



**Please provide your comments on the following (as set out in AUC Rule 017 s. 13(b-j)):**

Item #		Stakeholder comments
1	whether you agree that Section 103.9, <i>Capacity Market Financial Settlement</i> relates to the capacity market and why or why not	The UCA seeks clarification in regards to subsection 3(2)(a). In particular, why has \$2,771/MW been selected as the capacity commitment multiplier, and why has \$33/kW-year been selected as a benchmark clearing price for the base auction?
2	whether you agree that Section 103.9, <i>Capacity Market Financial Settlement</i> should or should not be in effect for a fixed term and why or why not	As the capacity market will be new and constantly evolving, the UCA believes that the proposed rules should be in effect for a fixed term in order to have the chance to review and modify it while still providing assurance that the Rule will not change during the fixed term (allowing parties to operate in relative certainty).
3	whether you understand and agree with the objective or purpose of Section 103.9, <i>Capacity Market Financial Settlement</i> and whether, in your view, Section 103.9, <i>Capacity Market Financial Settlement</i> meets the objective or purpose	The UCA understands and agrees with the objectives of the proposed new ISO Rule.
4	how, in your view, Section 103.9, <i>Capacity Market Financial Settlement</i> affects the performance of the capacity market and the electricity market	The rule details the net capacity payments, payment methods, informal and formal disputes, and market settlements which ties directly into the capacity and electricity market.
5	your views on any analysis conducted or commissioned by the AESO supporting Section 103.9, <i>Capacity Market Financial Settlement</i>	See comments below.
6	whether you agree with Section 103.9, <i>Capacity Market Financial Settlement</i> taken together with all ISO rules and in light of the principle of a fair, efficient and openly competitive market	See comments below.
7	whether you would suggest any alternatives to Section 103.9, <i>Capacity Market Financial Settlement</i>	The UCA recommends that the ISO use any remaining adjustment funds to offset capacity market costs after each settlement period. There must be a time limit or a financial threshold that triggers the ISO to use the funds to offset costs and not simply allow the funds to accumulate.

Item #		Stakeholder comments
8	whether you agree that the proposed provisional rule supports ensuring a reliable supply of electricity at a reasonable cost to customers and why or why not	The cost may not be reasonable for the reasons/concerns noted above.
9	whether you agree that the proposed provisional rule supports the public interest and why or why not	If the cost is too high the public interest is not supported.
10	whether you have any additional comments	No.



**Please provide your comments on the following (as set out in AUC Rule 017 s. 13(b-j)):**

Item #		Stakeholder comments
1	whether you agree that Section 201.15, <i>Delisting</i> relates to the capacity market and why or why not	Yes, delisting requirements provide clarity to the AESO for calculations of resource adequacy supply.
2	whether you agree that Section 201.15, <i>Delisting</i> should or should not be in effect for a fixed term and why or why not	As the capacity market will be new and constantly evolving, the UCA believes that the proposed rules should be in effect for a short fixed-term in order to have the chance to review and modify it while still providing assurance that the Rule will not change during the fixed term (allowing parties to operate in relative certainty).
3	whether you understand and agree with the objective or purpose of Section 201.15, <i>Delisting</i> and whether, in your view, Section 201.15, <i>Delisting</i> meets the objective or purpose	Yes.
4	how, in your view, Section 201.15, <i>Delisting</i> affects the performance of the capacity market and the electricity market	The rule contain strict requirements of temporary and permanent delisting. This rule would enhance the performance of the capacity market because it would provide a very clear picture of who is participating and who is not participating.
5	your views on any analysis conducted or commissioned by the AESO supporting Section 201.15, <i>Delisting</i>	No comment.
6	whether you agree with Section 201.15, <i>Delisting</i> taken together with all ISO rules and in light of the principle of a fair, efficient and openly competitive market	Yes, if communicated appropriately to all market participants.
7	whether you would suggest any alternatives to Section 201.15, <i>Delisting</i>	No.
8	whether you agree that the proposed provisional rule supports ensuring a reliable supply of electricity at a reasonable cost to customers and why or why not	The cost may not be reasonable for the reasons/concerns noted above.

