

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>John Maher</u>
Period of Comment: <u>January 17, 2017</u> through <u>February 10, 2017</u>	Phone: <u>403 296 8860</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
<p>Proposed desired end state of capacity market development</p> <p><i>Slide 7</i></p>	<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>Suncor Energy Marketing Inc. as agent for Suncor Energy Inc (collectively “Suncor”) would like to thank the AESO for the opportunity to provide feedback on the capacity market stakeholder sessions and looks forward to contributing collaboratively to ensure a robust and balanced market structure that will meet supply adequacy, reliability and environmental goals.</p> <p>Suncor agrees with the statement but has the following comments/reservations with respect to the starting point for the development of the capacity market.</p> <p>Mismatch of REP and Non-Renewable Capacity Market Structure (Slide 6/Slide 7)</p> <p>From the AESO’s presentation Suncor is concerned that the starting point for the capacity market is potentially flawed in that it presumes that the structure broadly outlined in the AESO’s presentation on slide 6, can work within the Alberta framework</p> <ul style="list-style-type: none"> • Main characteristics of a capacity market structure typically include: <ul style="list-style-type: none"> – A forward market for capacity which provides a forum for the exchange of capacity as a product

Section	Approach	Stakeholder Response
		<ul style="list-style-type: none">– Energy and ancillary services market(s)• Capacity markets create the opportunity for capacity suppliers to monetize their ability to provide energy when required to maintain system reliability <p>Suncor respectfully suggests that if this starting assumption includes the blending of generation procured under the Renewable Energy Plan (REP) with a proposed capacity market this creates a fundamentally flawed market structure, that over time could lead to unforeseen outcomes, will become arbitrary and subject to political interference, and will not be a solid foundation for an enduring market, but most importantly will not successfully fulfill the above mandate.</p> <p>This evolves from the blending of two different and incompatible market structures and the overlay of environmental policy. On the one hand the renewable generation procured under the REP, which although it is selected initially on a competitive least-cost basis, is thereafter (due to the CFD structure) completely insulated from pricing in the energy market segment, and the other hand the non-renewable generation, will depend fully on the energy market to recoup variable cost and signal scarcity pricing.</p> <p>This is particularly true for the two main renewable components of the market, wind and solar. When the wind blows and the sun shines these generation sources will offer at the floor pricing \$0/MWh or less to ensure dispatch. Given the GoA stated policy to develop up to 5000 MW of additional renewables, and the further target of 30% of production from renewable generation, the energy segment of the capacity market could be subject to significant</p>

Section	Approach	Stakeholder Response
		<p>periods of low or negative pricing when renewable resources are dispatched. In turn this has the potential to a) considerably reduce the ability of non-renewable “must run” generation to receive a financial return on the energy component of the market b) increase the risk and volatility in the market and c) prevent successful capacity auction suppliers, who now “must offer,” from realizing financial returns sufficient to maintain system reliability.</p> <p>Suncor believes that discussion and resolution of this potential flaw is fundamental to the successful design of the Alberta capacity market and looks forward to the opportunity to participate in continued consultation and dialogue.</p>
<p>Key design questions for capacity market development</p> <p><i>Slides 8 – 11</i></p>	<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?</i> 	<p>– The Principle of A Fair, Efficient, Openly Competitive Market (Slides 8 – 10)</p> <p>Suncor suggests that given the above issue one of the key questions for capacity market development ,in addition to the questions outlined in the AESO’s presentation, is the meshing of the existing principles under Section 5 of the EUA , particularly sections (b) through (d) of section 5 of the EUA (cited below), with the new capacity market design.</p> <p>(b) to provide for a competitive power pool so that an efficient market for electricity based on fair and open competition can develop, where all persons wishing to exchange electric</p>

