

December 18, 2018

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

Re: **Letter of Notice – Revised New Section 201.13 of the ISO Rules, *Capacity Market Clearing* (“Section 201.13”)**

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 revised new Section 201.13.

### **Background**

On August 3, 2018, the AESO posted proposed new Section 201.13 to its website as part of the Set 1 Draft Rules, and invited stakeholder comments. On August 31, 2018, the AESO posted a revised version of Section 201.13 on its website to provide further details on clearing equivalent blocks submitted at the clearing price. On October 22, 2018, the AESO posted version of proposed new Section 201.13 to its website, which had been further revised in response to stakeholder comments and invited a second round of stakeholder comments. The AESO posted replies to these comments on November 29, 2018.

The AESO has further reviewed proposed new Section 201.13 and has determined that additional amendments should be made in order to simplify the implementation of capacity market clearing in the case of transmission or intertie limits. The amendments are summarized as follows:

- New provisions have been added to accommodate two types of limitations on the transmission system or an intertie that might impact the ability of an asset to deliver their electric energy. First, for new assets, the ability to deliver capacity hinges on their ability to connect. Second, for existing assets, the ability to deliver capacity depends on the extent to which the transmission system might limit the output of their asset.
- For assets that are limited in their ability to connect, a connection order ranking will be established for new assets based on the weighted average offer price for each new asset. A transmission assessment will be done based on this ranking for new assets from lowest to highest weighted average price until a limit is reached or all units are assessed. Where a limit is reached, only the offers for the new assets deemed likely able to connect in an unconstrained manner will be cleared. Only those offers that were deemed cleared in unconstrained clearing will be eligible for clearing in the constrained process. The volume that does not clear pursuant to the constrained clearing process will be procured “out of market” from resources priced above the unconstrained price. These resources will receive an uplift paid on the difference.
- For assets that are limited in their ability to deliver, offers will be cleared using the individual offer block price quantity pairs, rather than through the maximization of social surplus. The intent is to procure lower priced capacity before higher priced capacity and allow the procurement of capacity from multiple assets subject to these types of limitations.
- For assets that are limited in their ability to connect or deliver, when the marginal asset or offer block is an inflexible offer block that results in a transmission or intertie limit being exceeded, it is permissible to procure higher priced assets or offer blocks in order to minimize uplift payments. This intent to minimize uplift payments remains unchanged from the previous version of Section

201.13. Note that, to be eligible to clear ahead of the lower priced capacity that exceeded the limit, this higher priced offer block must have been cleared during the unconstrained clearing of the capacity market.

## Defined Terms

When reviewing the attached proposed new Section 201.13, 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 201.13. Stakeholders should ensure that comments provided represent all interests within their organization. The scope of comments is limited to the proposed new Section 201.13. Any comments received that are outside of this scope will not be considered by the AESO.

Stakeholders are asked to provide comments no later than January 10, 2019. Adherence to deadlines is essential to the integrity of the ISO rules comment process. As such, any Stakeholder comments received after January 10, 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 18, 2019.

## Attachments to Letter of Notice

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

1. [Clean copy of proposed new Section 201.13.](#)
2. [Blackline copy comparing the October 22, 2018 and December 18, 2018 versions of proposed new Section 201.13.](#)
3. [Stakeholder Comment Matrix for proposed new Section 201.13.](#)

Yours truly,

Pauline McLean

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