Stakeholder Comment Matrix

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

Date of Request for Comment: February 10, 2017	**Contact:** Mike Gauthier
Period of Comment: January 17, 2017 through February 10, 2017	**Phone:** 780-624-7315
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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*	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. *"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."*	**Sounds OK.** **Would add that the capacity market needs to address future needs of Alberta's electrical industry. In other words it needs to provide the proper signals to incite the construction and operation of renewable energy as the province moves toward eliminating coal power electrical production.**
Key design questions for capacity market development *Slides 8 – 11*	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. – *How much capacity needs to be procured? (Resource adequacy requirement)* – *Who will buy the capacity? (Obligation to procure)* – *When and how often will capacity be purchased? (Procurement timing and frequency)* – *How long will the capacity delivery period be? (Term)* – *Who can provide capacity? How much can they provide? (Eligibility)*	Important to us will be: • Amount of capacity • Who is buying? Consumers? AESO on behalf of consumers? • Procurement timing and frequency will be important to both instill stablility, yet allow some adjustment as efficiencies are gained. • How will it work? How do we value our capacity? • How is it going to affect participation in other products such as operating reserves and reliability products such as LSSI.

Section	Approach	Stakeholder Response
	– *How do we know that capacity has been provided? (Performance assessments)* – *How will the capacity market work? (Market mechanics)* – *How will capacity providers be paid? How will capacity costs be allocated? (Capacity market settlement)* – *How will the capacity market impact the energy and ancillary services markets? (Inter-operability implications)*	
Design dependencies and sequencing *Slide 12*	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.	Need to know if any decisions have already been made, or if there are items that are not open to discussion. No real issues with schedule.
Capacity market development roadmap *Slide 13*	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?	Will require information on the practical implementation mechanics of how the auction will work.
AESO Consultation Principles *Slide 15*	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.	As long as the process remains transparent and rationale for decisions is public, we don't have any issues. We have to allow the market to function, without other subsidies impacting the outcome. All deals if made need to be reported and its impact on the market explained.

Section	Approach	Stakeholder Response
Proposed approach to answering key design questions *Slides 16 – 17*	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 issues with the process.
Design Alternatives Sheets *Slide 18*	Do you have any comments regarding the proposed purpose, structure or content for of the proposed design documentation?	No issues at this time.
Term Sheets *Slide 19*	Do you have any comments regarding the proposed purpose, structure or content for of the proposed design documentation?	Term sheets are acceptable documentation.
Design development steps *Slide 20*	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 issue with the process steps or use of term sheets. Before moving on to drafting into legal language need to ensure all concerns are resolved before finalizing language.

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 *Slide 22*	Do you support the following criteria regarding the supply adequacy and reliability category? Please explain. *The capacity market should achieve desired reliability objectives by creating a real and measurable supply adequacy product.*	The product and measurement of the product needs to be well defined and not subject to misunderstandings.
Potential criteria for supply adequacy and reliability *Slide 22*	Do you support the following criteria regarding the supply adequacy and reliability category? Please explain. *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.*	Support – if the goal of the capacity market is for reliability and stability than that is what it should mainly do.
Potential criteria for supply adequacy and reliability *Slide 22*	Are there additional criteria which should be included in this category?	It could be used to help shape the power generation mix going forward. Use parts of the capacity market to help move our generation away from coal.
Potential criteria for the capacity market *Slide 23*	Do you support the following criteria regarding the market category? Please explain. *The capacity market should be fair, efficient, and openly competitive.*	Yes, definitely should be open.
Potential criteria for the capacity	Do you support the following criteria regarding the market category? Please explain.	Yes, any attempts to shape the generation of power toward renewables should be in a competitive market.