Item #		Stakeholder comments
9	whether you agree that the proposed provisional rule supports the public interest and why or why not	If the cost is too high the public interest is not supported.
10	whether you have any additional comments	<p>Section 2(2)(a)(iii) states, “the start date and the end date of the delist outage referred to in 2(2)(b)(i)”, however 2(2)(b)(i) does not exist.</p> <p>Section 201.15 s2(2)(a)(i) does not currently account for a leap year. Consideration should be included for leap years.</p> <p>Section 2(2)(a) states that a capacity market participant must submit, “an attestation from a corporate officer of the pool participant.” The UCA believes that there should be a more rigorous and transparent process for submitting requests rather than relying solely on an officers attestation. The process should provide the ability for interveners to dispute or challenge the request if desired.</p> <p>This reinforces the need for proper scrutiny on the costs submitted to support delisting. There should be a submission of costs to an independent third party such as the AUC and proper process should be followed to ensure costs are prudent and reasonable.</p>



**Please provide your comments on the following (as set out in AUC Rule 017 s. 13(b-j)):**

Item #		Stakeholder comments
1	whether you agree that Section 203.5, <i>Energy Market Mitigation</i> relates to the capacity market and why or why not	The UCA agrees that the proposed ISO Rule-Section 203.5 relates to the capacity market as it gives the ISO the authority to modify the bid price of operating blocks for participants who have market power.
2	whether you agree that Section 203.5, <i>Energy Market Mitigation</i> should or should not be in effect for a fixed term and why or why not	Considering the many unknowns that will affect the market and the uncertainty inherent in any new design, a short-fixed term would be appropriate to allow a revision if necessary. This is fundamental to the market design and therefore it should be reviewed to ensure it is correct.
3	whether you understand and agree with the objective or purpose of Section 203.5, <i>Energy Market Mitigation</i> and whether, in your view, Section 203.5, <i>Energy Market Mitigation</i> meets the objective or purpose	Yes, ISO Rule – Section 203.5 meets its intended objective/purpose.
4	how, in your view, Section 203.5, <i>Energy Market Mitigation</i> affects the performance of the capacity market and the electricity market	The intent of energy market mitigation is to ensure a fair market to all participants regardless of market share. However, insufficient mitigation could have an impact on competitive market forces.
5	your views on any analysis conducted or commissioned by the AESO supporting Section 203.5, <i>Energy Market Mitigation</i>	The UCA has no further comment regarding the analysis supporting the proposed ISO Rule – Section 203.5.
6	whether you agree with Section 203.5, <i>Energy Market Mitigation</i> taken together with all ISO rules and in light of the principle of a fair, efficient and openly competitive market	Yes, the UCA agrees with the new ISO Rule-Section 203.5 taken together with all ISO rules in light of FEOC.
7	whether you would suggest any alternatives to Section 203.5, <i>Energy Market Mitigation</i>	There are no alternatives the UCA is proposing at this time.



Item #		Stakeholder comments
8	whether you agree that the proposed provisional rule supports ensuring a reliable supply of electricity at a reasonable cost to customers and why or why not	<p>The cost may not be reasonable for the reasons stated.</p> <p>Currently the balancing auction is not subject to Market Mitigation as it is expected to be relatively small in comparison to the initial auction. This should be closely monitored and changed if higher than anticipated volumes are encountered in the balancing auctions.</p>
9	whether you agree that the proposed provisional rule supports the public interest and why or why not	<p>The AESO has proposed an asset-specific reference price (ASRP) as a multiple of the asset's short-run marginal cost that represents the maximum price level at which the asset would be allowed to offer if the firm is assessed to have market power. In the case of scarcity in the energy market, the AESO has proposed a 3x ASRP offer limit with a supply cushion of &gt;1000MW and 6x between 250-1000MW.</p> <p>In June 2018, the AESO proposed 2x and 3x multipliers respectively. If the limits to the multipliers unnecessarily raise prices, it will significantly impact consumers and would not be considered in the public interest.</p>
10	whether you have any additional comments	<p>An officer's attestation certificate is not required as part of the submittal of asset-specific cost information and there is no scrutiny or intervention opportunities available to challenge the integrity and accuracy of the information provided. As with most cost related requirements, there should be some oversight to ensure that the submissions are prudent and reasonable.</p> <p>This reinforces the need for proper scrutiny on the costs submitted to support the asset specific cost information. There should be a submission of costs to an independent third party such as the AUC and proper process should be followed to ensure costs are prudent and reasonable.</p>