Section	Approach	Stakeholder Response
	<p><i>(Eligibility)</i></p> <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> 	<p>energy through the power pool may do so on non-discriminatory terms and may make financial arrangements to manage financial risk associated with the pool price;</p> <p>(c) to provide for rules so that an efficient market for electricity based on fair and open competition can develop in which neither the market nor the structure of the Alberta electric industry is distorted by unfair advantages of government-owned participants or any other participant;</p> <p>(d) to continue a flexible framework so that decisions of the electric industry about the need for and investment in generation of electricity are guided by competitive market forces;</p> <p>Suncor suggests that a market structure that blends the REP procured renewables with conventional generation without due consideration of the above principles will not be compatible with FEOC principles, could distort the market through the unfair advantages of ‘other participants’, may not lead to a successful and robust market structure, and may not reach the stated potential desired objective as per the AESO’s presentation (Slide 7)</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>Slide 9, 10, 11.. The challenge for the AESO and all market participants is to design market based solutions that do not disadvantage non-renewable</p>

Section	Approach	Stakeholder Response
		<p>generation by the integration of renewable generation. For example , if Hydro were to be considered renewable it could be incented similar to wind and solar with long term REP style contracts. Large base load hydro incentivized through such payments in AB or BC Site C imports, would significantly degrade investor and market confidence.</p> <p>Existing vs New Capacity (not covered in slides)</p> <p>Generally the AESO's presentation focussed on changes in the future to procure new capacity. However Alberta has over \$20 Billion of existing capacity investments that will need to continue to achieve acceptable levels of return to ensure continued system reliability, as well as continued investor confidence.</p> <p>Suncor believes that the question of integration of the existing fleet capacity into the new capacity market design is of paramount importance to the success of the market going forward, and that this should be a seminal design criteria, expressly addressed and embedded from the beginning of any consultation on the new market design. Suncor looks forward to the opportunity to collaborate with the AESO and industry peers to develop solutions that will maintain and encourage investor confidence.</p>
<p>Design dependencies and sequencing</p> <p><i>Slide 12</i></p>	<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</p>	<p>No Comment</p>

Section	Approach	Stakeholder Response
	be considered? Please provide reasons for your response.	
Capacity market development roadmap <i>Slide 13</i>	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?	No Comment
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.	<p>The Role of the AESO (slide 15) (slides 20 -25)</p> <p>The AESO states the following with respect to its roles and the key consultation principles</p> <ul style="list-style-type: none"> • We will follow the AESO's existing consultation principles, but think the following are particularly relevant: – Under “Roles and participation in decision making” <ul style="list-style-type: none"> • The AESO uses the experience and expertise of stakeholders to improve the quality and implementation of decisions • All stakeholders have the right to comment on the AESO's plans, decisions and actions • The AESO makes the decisions <p>Suncor respectfully submits that while the AESO's consultation principles</p>

Section	Approach	Stakeholder Response
		<p>are useful for individual rule making under the legislation and the AESO Tariff, they will not be sufficiently robust when used in a complete and fundamental re-design of market structure and could place the AESO in a position of conflict, without sufficient checks and balances to ensure the successful outcome of the market restructuring.</p> <p>Suncor comes to this position through an examination of the design criteria. The AESO is tasked on the one hand with procuring and implementing the REP to attain Government mandated targets with respect to carbon reduction. At the same time the AESO is responsible for the administration and reliability of existing generation and the procurement of new non-renewable generation under the new capacity market structure, all of this at 'reasonable cost' to consumers, while maintaining investor confidence.</p> <p>The AESO will have high degree of control on the definition of adequacy, the timing of adequacy, the timing of REP procurement – the AESO will effectively have a high degree of potential control on the market –</p> <p>Suncor questions how this all inclusive mandate will fit with the existing rights of participants to appeal an AESO decision to the AUC under section 25(1) of the EUA particularly for (ii) and (iii) below;</p> <p>about an ISO rule that is in effect, on one or more of the following grounds:</p> <ul style="list-style-type: none"> (i) that the ISO rule is technically deficient; (ii) that the ISO rule does not support the fair, efficient and openly competitive operation of the market;

