

November 28, 2018

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

Re: **Letter of Notice – New Section 207.2 of the ISO Rules, *Gross Minimum Procurement Volume* (“Section 207.2”)**

Pursuant to Section 10 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 the attached proposed new Section 207.2.

Background

As part of the AESO’s capacity market design process, the AESO consulted with the [Adequacy and Demand Curve Work Group](#) in 2017 and the [Demand Curve Working Group](#) in 2018 on the resource adequacy methodology and key inputs. On August 31, 2018, the AESO released gross minimum procurement volumes for the 2021/2022 and 2022/2023 obligation periods as part of Set 3 of the ISO rules for the implementation of the capacity market (“Set 3 Rules”). The procurement volumes were included in proposed new [Section 207.1 of the ISO rules, *Gross Minimum Procurement Volume*](#).

In response to stakeholder feedback that the procurement volumes for the 2021/2022 and 2022/2023 obligation periods would result in over procurement, the AESO conducted a review of key model inputs. Details regarding the AESO’s review process are set out in Attachment 1.

As a result of the AESO’s review:

- the gross minimum procurement volume for the base auction for the 2021/2022 obligation period has been revised from 18,516 MW to 18,305 MW of maximum capability; and
- the gross minimum procurement volume for the base auction for the 2022/2023 obligation period has been revised from 18,597 MW to 18,400 MW of maximum capability.

The AESO is providing stakeholders with an opportunity to provide feedback on the revised procurement volumes.

In addition, please note that the name and numbering of the ISO rules relating to the demand curve parameters has been revised as follows:

- the gross minimum procurement volumes for the 2021/2022 and 2022/2023 obligation periods have been moved into proposed new Section 207.2, *Gross Minimum Procurement Volumes*;
- proposed New Section 207.1 has been renamed *Resource Adequacy Model*; and
- *Calculation of Net-CONE* and *Shape of Demand Curve* have been renumbered to Section 207.3 and Section 207.4, respectively.

Defined Terms

When reviewing the attached proposed new Section 207.2, 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 207.2. Stakeholders should ensure that comments provided represent all interests within their organization. The scope of comments is limited to the proposed new Section 207.2. 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 December 13, 2018. Adherence to deadlines is essential to the integrity of the ISO rules comment process. As such, any Stakeholder comments received after December 13, 2018 may not be published, replied to, or otherwise considered by the AESO.

The AESO expects to publish all comments received and AESO replies by December 21, 2018.

Attachments to Letter of Notice

In accordance with Section 6.3 of AUC Rule 017, the following documents are attached:

1. [Appendix 1 – Gross Minimum Procurement Volume Input and Methodology Review](#)
2. [Clean copy of proposed new Section 207.2](#)
3. [Stakeholder Comment Matrix for proposed new Section 207.2](#)

Yours truly,

Pauline McLean

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