Blackline of Suggested Rule Wording	Rationale

**Please provide your comments on the following (as set out in AUC Rule 017 s. 13(b-j)):**

Item #		Stakeholder comments
1	whether you agree that Section 206.3, <i>Uniform Capacity Value Determination</i> relates to the capacity market and why or why not	The UCA believes that the proposed ISO Rule relates to the capacity market as it governs the formulas, details, and calculations necessary to determine a participants Uniform Capacity Value (UCAP).
2	whether you agree that Section 206.3, <i>Uniform Capacity Value Determination</i> should or should not be in effect for a fixed term and why or why not	As the capacity market will be new and constantly evolving, the UCA believes that the proposed rules should be in effect for a fixed term in order to have the chance to review and modify it while still providing assurance that the Rule will not change during the fixed term (allowing parties to operate in relative certainty).
3	whether you understand and agree with the objective or purpose of Section 206.3, <i>Uniform Capacity Value Determination</i> and whether, in your view, Section 206.3, <i>Uniform Capacity Value Determination</i> meets the objective or purpose	The UCA understands the objective/purpose of the proposed ISO Rule but does not necessarily support the proposed UCAP calculation.
4	how, in your view, Section 206.3, <i>Uniform Capacity Value Determination</i> affects the performance of the capacity market and the electricity market	The UCA believes that the proposed ISO Rule is a necessary step in providing participants transparency and a clear understanding as to how the ISO determines their UCAP values. The objective nature of the Rule will also reduce administrative burden on the ISO.
5	your views on any analysis conducted or commissioned by the AESO supporting Section 206.3, <i>Uniform Capacity Value Determination</i>	The UCA has previously addressed concerns with the UCAP determination calculation and whether too much or too little capacity will be procured as a result.
6	whether you agree with Section 206.3, <i>Uniform Capacity Value Determination</i> taken together with all ISO rules and in light of the principle of a fair, efficient and openly competitive market	The UCA previously recommended the ISO consider a self-declared UCAP approach, where generators calculate their own UCAP and present it to the ISO for consideration.
7	whether you would suggest any alternatives to Section 206.3, <i>Uniform Capacity Value Determination</i>	The UCA, in previous stakeholder engagement sessions, recommended the ISO consider a self-declared UCAP approach, where generators compute their own UCAP and present it to the ISO for consideration.

Item #		Stakeholder comments
8	whether you agree that the proposed provisional rule supports ensuring a reliable supply of electricity at a reasonable cost to customers and why or why not	The cost may not be reasonable for the reasons/concerns noted above.
9	whether you agree that the proposed provisional rule supports the public interest and why or why not	If the cost is too high the public interest is not supported.
10	whether you have any additional comments	For clarity, “historical data set” should be defined as 1250 of the tightest supply cushion hours over the last 5 years subject to rule 206.3.



