



ALBERTA  
AFFORDABILITY AND UTILITIES

*Office of the Minister  
MLA, Lethbridge-East*

July 15, 2025

Aaron Engen  
President and Chief Executive Officer  
Alberta Electric System Operator  
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Dear Aaron Engen:

I would like to thank the AESO and all stakeholders for all the invaluable work done in advancing the design of the Restructured Energy Market (REM). Since June 2024, in collaboration with industry stakeholders, the AESO has progressed intensive and constructive engagement with a common objective of achieving a reliable, affordable, and investable energy market for Albertans.

As these engagements have evolved, stakeholders expressed concerns about the scope and bespoke nature of the proposed high-level design. In response to stakeholder feedback, the AESO refined the scope of the day-ahead market design, and the decision was made not to progress the design of a day-ahead market for energy scheduling and a day-ahead commitment market. Instead, the AESO will improve the day-ahead market for reliability. I commend the AESO for the efforts made to incorporate stakeholder feedback in the design of the REM while maintaining government's primary objectives.

As the REM design has evolved, the Government of Alberta remains committed to modernizing Alberta's electricity policy and achieving the primary objectives of affordability, reliability, and investability. To further promote efficiency and investor and consumer confidence in the REM design, I am requesting the AESO:

- Continue to maintain a uniform pricing framework for loads while adopting a locational marginal pricing (LMP) framework for generators, and transmission-connected loads who wish to settle wholesale market transactions at their respective locational marginal price.
- Recover the costs associated with line losses through the locational marginal price.
- Allocate financial transmission rights to incumbent generators:
  - Incumbent generators include generating units that are either in service or those that have made a final investment decision on or before July 9, 2025, when amendments to the *Transmission Regulation* came into force. Eligible units must be energized to receive financial transmission rights. Units who have paid a Generating Unit Owner's Contribution (GUOC) to the AESO, but have not made a final investment decision by July 9, will have a one-time opportunity to have their GUOC payment refunded.

- Financial transmission rights will be granted to generating units for the lesser of eight years or when the asset retires, beginning with the REM launch. Financial transmission rights provide compensation for a pre-allocated volume, allowing rights holders to mitigate congestion risk for a fixed volume. Payment is for the difference between the generators' local price and a system reference price for the volume of the financial transmission rights.

Government will bring forward the necessary legislation by early 2026 to enact these decisions. The AESO will also continue to work with stakeholders on developing a long-term congestion management approach to provide appropriate risk management to support ongoing investability in our market.

These refined directions aim to address stakeholder concerns about the complexity of the previously proposed high-level design and enable the development of commonly used congestion management tools. The LMP framework is well-known and has been implemented successfully in other jurisdictions with energy-only markets. The adoption of the LMP framework also provides an opportunity to reduce the current administrative burden associated with the recovery of line loss costs by incorporating them into established locational marginal prices and improve the accuracy of line loss cost recovery. This is also a common practice in jurisdictions that have implemented the LMP framework.

Thank you for your efforts and dedication to the modernization of Alberta's electricity system.

Sincerely,



Nathan Neudorf  
Minister

cc: Karl Johansson  
Chair, Alberta Electric System Operator

Carolyn Dahl Rees  
Chair, Alberta Utilities Commission

Derek Olmstead  
Administrator and Chief Executive Officer, Market Surveillance Administrator