



ALBERTA
AFFORDABILITY AND UTILITIES

*Office of the Minister
MLA, Lethbridge-East*

AR7506

March 11, 2024

Mr. Mike Law
President and Chief Executive Officer
Alberta Electric System Operator
Mike.Law@aeso.ca

Dear Mr. Law:

I am writing to request that the Alberta Electric System Operator (AESO) work with industry and stakeholders to design and submit to our government for consideration, a draft restructured energy market design based on your recently submitted report entitled "Alberta's Restructured Energy Market: AESO Recommendation Report" (the "Report").

At my request, the AESO prepared and submitted the Report outlining observations about the current energy market design framework and made recommendations to better promote reliability and affordability over the short and long term within the province. In the Report, the AESO recommends creating a Restructured Energy Market (REM). In advance of the creation of the REM, the AESO also recommends the establishment of an interim market power mitigation framework to mitigate the excessive exertion of market power within the province. In the long-term, according to the Report, the creation of the REM would involve the development of new market features such as a day-ahead market, an administrative scarcity pricing mechanism, adjustments to the current pricing system and other features.

The Government requests the AESO engage with, and leverage, the collective expertise of Alberta's electricity sector participants and stakeholders, and to draw on the expertise and experience from other similar markets, as it develops the draft technical design of its proposed REM. The Government also requests the AESO closely collaborate with other Alberta electricity-related agencies, such as Alberta's Market Surveillance Administrator (MSA), as well as the Ministry of Affordability and Utilities, as it proceeds with drafting this proposed design.

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Proposed technical design elements will need to be aligned with the policy and legislative framework ultimately adopted by the Government. It is therefore expected that the AESO will, throughout this draft design process and engagement with stakeholders, identify areas that require clarity in related government policy or legislation. These should be raised to the Ministry of Affordability and Utilities for its consideration throughout this process.

The Government requests the AESO complete its work on a first draft of the technical design for its proposed REM by the fall of 2024.

I want to express my sincere appreciation for the work the AESO has done in preparing the Report. The work of the AESO, in consultation with Government, the other electricity agencies and industry will help lay the foundation for a more affordable, reliable and sustainable electricity market framework for Alberta. As the Government of Alberta continues to work towards the objectives outlined in this letter, additional direction to the AESO will be provided, as necessary.

Sincerely,

A handwritten signature in blue ink, appearing to read 'N. Neudorf', is positioned below the word 'Sincerely,'.

Nathan Neudorf
Minister

cc: Andrew Buffin
Acting Deputy Minister, Affordability and Utilities

Karl Johansson
Chair, Alberta Electric System Operator

Derek Olmstead
Chief Executive Officer, Market Surveillance Administrator

Bob Heggie
Chief Executive, Alberta Utilities Commission

Carolyn Dahl-Rees
Chair, Alberta Utilities Commission