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market *Slide 23*	*The procurement of capacity should employ market-based mechanisms and a competitive market for capacity should be developed.*	
Potential criteria for the capacity market *Slide 23*	Do you support the following criteria regarding the market category? Please explain. *A wide variety of technologies should be able to compete to provide capacity.*	Definitely. But the market should recognize externalities and price them accordingly. i.e green attributes, job creation, waste management.
Potential criteria for the capacity market *Slide 23*	Do you support the following criteria regarding the market category? Please explain. *Capacity market mechanisms, outcomes and relevant data should be transparent.*	Will not be fair if it isn't transparent.
Potential criteria for the capacity market *Slide 23*	Do you support the following criteria regarding the market category? Please explain. *There should be a well-defined product and an effective and efficient capacity price signal.*	Definitely. Need the proper definitions if we want price signals for various power products. Examples may be biomass derived power, or waste utilization/elimination, etc.
Potential criteria for the capacity market *Slide 23*	Are there additional criteria which should be included in this category?	Need to define externalities.
Potential criteria for costs and risk *Slide 24*	Do you support the following criteria regarding the costs and risks category? Please explain. *Long-term investment risks should continue to be largely borne by investors rather than consumers.*	Yes, but the risk should not be artificially created through changes or uncertainty in government policy.

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Potential criteria for costs and risk *Slide 24*	Do you support the following criteria regarding the costs and risks category? Please explain. *The capacity market should instil investor confidence and should result in private investment.*	This would be the only purpose of the capacity market. It should make sure that it doesn't value new capacity unfairly over existing capacity. In other words, doesn't pass on the cost of shutting down viable capacity to the consumer.
Potential criteria for costs and risk *Slide 24*	Do you support the following criteria regarding the costs and risks category? Please explain. *There should be an effective balance between capacity cost and supply adequacy.*	Agree, we have to accept a certain amount of risk in order to keep pricing reasonable for the customer.
Potential criteria for costs and risk *Slide 25*	Do you support the following criteria regarding the costs and risks category? Please explain. *The term of the capacity obligation should be as short as possible while ensuring supply adequacy objectives are achieved.*	Agree. It should give enough security of term to help investors decide how and what to invest while allowing enough flexibility to move away from inefficient contracts.
Potential criteria for costs and risk *Slide 25*	Do you support the following criteria regarding the costs and risks category? Please explain. *Reasonable capacity costs for consumers should be achieved through effective competition and administratively determined prices should be avoided.*	This only works if there is enough competition to make it work. If the supply is low or if the demand is high, the price will be high, which in a few terms should drive up the competition by bringing more suppliers into the market.

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Potential criteria for costs and risk *Slide 24*	Do you support the following criteria regarding the costs and risks category? Please explain. *The design should provide mechanisms for consumers to hedge the cost of capacity if and where appropriate.*	If the price is determined a few years early, it will allow power consumers to hedge over a period of a few terms (years), a type of forward averaging. There also needs to be recognition of consumers able to supply their own capacity with behind the fence generation. If they self supply, they should not be obligated to purchase capacity from the AESO.
Potential criteria for costs and risk *Slides 24 – 25*	Are there additional criteria which should be included in this category?	Need to value green attributes and other externalities that are good for the province or country as a whole.
Potential criteria for flexibility *Slide 26*	Do you support the following criteria regarding the category of flexibility? Please explain. *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.).*	Yes I agree with the criteria. The design should also incorporate aspects that will allow it to be flexible enough to properly price in renewables.
Potential criteria for flexibility *Slide 26*	Do you support the following criteria regarding the category of flexibility? Please explain. *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.*	Agree. I believe it should contain both generation and load elements. It should work with other components rather than against them.
Potential criteria for flexibility *Slide 26*	Are there additional criteria which should be included in this category?	Need to have a way to value externalities such as green power and waste management when it comes to biomass or waste generated power. These externalities are often more valuable to the province than the power produced. Hopefully the capacity market can be an effective

