

Stakeholder Comment Matrix

Designing Alberta's Capacity Market stakeholder sessions held January 12 and 16, 2017



Date of Request for Comment: <u>February 10, 2017</u>	Contact: <u>Cam Hughes</u>
Period of Comment: <u>January 17, 2017</u> through <u>February 10, 2017</u>	Phone: <u>403-691-7764</u>
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Date [yyyy/mm/dd]: <u>2017/02/10</u>	

To initiate stakeholder consultation on the capacity market design, the AESO hosted kick-off stakeholder sessions in Calgary and Edmonton on January 12 and 16, 2017. At these sessions the AESO presented a brief description about capacity markets, described our vision of the desired end state, proposed an approach to undertaking the design and a potential roadmap for completing the work. In addition, the AESO presented an approach to consultation, as well as a set of proposed criteria and assumptions to be used as tools to guide the capacity market design.

The presentation can be [found here](#).

We request your feedback about these topics as well as any others that you believe are appropriate for the AESO to consider. We expect a great deal of feedback based on the level of interest demonstrated by stakeholders at the sessions, and request you use this structured template to provide your comments. This will allow the AESO to quickly synthesize and publish the feedback from a broad range of interested parties.

All stakeholder comments received will be reviewed by the AESO and posted on the AESO website.

Capacity Market Design Approach

Please indicate in your response whether you support the planned design approach, or if not, why?

Section	Approach	Stakeholder Response
Proposed desired end state of capacity market development Slide 7	<p>Do you support the following statement regarding the desired end state for the capacity market? Do you disagree with the statement or have alternative wording? Please provide reasons for your response.</p> <p><i>“The desired end state is to develop a capacity market that utilizes competitive market forces, ensures continued supply adequacy and reliability at a reasonable cost and is flexible to reflect the unique aspects of Alberta’s electricity industry.”</i></p>	<p>In addition to acknowledging that flexibility is required to accommodate future changes and the unique aspects of Alberta’s system, the desired end state of the capacity (energy and ancillary) market(s) should be to provide a return of an on capital that offsets the distortion to competitive market signals caused by subsidies to otherwise uneconomic generation.</p>
Key design questions for capacity market development Slides 8 – 11	<p>Is the preliminary list of key design questions an inclusive list? Is it clear what area of capacity market development each question is intending to address? What clarification is required on any of these items? What additional questions or areas, if any, do you think should be added to the list to ensure a comprehensive capacity market design? Please provide as much detail as possible.</p> <ul style="list-style-type: none"> – <i>How much capacity needs to be procured? (Resource adequacy requirement)</i> – <i>Who will buy the capacity? (Obligation to procure)</i> – <i>When and how often will capacity be purchased? (Procurement timing and frequency)</i> – <i>How long will the capacity delivery period be? (Term)</i> – <i>Who can provide capacity? How much can they provide? (Eligibility)</i> 	<p>AltaGas believes these questions will lead to a robust consultation.</p>

Section	Approach	Stakeholder Response
	<ul style="list-style-type: none"> – <i>How do we know that capacity has been provided? (Performance assessments)</i> – <i>How will the capacity market work? (Market mechanics)</i> – <i>How will capacity providers be paid? How will capacity costs be allocated? (Capacity market settlement)</i> – <i>How will the capacity market impact the energy and ancillary services markets? (Inter-operability implications)</i> 	
Design dependencies and sequencing <i>Slide 12</i>	<p>What additional information do you require regarding sequencing? Do you agree with dependencies between design elements and the proposed sequencing of the design? Is there an alternative sequencing that should be followed? Is there a different approach entirely that should be considered? Please provide reasons for your response.</p>	<p>If there is any inclination that transmission policy will change, AltaGas agrees that it would be helpful to incorporate such changes in the initial design.</p> <p>AltaGas believes that we may be able to temporarily delay the “how much capacity needs to be procured” question. If this is delayed for a period of time it may reduce forecast error.</p> <p>AltaGas would appreciate an orderly transition to a capacity market. To this end, AltaGas emphasizes the importance of considering inter-operability and impacts on settlement. For this reason, the last question may need to be addressed earlier than some others.</p>
Capacity market development roadmap <i>Slide 13</i>	<p>What additional questions or clarification do you have regarding the roadmap? Do you have any issues or concerns with the proposed roadmap for designing and implementing the capacity market? Are there items or considerations missing from the roadmap?</p>	<p>AltaGas believes the schedule is ambitious, but is prepared to follow it as written.</p>

