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 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?	Yes. The REA WG can support the use of Availability factor for dispatchable resources. However, we feel that there is still a need for a dispute or reconciliatory process to manage units with mitigating circumstances that effect their AC and therefore UCAP. This approach correctly assumes that dispatchable assets should be treated differently from non-dispatchable assets and therefore they are subject to differing UCAP calculation methodologies. The REA WG believes that this approach meets the resource neutral approach to capacity volume across assets
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 number of forecast and actual EEA hours will have a large effect on the $/MWh penalties incurred by participants; therefore, the sooner resource adequacy levels are finalized, and market participants gain a better understanding on how this will be represented in the reliability model, the better as far as determining if the proposed framework will remain feasible. If the performance penalties are extreme, the REA WG has some concern that these potentially large penalties will be priced into participant's capacity market bids and consumers will bear the brunt of these costs without any ability to change consumption and reduce these charges.
3. Payment Adjustment Mecham: Can you support a monthly cap at 300%? Does the approach achieve the intent of reasonably limiting adjustment payments?	No, not without greater clarity and tangible examples of the methodology. The REA WG is somewhat perplexed how this cap will be applied appropriately as unavailability calculations are currently structured such that they can only be assessed ex post to the obligation year – therefore in the 1st obligation period of 2021-22, the 300% penalty could only be applicable to non-performance of EEA events (since there is no data on unavailability adjustments until after the year has ended). In this case, the 300% may not be punitive enough depending on the actual EEA events during the month/year. At the same time, the REA WG would appreciate some clarity as to how these structures will work together - the example contained in the AESO's rationale document appears to be applying unavailability payments from obligation period t-1 to months in obligation period t. This could lead to scenarios where penalties are very unaligned with revenues due to incorporation of payment adjustments from two different obligation periods/auctions.
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?	Yes. However, the REA WG does not believe that the auction price used in the calculation should be based on the **higher** of i) the annual base auction capacity price, or ii) the last rebalancing auction price, including both performance and availability payment adjustments. Participants should be penalized based on the potential revenues they can receive not the clearing price of an auction they did not even partake in. This is flawed logic and creates a revenue/penalty imbalance that is undesirable in any competitive market.

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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?	Yes. The REA WG is supportive of using market power screen that is a fixed percentage of aggregate UCAP, with the understanding that this figure will be evaluated periodically and does not become stale or insignificant when viewed against the behavior and results of the capacity auctions. The REA WG believes the proposed approach will sufficiently mitigate supplier 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?	Yes. The REA WG believes that this structure is appropriate to mitigate the offers of suppliers with market power. These entities will have the ability to submit exceptional circumstance situations to the AESO for approval on a unit by unit basis and if they pass this litmus test they will be allowed to price above the cap. The general structure proposed by the AESO will force historically price taking entities to price at levels above the cap if they are concerned about the potential clearing price in a specific auction. The REA WG supports any environment where competitive outcomes are encouraged.
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. The REA WG believes that initially the market will not need buyer side market power mitigation. However, this should be reviewed periodically going forward once the market commences to ensure that changes in market dynamics are not missed.
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?	No. The REA WG does not believe there are circumstances where an asset that submits a delist bid and does not clear in the auction should be allowed to participate in the energy market. If the asset submits a delist bid and does not clear it must follow through and delist. Further the REA WG believes that an asset should have the ability to permanently delist on their own terms and that this decision should not be wholly judged via a cost review by the AESO.
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? b. For long outage requirements that are for a substantial portion of the year?	No, with the caveat that the REA WG is assuming that scenarios a. and b. are both inherent on the resource submitting a delist bid to the capacity auction. As the capacity market is must offer, in the REA WGs opinion the only way to not clear in the Capacity Auction and still participate in the Energy Auction is to submit a competitive bid and not clear. Clearly stating a desire to delist, is just that, an intent to delist if the asset does not clear the auction and the asset should then be forced to delist. The REA WG remains unclear as to the objectives of a resource that wants to delist capacity wise but participate in the energy auction. Furthermore as per option b., if the unit is expected to be on an extremely long outage during the obligation period, they would be well within their rights to submit a bid for review to the AESO, that takes into account the unit being unavailable for a large proportion of performance assessment hours. Based on this the AESO would likely allow the resource to submit a bid that would allow the resource to recover proportional cost (likely at/near the offer cap) and the resource would almost assuredly not clear in the auction. The REA WG strongly believes that if a resource doesn't delist and doesn't clear the capacity market that is should be

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	allowed to participate in the Energy & AS markets. Under this scenario, the unit with a long outage that didn't clear the capacity auction would be eligible to participate in the energy market for the duration of the obligation period that the asset was in-service.
10. Transition to Capacity Market: Is a rebalancing auction for first obligation period 2021/22 required and practical?	Yes – The REA WG thinks it would extremely prudent for the AESO to hold a rebalancing auction for the first obligation period. The REA WG is concerned that with the tight timelines, and this being a net new process that the forecast will likely be extremely conservative, with the result being over procurement of capacity. There is a high level of uncertainty across all elements of the market and consumers do not want to absorb the consequences of erroneous forecasting and UCAP estimates without the AESO having the ability to adjust volumes via a rebalancing auction prior to the obligation period. The REA WG believes that moving forward without a rebalancing auction for the 2021/22 period could lead to consumers incurring extra costs for unneeded capacity.

General Comments
The REA WG believes a longer term for new resources will attract new investment and lower cost to consumers. A multi-year term for new resources in the capacity market will lead to lower prices for consumers much in the same manner that REP Round 1 term length allowed investors to reduce their financing costs significantly and offer renewables at record low prices in the Alberta The goal of the capacity market is to provide a price signal for new investment when the price signal from the energy market no longer exists or would have an unacceptable level of volatility. The REA WG believes strongly that a one-year term falls short of meeting this goal and recommends that new resources are allowed a 7 year term. The 7 year term for new resources allows market entrants to reduce their cost of financing and creates an attractive investment climate for these entities resulting in greater competition and reduced costs to consumers. The proposed one-year term fails to provide a stable price signal that is meaningfully different from the existing energy-only market structure.