

Alberta Capacity Market

Comprehensive Market Design (CMD 1) Design Proposal Document

Section 6: Physical Bilateral Transactions and Self-Supply

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6 Physical Bilateral Transactions and Self-Supply

6.1 Physical Bilateral Transactions and Support for Self-Supply

A physical bilateral transaction is defined as a contractual arrangement between a load market participant and a specific capacity resource utilizing the transmission or distribution system for physical delivery of all or a portion of the load's capacity needs, removing both the supply and demand volumes from the AESO-administered capacity market. Physical bilateral transactions will not be permitted; however, a site may choose to self-supply capacity.

6.2 Self-Supply Requirements

- A site may self-supply capacity provided it meets the eligibility requirements set out in Section 2.1 – *Prequalification of Capacity Resources*.
- Sites with onsite generation that cannot physically flow their gross volumes due to system connection limitations must self-supply.
- The city of Medicine Hat meets the “must self-supply” criteria and will be required to self-supply within the capacity market.
- Self-suppliers who intend to change from participating on a net basis to a gross basis or from a gross basis to a net basis must declare their intention to the AESO. Changes will only be allowed once every three years.

6.3 Ex ante Asset Substitution within the Capacity Market

- Asset substitution between a committed-capacity resource and a qualified but non-committed capacity resource will be allowed on an *ex ante* basis up until the start of the energy market settlement interval.
- With asset substitution, the payment adjustments associated with under-performance and over-performance of the substituted asset will be assessed to the original obligation holder and not to the substituted asset owner. The capacity obligation during the substitution period will not be transferred to the substituted resource.

Ex ante asset substitutions must be registered with the AESO specifying:

- The start date and time and end date and time of the substitution. The start date and time must not be prior to the registration date and time.
- The volume of the capacity obligation to be substituted. This volume must be less than or equal to the unforced capacity (UCAP) of the substituted asset. The substituted volume must not be greater than the substituting assets capacity obligation.
- The approval of the substitution by both counterparties is required before the begin date and time of the substitution.
- The financial arrangement between the two counterparties is not required in the asset substitution registration.

6.4 Capacity Obligations Tracking Infrastructure and Processes

The AESO will develop a platform to track capacity supply and demand data to support several functions in the capacity market.¹ Capacity resource owners will use the platform to track their qualification status, UCAP ratings, auction results including the capacity obligation volumes and associated prices for each obligation period. The tracking system will also support self-supply and asset substitution arrangements among owners of a capacity resource.

¹ This platform will be similar to tools used in other capacity markets, specifically the Module E-1 Capacity Tracking Tool (MECT) used in MISO.