Section	Approach	Stakeholder Response
		<p>(iii) that the ISO rule is not in the public interest.</p> <p>Suncor suggests that these broad mandates create conflicting objectives (reliability vs cost, carbon reduction Vs reliability, treatment of new assets vs existing assets) that should not be solely the burden of the AESO. Suncor believes that this structure opens itself to challenge of the AESO's decisions at the AUC and prolonged legal and regulatory grid-lock as market participants determine through the regulator and potentially the courts, the resolution of the above potentially conflicting mandates.</p> <p>Suncor believes that the AESO ,to avoid the burden of conflict, needs to be informed by government mandated and broadly representative industry groups. Suncor believes that for the new market structure to become, and remain successful, the Minister of Energy should appoint a broadly representative group of market participants, made up of incumbent generation and load, as a senior steering committee with a defined mandate to advise the AESO on key principles of legislation, regulation, design criteria and details, as well as design implementation for the new market structure. And that further this steering committee should have the mandate to appoint sub-committees to analyse and report on particular legal or technical issue that require a higher level of expertise , such as the resource adequacy and related demand curve calculation, or the cost of new entry (CONE).</p> <p>This could be done under Section 149 of the EUA and Section 7 of the Government Organization Act</p> <p>149(1) The Minister may establish a committee under section 7 of the <i>Government Organization Act</i>.</p>

Section	Approach	Stakeholder Response
		<p>(2) The Minister must appoint as members of the committee such corporations, municipalities, organizations or individuals as may, in the opinion of the Minister, be necessary or desirable to ensure that the membership of the committee is representative of persons having a material interest in the Alberta electric industry.</p> <p>Government Organization Act</p> <p>Advisory boards, committees or councils</p> <p>7(1) A Minister may establish any boards, committees or councils that the Minister considers necessary or desirable to act in an advisory or administrative capacity in connection with any matters under the Minister’s administration.</p>
<p>Proposed approach to answering key design questions</p> <p><i>Slides 16 – 17</i></p>	<p>What clarification or additional information do you require regarding the proposed approach?</p> <p>Do you support the two-stage iterative process proposed for the capacity market design?</p> <p>Do you agree this process will deliver an inclusive, timely, efficient, cohesive and comprehensive design?</p> <p>Do you think that the process will result in the expected benefits listed?</p> <p>Are there modifications to this approach that would improve its effectiveness?</p> <p>Is there an alternative consultation approach you would like us to consider and why? Please describe the alternative in as much detail as possible.</p>	<p>No Comment</p>

Section	Approach	Stakeholder Response
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
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
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?	See Comments on Slide 15 above

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
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
Potential criteria for supply adequacy and reliability <i>Slide 22</i>	Are there additional criteria which should be included in this category?	No comment
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>	See Comments on Slide 15 above

Section	Subject	Stakeholder Response
Potential criteria for the capacity market <i>Slide 23</i>	Do you support the following criteria regarding the market category? Please explain. <i>The procurement of capacity should employ market-based mechanisms and a competitive market for capacity should be developed.</i>	See comments on slides 8 – 10 above
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>	Suncor supports subject to comments herein
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>	Suncor supports subject to comments herein
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>	Suncor supports subject to comments herein
Potential criteria for the capacity market <i>Slide 23</i>	Are there additional criteria which should be included in this category?	No Comment

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>Long-term investment risks should continue to be largely borne by investors rather than consumers.</i>	Suncor supports subject to comments herein
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>	Suncor supports subject to comments herein
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>	Suncor supports subject to comments herein
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>	Suncor does not support this criterion. To instill market confidence and ensure a successful transition without reliability issues, it may be necessary to contract longer terms.
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>	Suncor supports subject to comments herein

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>	Suncor supports subject to comments herein
Potential criteria for costs and risk <i>Slides 24 – 25</i>	Are there additional criteria which should be included in this category?	No comment.