**Please provide your comments on the following (as set out in AUC Rule 017 s. 13(b-j)):**

Item #		Stakeholder comments
1	whether you agree that Section 206.7, <i>Capacity Market Mitigation</i> relates to the capacity market and why or why not	The UCA agrees that the proposed ISO Rule-Section 206.7 relates to the capacity market as it gives the ISO the authority to modify the bid price of operating blocks for participants who have market power.
2	whether you agree that Section 206.7, <i>Capacity Market Mitigation</i> should or should not be in effect for a fixed term and why or why not	As the capacity market will be new and constantly evolving, the UCA believes that the proposed rules should be in effect for a fixed term in order to have the chance to review and modify it while still providing assurance that the Rule will not change during the fixed term (allowing parties to operate in relative certainty).
3	whether you understand and agree with the objective or purpose of Section 206.7, <i>Capacity Market Mitigation</i> and whether, in your view, Section 206.7, <i>Capacity Market Mitigation</i> meets the objective or purpose	The UCA understands the purpose of Section 206.7.
4	how, in your view, Section 206.7, <i>Capacity Market Mitigation</i> affects the performance of the capacity market and the electricity market	The intent of energy market mitigation is to ensure a fair market to all participants regardless of market share. However, insufficient mitigation could have an impact on competitive market forces.
5	your views on any analysis conducted or commissioned by the AESO supporting Section 206.7, <i>Capacity Market Mitigation</i>	The UCA has no further comment regarding the analysis supporting the proposed ISO Rule – Section 206.7.
6	whether you agree with Section 206.7, <i>Capacity Market Mitigation</i> taken together with all ISO rules and in light of the principle of a fair, efficient and openly competitive market	UCA does not agree for the reason stated below.
7	whether you would suggest any alternatives to Section 206.7, <i>Capacity Market Mitigation</i>	The price cap could be modified as the coal fleet is retired. If there are expectations for modifying the offer cap in the future, perhaps to match a decreasing conventional coal fleet, then this would be important information for investors in new supply.
8	whether you agree that the proposed provisional rule supports ensuring a reliable supply of electricity at a reasonable cost to customers and why or why not	The cost may not be reasonable for the reasons/concerns noted above.

Item #		Stakeholder comments
9	whether you agree that the proposed provisional rule supports the public interest and why or why not	If the cost is too high the public interest is not supported.
10	whether you have any additional comments	<p>The UCA is extremely concerned that the asset specific price cap, supported only by an attestation by a corporate officer, would consistently set the clearing price of the capacity market. Has the AESO done further simulations to determine how often the asset specific price cap on coal generation assets could drive up prices for consumers in the province? This will likely set the market clearing price, which all participants will receive, unnecessarily increasing costs to consumers.</p> <p>This reinforces the need for proper scrutiny on the costs submitted to establish the offer specific price cap. There should be a submission of costs to an independent third party such as the AUC and proper process should be followed to ensure costs are prudent and reasonable.</p>







**Please provide your comments on the following (as set out in AUC Rule 017 s. 13(b-j)):**

Item #		Stakeholder comments
1	whether you agree that Section 207.1, <i>Gross Minimum Procurement Volume</i> relates to the capacity market and why or why not	Yes, the UCA believes that the <i>Gross Minimum Procurement Volume</i> relates to the capacity market due to its relationship with the demand curve.
2	whether you agree that Section 207.1, <i>Gross Minimum Procurement Volume</i> should or should not be in effect for a fixed term and why or why not	Considering the many unknowns that will affect the market and the uncertainty inherent in any new design, a short fixed-term would be appropriate to allow a revision if necessary. This is fundamental to the market design and therefore it should be reviewed to ensure that it is correct.
3	whether you understand and agree with the objective or purpose of Section 207.1, <i>Gross Minimum Procurement Volume</i> and whether, in your view, Section 207.1, <i>Gross Minimum Procurement Volume</i> meets the objective or purpose	The UCA understands and agrees with the objective proposed in Section 207.1.
4	how, in your view, Section 207.1, <i>Gross Minimum Procurement Volume</i> affects the performance of the capacity market and the electricity market	If the <i>Gross Minimum Procured Volume</i> leads to over-procurement then we will pay too much for capacity and suppliers won't be able to make any money in the energy market. This will eventually lead to decreased participation which could impact reliability negatively. Over-procurement will also cost consumers more with no additional value.
5	your views on any analysis conducted or commissioned by the AESO supporting Section 207.1, <i>Gross Minimum Procurement Volume</i>	The UCA believes that the analysis performed has resulted in a <i>Gross Minimum Procurement Volume</i> that is too high. The AESO also needs to consider that there is likely to be an increase in the amount of distributed generation on the system. This should be factored in to the resource adequacy model because not doing so could lead to over-procurement of capacity. Over procurement will lead to increased costs to consumers.
6	whether you agree with Section 207.1, <i>Gross Minimum Procurement Volume</i> taken together with all ISO rules and in light of the principle of a fair, efficient and openly competitive market	If this section results in over procurement, it won't promote efficient market outcomes.