Section	Approach	Stakeholder Response
AESO Consultation Principles <i>Slide 15</i>	Do you have any questions regarding the AESO's consultation principles as they pertain to development of the capacity market? Are there additional concepts or principles which should be considered? Please provide reasons for your response.	No comment at this time.
Proposed approach to answering key design questions <i>Slides 16 – 17</i>	What clarification or additional information do you require regarding the proposed approach? Do you support the two-stage iterative process proposed for the capacity market design? Do you agree this process will deliver an inclusive, timely, efficient, cohesive and comprehensive design? Do you think that the process will result in the expected benefits listed? Are there modifications to this approach that would improve its effectiveness? Is there an alternative consultation approach you would like us to consider and why? Please describe the alternative in as much detail as possible.	No comment at this time.
Design Alternatives Sheets <i>Slide 18</i>	Do you have any comments regarding the proposed purpose, structure or content for of the proposed design documentation?	No comment at this time.
Term Sheets <i>Slide 19</i>	Do you have any comments regarding the proposed purpose, structure or content for of the proposed design documentation?	No comment at this time.

Section	Approach	Stakeholder Response
Design development steps <i>Slide 20</i>	Do you have any questions regarding the proposed steps? Do you support the proposed design development process? What should be considered before a design component moves to the stage of being drafted into legal language?	No comment at this time.

Capacity Market Criteria

Please indicate in your response whether you support the following market criteria and provide reasons for your position.

Section	Subject	Stakeholder Response
Potential criteria for supply adequacy and reliability <i>Slide 22</i>	Do you support the following criteria regarding the supply adequacy and reliability category? Please explain. <i>The capacity market should achieve desired reliability objectives by creating a real and measurable supply adequacy product.</i>	No comment at this time.
Potential criteria for supply adequacy and reliability <i>Slide 22</i>	Do you support the following criteria regarding the supply adequacy and reliability category? Please explain. <i>The capacity market should contribute to the reliable operation of the electricity grid and implementation should be consistent with, and complementary to, other measures aimed at ensuring reliability.</i>	No comment at this time.
Potential criteria for supply adequacy and reliability <i>Slide 22</i>	Are there additional criteria which should be included in this category?	No comment at this time.
Potential criteria for the capacity market <i>Slide 23</i>	Do you support the following criteria regarding the market category? Please explain. <i>The capacity market should be fair, efficient, and openly competitive.</i>	AltaGas supports.
Potential criteria for the capacity	Do you support the following criteria regarding the market category? Please explain.	AltaGas supports.

Section	Subject	Stakeholder Response
market <i>Slide 23</i>	<i>The procurement of capacity should employ market-based mechanisms and a competitive market for capacity should be developed.</i>	
Potential criteria for the capacity market <i>Slide 23</i>	Do you support the following criteria regarding the market category? Please explain. <i>A wide variety of technologies should be able to compete to provide capacity.</i>	AltaGas supports competition if the competition is subject to the same rules and incentives.
Potential criteria for the capacity market <i>Slide 23</i>	Do you support the following criteria regarding the market category? Please explain. <i>Capacity market mechanisms, outcomes and relevant data should be transparent.</i>	AltaGas supports.
Potential criteria for the capacity market <i>Slide 23</i>	Do you support the following criteria regarding the market category? Please explain. <i>There should be a well-defined product and an effective and efficient capacity price signal.</i>	AltaGas supports.
Potential criteria for the capacity market <i>Slide 23</i>	Are there additional criteria which should be included in this category?	AltaGas supports.
Potential criteria for costs and risk <i>Slide 24</i>	Do you support the following criteria regarding the costs and risks category? Please explain. <i>Long-term investment risks should continue to be largely borne by investors rather than consumers.</i>	No comment at this time.

