Comprehensive Market Design Stakeholder Comment Matrix
Design Working Group *FINAL*

The AESO is requesting written feedback from the Capacity Market Design Working Group (DWG) members about the content of the first draft Comprehensive Market Design (CMD 1) and about the working group session in which CMD 1 was discussed. This draft comment matrix is provided in advance to help working group members prepare for their upcoming session. Following the working group session, the AESO will post a **final comment matrix** one (1) day after the session. This final comment matrix should be completed by working group members within four (4) business days. The final feedback matrix is intended for working group members to provide written feedback about CMD 1 or the content of their working group session that is within the scope of their working group.

The AESO will post all comment matrices and any other feedback received from working group members on www.aeso.ca and on the Capacity Market SharePoint site. **Please note that the names of the parties submitting each completed comment matrix will be included in this posting.** The AESO does not intend to respond to individual submissions.

If you have any questions about this comment matrix, please email capacitymarket@aeso.ca

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Date: February 27, 2018

CMD Key Design Questions	Comments and / or Recommendations
1. UCAP: Can you support using Availability factor for dispatchable resources? Does the approach meet the intent of a resource neutral approach to capacity volume that reflects the deliverability of energy during periods of tight system conditions?	**The UCA has concerns with utilizing the 100 tightest hours for each of the past five years. One of the drawbacks of using the 100 hours of tightest supply cushion over the entire year is that is doesn't consider seasonality. From the supply cushion data on the AESO website, the majority of tightest hours occur in the summer months when supply is tight due to planned outages and better weather. Also, in data presented in the technical working group presentation on February 15th, slides 24 and 25 justify using a sample size of between 50 and 100 data points. Hence, we recommend using the tightest 4 hours in each month. It is also recommended that when determining the tightest hours, a ratio of total supply to total demand be used rather than simply the difference between the two.** **Another problem with the 100 hours is that they may not represent tight hours and in fact may represent times when supplier outages should have been taken and yet suppliers would now be penalized for their reasonable actions. This issue was discussed extensively at the WG meeting on the 15th. Also, a back cast of this kind does not take into account that suppliers were working under a different set of rules with different assumptions and this behaviour may not be reflective of future behaviour. It is also possible that the 100 tightest hours all occur because of the same outage during a one week (for example) time period which would not reflect the availability for the rest of the year (8660 hours). Has the AESO considered assigning the hours on a monthly basis, e.g. the 4 tightest hours in each month? This approach would test year round availability and would avoid concentrating all hours in one period or one outage.**
2. Payment Adjustment Mechanism: Can you support using a 60/40 performance/ availability framework? Does the approach achieve the intent of higher adjustments to performance periods?	**Yes, the UCA can support a 60/40 performance/availability split as the allocation reflects and emphasis the higher importance of the committed generation capacity being available and delivered during performance events (i.e. EEA events).**
3. Payment Adjustment Mechanism: Can you support a monthly cap at 300%? Does the approach achieve the intent of reasonably limiting adjustment payments?	**The UCA supports a monthly cap at 300% and believes that the approach achieves the intent of reasonably limiting adjustment payments and provides a balance between over and under-penalizing. The monthly cap will prevent a situation in which an annual revenue sized payment adjustment is charged to a capacity resource in a single month.**