Item #		Stakeholder comments
7	whether you would suggest any alternatives to Section 207.1, <i>Gross Minimum Procurement Volume</i>	Refer to comments.
8	whether you agree that the proposed provisional rule supports ensuring a reliable supply of electricity at a reasonable cost to customers and why or why not	If the Gross Minimum Procured Volume leads to over-procurement then we will pay too much for capacity and suppliers won't be able to make any money in the energy market. This will eventually lead to decreased participation which could impact reliability negatively. This will not result in reasonable costs to consumers.
9	whether you agree that the proposed provisional rule supports the public interest and why or why not	If the costs are too high the public interest is not supported.
10	whether you have any additional comments	No.



**Please provide your comments on the following (as set out in AUC Rule 017 s. 13(b-j)):**

Item #		Stakeholder comments
1	whether you agree that Section 207.2, <i>Calculation of Net-CONE</i> relates to the capacity market and why or why not	Yes, it relates. It is a key component in the capacity market.
2	whether you agree that Section 207.2, <i>Calculation of Net-CONE</i> should or should not be in effect for a fixed term and why or why not	Considering the many unknowns that will affect the market and the uncertainty inherent in any new design, a short fixed term would be appropriate to allow a revision if necessary. This value is fundamental to the market design and therefore it should be reviewed to ensure that it is correct.
3	whether you understand and agree with the objective or purpose of Section 207.2, <i>Calculation of Net-CONE</i> and whether, in your view, Section 207.2, <i>Calculation of Net-CONE</i> meets the objective or purpose	Yes, we understand and agree with the objective of the rule but we are not convinced that the calculations best reflect CONE or that the reference technology is the correct one. From this gross CONE value the net CONE is derived and if that value is too high it will lead to over-procurement and if it is too low it will lead to under-procurement.
4	how, in your view, Section 207.2, <i>Calculation of Net-CONE</i> affects the performance of the capacity market and the electricity market	The AESO chose the most expensive generator as the reference technology. The UCA is concerned that this will set the Net-CONE value too high and result in high costs to consumers.
5	your views on any analysis conducted or commissioned by the AESO supporting Section 207.2, <i>Calculation of Net-CONE</i>	See Item #3.
6	whether you agree with Section 207.2, <i>Calculation of Net-CONE</i> taken together with all ISO rules and in light of the principle of a fair, efficient and openly competitive market	The structure of the rule is fine but if the CONE numbers are too high it will impact the efficiency and the competitiveness of all the markets.
7	whether you would suggest any alternatives to Section 207.2, <i>Calculation of Net-CONE</i>	No comment.
8	whether you agree that the proposed provisional rule supports ensuring a reliable supply of electricity at a reasonable cost to customers and why or why not	The cost may not be reasonable for the reasons stated.

Item #		Stakeholder comments
9	whether you agree that the proposed provisional rule supports the public interest and why or why not	If the cost is too high the public interest is not supported.
10	whether you have any additional comments	<p>The UCA is concerned that the analysis used to determine the gross-CONE value did not align with the conclusions that were arrived at by the AUC in Proceeding 22570 and hence the number may be too high. We are also concerned that there are gaps in the analysis that need to be filled in before the Brattle work can be accepted. For example, Brattle included both U.S. and Canadian investors in their analysis and the AUC stated they did not believe these jurisdictions to be comparable. Brattle used bankrupt companies and no longer existing companies in their samples; these companies should be excluded from the study.</p> <p>The UCA is concerned about the use of adjusted Fairness Opinions. No detail is provided about how these adjustments were made to account for differences in the risk-free rates between the US and Canadian markets and for changes in the market conditions between the time they were reported and 2021. Then Brattle uses the very top end of the fairness opinions to reflect the higher risk for merchant investors in Alberta. How they got to this level is a gap that needs to be tested. In the GCOC decision, the AUC found that there was no basis to support the idea that there is higher regulatory risk in Alberta. Likewise, Brattle has provided no basis for this conclusion. Simply stating it is so does not make it so.</p> <p>More detail on how the beta range, used by Brattle, was determined needs to be provided.</p> <p>The AESO should consider revisiting the CONE and reference technology after it has gained some experience. The UCA suggests revisiting after the 2022/2023 auctions.</p>