Section	Subject	Stakeholder Response
Potential criteria for costs and risk <i>Slide 24</i>	Do you support the following criteria regarding the costs and risks category? Please explain. <i>The capacity market should instil investor confidence and should result in private investment.</i>	AltaGas supports.
Potential criteria for costs and risk <i>Slide 24</i>	Do you support the following criteria regarding the costs and risks category? Please explain. <i>There should be an effective balance between capacity cost and supply adequacy.</i>	No comment at this time.
Potential criteria for costs and risk <i>Slide 25</i>	Do you support the following criteria regarding the costs and risks category? Please explain. <i>The term of the capacity obligation should be as short as possible while ensuring supply adequacy objectives are achieved.</i>	AltaGas supports longer commitment periods.
Potential criteria for costs and risk <i>Slide 25</i>	Do you support the following criteria regarding the costs and risks category? Please explain. <i>Reasonable capacity costs for consumers should be achieved through effective competition and administratively determined prices should be avoided.</i>	AltaGas can agree that administratively determined prices should be avoided. Some of the governmental and AESO initiatives are interdependent and should be considered as a whole on behalf of consumers. The AESO's public interest mandate should ensure that the rate of introduction and subsidization of renewables, and associated need for supply adequacy and reliability through a capacity market, results in outcomes that do not put consumers at a competitive disadvantage relative to other jurisdictions. If this is not monitored, the electricity market design may be unsustainable.

Section	Subject	Stakeholder Response
Potential criteria for costs and risk <i>Slide 24</i>	Do you support the following criteria regarding the costs and risks category? Please explain. <i>The design should provide mechanisms for consumers to hedge the cost of capacity if and where appropriate.</i>	AltaGas supports, but the extent to which the AESO can ensure this through design is uncertain.
Potential criteria for costs and risk <i>Slides 24 – 25</i>	Are there additional criteria which should be included in this category?	No comment at this time.
Potential criteria for flexibility <i>Slide 26</i>	Do you support the following criteria regarding the category of flexibility? Please explain. <i>Unique aspects of Alberta's electricity system should be considered in the design of the capacity market (e.g. nature of load/generation, levels of cogeneration, limited interties, large geographic area, etc.).</i>	Alberta's unique characteristics ought to be considered in the design.
Potential criteria for flexibility <i>Slide 26</i>	Do you support the following criteria regarding the category of flexibility? Please explain. <i>The capacity market should be compatible with other components of the electricity framework, and should be robust and adaptable to different government policy initiatives related to the electricity sector.</i>	AltaGas supports compatibility and flexibility.
Potential criteria for flexibility <i>Slide 26</i>	Are there additional criteria which should be included in this category?	No comment.
Potential criteria	Do you support the following criteria regarding the timely	AltaGas supports the timeline.

Section	Subject	Stakeholder Response
for timely development <i>Slide 27</i>	development category? Please explain. <i>Market should be targeted to open in 2019 for start of first capacity procurement.</i>	
Potential criteria for timely development <i>Slide 27</i>	Do you support the following criteria regarding the timely development category? Please explain. <i>The initial degree of change to the current energy and ancillary service market should be minimized.</i>	AltaGas could support this.
Potential criteria for timely development <i>Slide 27</i>	Do you support the following criteria regarding the timely development category? Please explain. <i>Simple and straightforward implementation should be a priority.</i>	AltaGas supports timely development.
Potential criteria for timely development <i>Slide 28</i>	Do you support the following criteria regarding the timely development category? Please explain. <i>To the extent a staged implementation is pursued, the expected timing and nature of future changes should be provided.</i>	No comment at this time.
Potential criteria for timely development <i>Slide 28</i>	Do you support the following criteria regarding the timely development category? Please explain. <i>The risks of regulatory delay and need for re-design should be minimized.</i>	No comment at this time.
Potential criteria for timely development	Do you support the following criteria regarding the timely development category? Please explain. <i>Best practices and lessons learned from other capacity market</i>	AltaGas supports this approach.