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4. Payment Adjustment Mechanism: Can you support a 1.3x annual revenue/ rebalancing assessment limit? Does the approach achieve the intent of ensuring capacity resources are available for the obligation period?	**The UCA supports the use of a factor to ensure that there is a net payment adjustment penalty to the generator for not meeting their capacity obligations. A number that is too high could create a penalty structure which prevents generators from entering the market, whereas one that is too low would not penalize sufficiently.**
5. Market Power Mitigation: Can you support setting a market power screen as a fixed percentage of aggregate UCAP requirement for the auction? Does the approach meet the needs of mitigating supplier market power?	**The UCA supports setting a market power screen as a fixed percentage of aggregate UCAP requirement for the auction. The suggested 15% threshold will need to be re-evaluated once the exact assumptions of the demand curve are determined. Also, once the capacity market begins operating the AESO will continue to re-evaluate the market power screen on a regular basis to ensure its effectiveness in mitigating market power**
6. Market Power Mitigation: Is a price cap of 50% of net CONE appropriate to mitigate the offers of suppliers with market power?	**The UCA recommends setting the price cap at 50% net CONE for all technology types and should coal plant owners/operators have concerns, they should be permitted to present their costs for re-consideration of the price cap.**
7. Market Power Mitigation: Do you think there is sufficient support that mitigation of buyer side market power is not initially required in the capacity market?	**Yes, this appears to be a reasonable assumption.**
8. Delisting: Are there some circumstances where the delist bid of an asset does not clear but the asset continues to participate in the energy market?	**Further discussion of delisting scenarios would be beneficial.**
9. Delisting: Should a resource be able to delist from the capacity market but be eligible to participate in the energy and ancillary services market? For example: a. An asset of a non-mitigated supplier fails to clear, should it be allowed to continue energy market participation?	a) **If a resource delists it should be eligible to participate in the ancillary services market. It is however unclear how this asset would be profitable without a capacity payment and why it would not request a permanently delist.** b) **There may be a case for this. An asset comes back from an outage and can't participate in the capacity market auctions due to timing, rather than sitting idle they could provide energy and ancillary services.**

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b. For long outage requirements that are for a substantial portion of the year?	
10. Transition to Capacity Market: Is a rebalancing auction for first obligation period 2021/22 required and practical?	**A rebalancing auction as close as possible to the obligation period would allow participants the opportunity to manage their risk in the initial auction.**

General Comments

The UCA is pleased that unavailability payments will be returned to consumers and that derates and outages will not be considered as availability exemptions.

The UCA does not support paying over-performers incentive money. Any money not distributed to under-performance should be returned to payers. Over-performers will make their incentive money from properly designed energy and ancillary services markets. The UCA's position is aligned with the Potomoc Economics paper available on the MSA website.

The approach as set out by the AESO for paying over-performers is flawed as it could provided a substantial windfall for an insignificant over-performance. Consider all year all parties under perform by 5 MW each but one party over performs by 1 MW. The payment to the over-performer would be significant and without merit.

How would the AESO deal with a prediction of zero EEA hours in a year? If the prediction is zero, the formula doesn't work because you are dividing by zero?

From section 8: Supply Obligations and Performance Assessments Rationale document

The AESO states, "We expect energy and ancillary services' prices to provide a strong enough centive (sic) to encourage additional availability from resources that are meeting their capacity obligations." Why doesn't this work for performance in a properly designed market?

The AESO states "Over-performance (sic) payment adjustment payments will also allow resources to recover from non-performance payment adjustments through strong performance during future events." Over performance in one period does not make up for the under supply, higher costs and reliability concerns that are caused by under performance in a period. Further, why isn't a supplier incentivized by a properly designed energy and ancillary services market. See Potomoc Energy report available on the MSA website.

"Leveraging best practices and lessons learned from other capacity market implementations to inform the payment adjustment framework is expected to maintain investor confidence and trigger sufficient private investment." Regarding learnings from other capacity markets we refer the AESO to the Potomoc Economics report available on the MSA website.

From Section 9: Settlements and Credit Requirements

Section 9.2.3 states: "If there is less over-performance than under-performance the remaining under-performance payment adjustments will be allocated to consumers." This statement does not agree with the formula for over-performance described in section 8.6.4 which all the money for underperformance divided by the over performance MW.

The UCA is of the view that energy efficiency resources should be eligible in the initial implementation of the Capacity Market as energy efficiency resources can make a substantial contribution at a lower market clearing price with the effect being a lower cost to consumers.

The capacity market should include an option for seasonal capacity commitments. A lack of seasonal market results in higher costs for consumers as a result of over procurement. Prohibiting seasonal capacity renders certain resource types unable to participate as capacity resources.