



ALBERTA
AFFORDABILITY AND UTILITIES

*Office of the Minister
MLA, Lethbridge-East*

AR8420

July 03, 2024

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

Dear Mike Law:

I am writing to inform the Alberta Electric System Operator (AESO) of Government of Alberta's decisions that will direct the technical design of the Restructured Energy Market (REM), future changes to transmission planning, and design of the Independent System Operator (ISO) tariff.

Specifically, the government directs AESO to advance the REM technical design, with the following decisions:

- Move forward with the introduction of a mandatory day-ahead market.
- Allow the price of energy to be determined by the strategic offers of market participants, while using market mitigation to limit the potential for excessive exercise of market power.
- Maintain a province-wide uniform price for electricity.
- Maintain the following components of REM as outlined in the AESO's Advice to the Minister on January 31, 2024: Security Constrained Economic Dispatch, shorter settlement intervals, review of the price floor and ceiling as well as the co-optimization of energy and ancillary services.

Moreover, with respect to transmission planning and ISO tariff design, on a go forward basis government has decided to:

- move away from the current zero-congestion transmission planning standard to an optimally planned transmission planning standard; and
- allocate new transmission infrastructure costs and all ancillary services costs based on cost causation principles.

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I want to express my appreciation for the extensive work to date by the AESO, along with the Market Surveillance Administrator and the Alberta Utilities Commission, and my commitment to continued collaboration from my Ministry as we move towards the implementation of a new market and transmission framework to better enable a reliable, affordable, and sustainable electricity system for all Albertans.

Sincerely,

A handwritten signature in blue ink, appearing to read 'N. Neudorf', with a stylized, cursive script.

Nathan Neudorf
Minister

cc: David James
Deputy Minister, Affordability and Utilities

Karl Johansson
Chair, Alberta Electric System Operator

Carolyn Dahl-Rees
Chair, Alberta Utilities Commission

Bob Heggie
Chief Executive, Alberta Utilities Commission

Derek Olmstead
Chief Executive Officer, Market Surveillance Administrator