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<i>Slide 28</i>	<i>implementations should be leveraged as much as possible.</i>	
Potential criteria for timely development <i>Slides 27 - 28</i>	Are there additional criteria which should be included in this category? 	No comment at this time.
General feedback regarding criteria <i>Slides 21 – 28</i>	Are there additional categories of criteria which should be considered? Do you require additional explanation or have questions regarding any of the categories or criteria? Do you think all criteria are equally important or should some take precedence over others?	No comment at this time.

Capacity Market Assumptions

Please indicate in your response whether you support adopting the following starting assumptions and provide reasons for your position.

Item	Assumption	Stakeholder Response
1 Slide 30	Do you support adopting the following assumption? Please explain. <i>A capacity obligation is a forward physical obligation on capacity suppliers that requires the capacity sold in the capacity market to be available to provide energy when needed. This obligation is created when the supplier's offer is cleared in the capacity market.</i>	No comment at this time.
2 Slide 30	Do you support adopting the following assumption? Please explain. <i>All existing capacity "must offer" their eligible capacity to the capacity market. Planned capacity must offer for the delivery year they are connected.</i>	No comment at this time.
3 Slide 30	Do you support adopting the following assumption? Please explain. <i>The capacity market will be designed as a single zone with the capability of adding zones should it be required due to a change in transmission policy or other factors.</i>	No comment at this time.
4 Slide 31	Do you support adopting the following assumption? Please explain. <i>The resource adequacy requirement for Alberta will be centrally determined.</i>	AltaGas is aware of the historical AESO forecast error which raises a concern.
5 Slide 31	Do you support adopting the following assumption? Please explain. <i>The capacity market is intended to ensure supply adequacy. Other attributes such as carbon output, total capacity factor, ramp flexibility, energy production costs, etc., are not considered within the capacity market.</i>	No comment at this time.

Item	Assumption	Stakeholder Response
6 Slide 31	Do you support adopting the following assumption? Please explain. <i>Capacity and energy/ancillary services are separate products, and are procured independently.</i>	AltaGas could support this approach.
7 Slide 32	Do you support adopting the following assumption? Please explain. <i>Participants do not need to be successful in the capacity market to participate in the energy and ancillary service markets.</i>	AltaGas supports this assumption.
8 Slide 32	Do you support adopting the following assumption? Please explain. <i>While receiving support payments, Renewable Electricity Program (REP) round 1 winners are not eligible to sell REP capacity in the capacity market owing to the Indexed REC payment mechanism chosen.</i>	No comment at this time.
9 Slide 32	Do you support adopting the following assumption? Please explain. <i>Capacity market mechanics/behaviour will have regulatory oversight. Market outcomes will be the result of market clearing, unless otherwise demonstrated.</i>	AltaGas suggests regulatory oversight consider the sustainability of electricity market. One aspect of this regulatory oversight should be periodic independent third party studies of all-in delivered energy costs relative to a number of other Canadian and US jurisdictions.
General feedback regarding assumptions	Are there additional assumptions which should be considered? Do you require additional explanation or have questions regarding any of the assumptions?	No comment at this time.

General Feedback

Please provide as much detail as possible in your responses below.

Section	Subject	Stakeholder Response
Next Steps <i>Slides 33 – 34</i>	Please provide any general feedback you have regarding the January 12/16 AESO presentation content or format. Please provide any general feedback you have regarding formats for future materials or stakeholder sessions.	No comment at this time.
Next Steps <i>Slides 33 – 34</i>	Please provide any feedback you have regarding next steps in the capacity market development process.	No comment at this time.
Next Steps <i>Slides 33 – 34</i>	Assuming criteria, assumptions, key questions, sequencing and stakeholder approach are finalized, do you agree that next steps are to begin consultation on the first detailed design components? Do you agree that these items need to be resolved before detailed design components begin to be addressed? Other than the items listed above, do other topics need to be discussed or addressed, or other information provided, before detailed design discussions begin?	No comment at this time.
General Information	Please provide any additional comments or information regarding topics which you think are relevant but have not been specifically addressed above.	No comment at this time.