

Director, Legal & Regulatory Affairs & Associate General Counsel