Section	Subject	Stakeholder Response
<p>Potential criteria for flexibility</p> <p><i>Slide 26</i></p>	<p>Do you support the following criteria regarding the category of flexibility? Please explain.</p> <p><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 inerties, large geographic area, etc.).</i></p>	<p>On slide 26 of the presentation the AESO notes unique aspects of Alberta’s electricity system including levels of cogeneration. In a recent study by EDC it estimated that had cogeneration been utilized to its fullest extent in the development of oil sands that by 2022 cogeneration could be generating 35,000 MWs to the Alberta grid or three times the annual Alberta requirement.</p> <p>Given the benefits and potential for cogen to be a major low-emission source of cost effective electricity for the Province Suncor believes that a significant gap exists in Provincial policy. While hydroelectricity, coal termination, coal to gas conversion, energy efficiency , renewables and micro generation have, or are developing policy, Cogen, which has the single largest potential for electricity generation with significant economic benefits to the Province, lacks a policy supported by industry and Government. Cogeneration compared to NGCC or coal-to-gas reduces emissions by several mega tonnes per year of carbon. If the policy framework does not support cogeneration now, then significant carbon leakage could be locked in for decades.</p> <p>Suncor is unaware of any comparable jurisdiction that has the complexity and uniqueness of Alberta in terms of the Industrial Systems Designation (ISD) structure or the Provinces high volume of industrial generation and load. Capacity market models based on existing markets are inadequate in this aspect and have not been designed to integrate Alberta’s unique industrial opportunities. These factors will have to be very carefully assessed with a view to an Alberta solution, as opposed to attempting to ‘fit’ incomparable existing capacity market models.</p> <p>Given the above Suncor believes that it particularly crucial at this time that Cogen be fully considered in order to give guidance to the design of the future capacity market. As a leader in both the cogeneration and renewable sectors Suncor is committed to collaborating with the AESO and industry participants to seek solutions that achieve a balanced and healthy market.</p>

Section	Subject	Stakeholder Response
		<p>In addition the introduction of renewables up to the stated levels has the potential to cause periods of over-supply in the market, leading to potential cogeneration curtailments and curtailment of oil production and loss of reservoir capability. The challenge Suncor believes is to find a balanced way to introduced renewables into the market such that environmental goals are achieved without the potential of major generation curtailments.</p> <p>.</p>
Potential criteria for flexibility	Do you support the following criteria regarding the category of flexibility? Please explain.	Suncor supports subject to comments herein

Section	Subject	Stakeholder Response
Slide 26	<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>	
Potential criteria for flexibility Slide 26	Are there additional criteria which should be included in this category?	No comment
Potential criteria for timely development Slide 27	Do you support the following criteria regarding the timely development category? Please explain. <i>Market should be targeted to open in 2019 for start of first capacity procurement.</i>	No comment
Potential criteria for timely development Slide 27	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>	No comment
Potential criteria for timely development Slide 27	Do you support the following criteria regarding the timely development category? Please explain. <i>Simple and straightforward implementation should be a priority.</i>	No comment
Potential criteria for timely development Slide 28	Do you support the following criteria regarding the timely development category? Please explain. <i>To the extent a staged implementation is pursued, the</i>	Suncor supports subject to comments herein

Section	Subject	Stakeholder Response
	<i>expected timing and nature of future changes should be provided.</i>	
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
Potential criteria for timely development <i>Slide 28</i>	Do you support the following criteria regarding the timely development category? Please explain. <i>Best practices and lessons learned from other capacity market implementations should be leveraged as much as possible.</i>	Suncor supports subject to comments herein
Potential criteria for timely development <i>Slides 27 - 28</i>	Are there additional criteria which should be included in this category?	No comment
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