**Please provide your comments on the following (as set out in AUC Rule 017 s. 13(b-j)):**

Item #		Stakeholder comments
1	whether you agree that Section 207.3, <i>Shape of Demand Curve</i> relates to the capacity market and why or why not	Yes, the demand curve is a key part of the capacity market and procurement of capacity.
2	whether you agree that Section 207.3, <i>Shape of Demand Curve</i> should or should not be in effect for a fixed term and why or why not	The <i>Shape of the Demand Curve</i> should be in effect for a fixed term, as the demand curve is a key component to the CMD and necessary to provide certainty.
3	whether you understand and agree with the objective or purpose of Section 207.3, <i>Shape of Demand Curve</i> and whether, in your view, Section 207.3, <i>Shape of Demand Curve</i> meets the objective or purpose	The UCA understands and agrees with the objective and purpose of this rule and we feel it meets the purpose and objective.
4	how, in your view, Section 207.3, <i>Shape of Demand Curve</i> affects the performance of the capacity market and the electricity market	<p>It remains to be seen but the AESO followed a rigorous process and solid analysis to establish the demand curve. The assumptions and analysis should be reviewed and evaluated after the second auction. The AESO excludes dispatch optimization and ancillary service revenues in the Net CONE calculation. This may understate energy market revenues and therefore overstate the required level of Net CONE in the capacity market.</p> <p>Net CONE is used in conjunction with the minimum level of procurement to set the key point “A” in the demand curve. Higher Net CONE levels, all else being equal, increase capacity market prices and the associated cost burden on load customers.</p>
5	your views on any analysis conducted or commissioned by the AESO supporting Section 207.3, <i>Shape of Demand Curve</i>	See Item #4.
6	whether you agree with Section 207.3, <i>Shape of Demand Curve</i> taken together with all ISO rules and in light of the principle of a fair, efficient and openly competitive market	It remains to be seen.
7	whether you would suggest any alternatives to Section 207.3, <i>Shape of Demand Curve</i>	None.

Item #		Stakeholder comments
8	whether you agree that the proposed provisional rule supports ensuring a reliable supply of electricity at a reasonable cost to customers and why or why not	Yes, we generally agree but it should be checked after the AESO gains some experience in the capacity market.
9	whether you agree that the proposed provisional rule supports the public interest and why or why not	Yes, the rule should provide a reasonable demand curve which is a key component in making the capacity market function properly.
10	whether you have any additional comments	Subsection 2(1)(a)(ii) refers to “the performance factor in subsection 4(iii)” of Section 207.3. The UCA believes that this reference is incorrect, and should be corrected to 4(c).

**Proposed New ISO Rules Terms and Definitions**

<b>Period of Comment:</b>	October 26, 2018	through	November 14, 2018	<b>Contact:</b>	Doug Simpson & Nola Ruzycki
<b>Comments From:</b>	Utilities Consumer Advocate			<b>Phone:</b>	403 476 4999 & 403 592 2721
<b>Date [yyyy/mm/dd]:</b>	2018/11/14			<b>Email:</b>	<a href="mailto:Douglas.Simpson@gov.ab.ca">Douglas.Simpson@gov.ab.ca</a> & <a href="mailto:Nola.Ruzycki@gov.ab.ca">Nola.Ruzycki@gov.ab.ca</a>

***Please include any suggestions for alternative wording and accompanying rationale in the table below. Cut and paste the existing definition(s) into column one below and track in your changes.***

Blackline of Suggested Definition Wording	Rationale
"Firm consumption level" and "guaranteed load reduction"	"Firm consumption level" and "guaranteed load reduction" should be defined separately on page two of the <i>Proposed New Capacity Market Terms and Definition</i> .