Section	Subject	Stakeholder Response
		way to monetize these aspects.
Potential criteria for timely development *Slide 27*	Do you support the following criteria regarding the timely development category? Please explain. *Market should be targeted to open in 2019 for start of first capacity procurement.*	Does this mean the first auction will be in 2019 for power in 2021? What happens in 2019 and 2020 with pricing.
Potential criteria for timely development *Slide 27*	Do you support the following criteria regarding the timely development category? Please explain. *The initial degree of change to the current energy and ancillary service market should be minimized.*	Agree, but it should be a complete system rather than a bunch of small markets.
Potential criteria for timely development *Slide 27*	Do you support the following criteria regarding the timely development category? Please explain. *Simple and straightforward implementation should be a priority.*	Simple is good, but should be robust enough to prevent gaming.
Potential criteria for timely development *Slide 28*	Do you support the following criteria regarding the timely development category? Please explain. *To the extent a staged implementation is pursued, the expected timing and nature of future changes should be provided.*	Agree, this will help us figure out what we need to do until this capacity market is fully implemented.
Potential criteria for timely development *Slide 28*	Do you support the following criteria regarding the timely development category? Please explain. *The risks of regulatory delay and need for re-design should be minimized.*	Yes, this will only cause pain and possible litigation.
Potential criteria for timely	Do you support the following criteria regarding the timely development category? Please explain.	Of course, no use paying to learn the lessons already learned by others.

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development *Slide 28*	*Best practices and lessons learned from other capacity market implementations should be leveraged as much as possible.*	
Potential criteria for timely development *Slides 27 - 28*	Are there additional criteria which should be included in this category?	NA Can a generator buy there own generation capacity?
General feedback regarding criteria *Slides 21 – 28*	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?	Ease of use and simplicity are important as not all generators have the wherewithal to maneuver through the intricities of these markets.

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. *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.*	Agree, the obligation has to be enforced, otherwise the market will have no real value.
2 *Slide 30*	Do you support adopting the following assumption? Please explain. *All existing capacity "must offer" their eligible capacity to the capacity market. Planned capacity must offer for the delivery year they are connected.*	Agree. Depending what eligible capacity will mean.
3 *Slide 30*	Do you support adopting the following assumption? Please explain. *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.*	Agree, but should have a mechanism to realise any advantages to certain types of generation. For example generation that leads to a greater reduction in green house gases or less line losses. Is there a different market for base load vs load following or peak capacity?
4 *Slide 31*	Do you support adopting the following assumption? Please explain. *The resource adequacy requirement for Alberta will be centrally determined.*	Sure, it needs to be determined under specific assumptions and by individuals or agency capable of doing so.
5 *Slide 31*	Do you support adopting the following assumption? Please explain. *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.*	Not sure, I think consideration should be given to be able to price these additional attributes. Perhaps other instruments will enable this?? Though we should stay away from feed in tariffs.

Item	Assumption	Stakeholder Response
6 *Slide 31*	Do you support adopting the following assumption? Please explain. *Capacity and energy/ancillary services are separate products, and are procured independently.*	Not necessarily, I think they both can be part of the capacity market.
7 *Slide 32*	Do you support adopting the following assumption? Please explain. *Participants do not need to be successful in the capacity market to participate in the energy and ancillary service markets.*	I don't understand how they would survive if they were not successful in the capacity market. Isnt the capacity market a method to retire inefficient or uneconomical assets?
8 *Slide 32*	Do you support adopting the following assumption? Please explain. *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.*	Perhaps they should have a window every 5 years to opt out of the REP program. Once out they cannot go back to the REP program.
9 *Slide 32*	Do you support adopting the following assumption? Please explain. *Capacity market mechanics/behaviour will have regulatory oversight. Market outcomes will be the result of market clearing, unless otherwise demonstrated.*	Does this mean that the regulatory oversight will be able to skew the market in order to get the behavior it desires?

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 not at this time.

General Feedback

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

Section	Subject	Stakeholder Response
Next Steps *Slides 33 – 34*	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.	The presentations are at times hard to follow since the page flipper is often ahead of the speaker. Also they need to remind those who ask questions to speak up so those of us on the phone can hear them. Other than that the format is good.
Next Steps *Slides 33 – 34*	Please provide any feedback you have regarding next steps in the capacity market development process.	I have no additional comments, except that at some point we should have a mock example that can be run through the auction and clearing process.
Next Steps *Slides 33 – 34*	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?	Sure once we feel that the approach is finalized we should begin consultation on the design components.
General Information	Please provide any additional comments or information regarding topics which you think are relevant but have not been specifically addressed above.	We need to have better examples in the future on how the auctions are held and pricing determined. Also on how the Pool market and other instruments will work with the capacity market. If possible a good review of other jurisdictions with pricing signals would be useful.