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
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
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>	Suncor supports this concept based on the premise that the existing legislation/regulation provides for a single zone in Alberta and supports sufficient transmission to ensure a robust market. This principle ought to be maintained and is especially important to maintain market stability, investment confidence and provide for growth under future market structures
4 Slide 31	Do you support adopting the following assumption? Please explain. <i>The resource adequacy requirement for Alberta will be centrally determined.</i>	While the adequacy requirement can be centrally determined Suncor believes that for optimum market efficiency the adequacy requirement should not be centrally acquired i.e. that market participants should be free to self-supply adequacy or to procure adequacy from third parties by way of a bi-lateral market. Suncor sees the resource adequacy determination as central to the success of the capacity market. Suncor is concerned about adequate representation and the independence of this determination from political and social policy. Suncor believes that these elements must be resolved to the satisfaction of market participants prior to the finalization of any market design. In other markets to

Item	Assumption	Stakeholder Response
		ensure market confidence small consumer, large industrial load and generator representatives are part of the demand forecasting function, capacity market auction oversight including determination of CONE and attendant CONE technology types (simple cycle vs combined cycle). Suncor suggests that this solution should be adopted in the Alberta market also.
<p>5</p> <p>Slide 31</p>	<p>Do you support adopting the following assumption? Please explain.</p> <p><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></p>	<p>Suncor believes that a narrow definition of the capacity market i.e. one where all related aspects such as carbon output, ramp flexibility, energy production costs etc. are excluded, will have potential negative effects on the functionality of the market and on the ability of developers to select superior environmental outcomes. For example, if the capacity market is focussed on lowest cost of capacity alone, without consideration of ramp flexibility or carbon outcomes, then coal-to-gas conversion may well constitute the leading and preferred technology, given the low capital cost to convert existing coal plants to natural gas. However this solution creates inflexible (in terms of ramp rate), inefficient generation with higher emissions than alternate gas fired technology. Energy market segment prices have the potential to become more volatile with the higher heat rate of coal-to-gas units creating an increased cost of dispatch in the energy market, particularly with the increasing addition of renewables over time.</p> <p>Suncor cautions reliance on Demand Response (DR) as a capacity resource due to the inability of DR to reduce energy requirements during extended scarcity periods (during a Polar Vortex or summer high pressure / temperature weather event)</p>
<p>6</p> <p>Slide 31</p>	<p>Do you support adopting the following assumption? Please explain.</p> <p><i>Capacity and energy/ancillary services are separate products, and</i></p>	No comment

Item	Assumption	Stakeholder Response
	<i>are procured independently.</i>	
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>	Suncor supports subject to comments herein
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>	Suncor supports subject to comments herein
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>	Suncor supports subject to comments herin
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

General Feedback

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

Section	Subject	Stakeholder Response
Next Steps <i>Slides 33 – 34</i>	<p>Please provide any general feedback you have regarding the January 12/16 AESO presentation content or format.</p> <p>Please provide any general feedback you have regarding formats for future materials or stakeholder sessions.</p>	No comment
Next Steps <i>Slides 33 – 34</i>	<p>Please provide any feedback you have regarding next steps in the capacity market development process.</p>	<p>Suncor would encourage a) both written and oral feedback and b) the adoption of Industry represented steering committees as discussed above, particularly for technical design aspects such as resource adequacy and ISO governance.</p> <p>Limiting the feedback process to written-only has the potential to make the entire process slow and cumbersome, as well as incomplete and subject to both misinterpretation and lengthy rounds of clarifying question and responses. Suncor submits that the AESO must strike a balance between inclusiveness, practicality and clarity to achieve the optimum outcome in the limited time allotted.</p> <p>Suncor would like to discuss governance and agency roles for the new market design during the transition period and post go-live – as it is imperative that the agencies maintain existing and future investor confidence through a combination of strong governance, independence and robust market representation. .</p>
Next Steps <i>Slides 33 – 34</i>	<p>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</p>	Suncor supports subject to the comments herein

	<p>be resolved before detailed design components begin to be addressed?</p> <p>Other than the items listed above, do other topics need to be discussed or addressed, or other information provided, before detailed design discussions begin?</p>	
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