

Questions for discussion

The engagement is seeking feedback on the six questions outlined in the table below. Please provide your input on these questions in Table 1 on the next three pages. Please submit your completed table and any additional input on this topic to the Submission Library for the Capacity Market Framework engagement at: <http://www.energy.alberta.ca/Electricity/4467.asp>

Submissions will be accepted on this topic until November 24, 2017

Name & Organization:	Evan Bahry, Executive Director, IPPSA	
Question	Response (Y/N)	Explanation/Further Details
Capacity Market Input Points		
<p>Do the current input points that exist for electricity sector stakeholders suffice for the capacity market? If not, please specify reasons why and suggested changes.</p>	NO	<p>IPPSA appreciates the opportunity to provide our input on this important matter. We provides some general comments about consultation followed by eight specific recommendations on how stakeholder engagement can be improved to deliver timely and appropriate market rules and the capacity market ‘quantity decisions’.</p> <p>The goal should be for better and faster decision-making based on the contribution and buy-in of stakeholders.</p> <p>At the outset, we envision the need for a set of new capacity market rules that should proceed through an improved AESO consultation mechanism and then to the AUC for approval. In addition to these broad capacity market rules, the AESO will need to make decisions on a near annual basis to facilitate the capacity market. These ‘quantity decisions’ include the volume of capacity to be procured in a main capacity auction, the need for balancing auctions and the value of CONE, for example.</p> <p>Improvements to the AESO’s consultation processes are required due the</p>

		<p>elevated decision-making the AESO will have in the new energy, capacity and ancillary services markets. The AESO’s decisions will be integral to how new supply will be added to ensure reliability, and will be integral to the ability of existing and future generators to earn a return on their investments. We also believe there is a need for elevated capacity at the AUC to review and approve decisions in our new market. To this end, we would recommend that the AUC expand its knowledge of market matters both internally and at the commission level.</p> <p>To improve AESO and AUC stakeholder engagement, IPPSA recommends:</p> <ol style="list-style-type: none"> 1) The establishment of a formal consultation committee at the AESO to aid in the development of its market rules and to resolve the AESO’s near annual capacity market ‘quantity decisions’. 2) This committee would have a broad composition - representing loads and generators - and have deliberations made transparent to industry as a whole, much like the capacity market working groups. 3) This committee would be responsible for contracting out to third parties for the modelling work underpinning the quantity decisions. The reliance on third parties is important to mitigate against the risk of overprocurement. Quantity decisions include: <ol style="list-style-type: none"> i) Load growth forecast ii) Quantity procured for capacity market auctions iii) Quantity procured for balancing auctions iv) Value of CONE/net-CONE v) We would also recommend an automatic evaluation mechanism to continuously improve modelling assumptions of the above ‘quantity decisions’. This automatic review would answer the questions – ‘did the AESO over or under procure capacity?’ and ‘were the forecasts wrong, and why?’ among others. 4) To expedite its deliberations, we would recommend that this committee adopt the relevant principles and approaches contained in
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		<p>the Collaborative Industry Dialogue and Issue Resolution (CIDIR) process to aid in the resolution of its deliberations. Some of the CIDIR principles include:</p> <ul style="list-style-type: none"> i) To facilitate brainstorming of solutions to market issues. ii) To identify areas of agreement arrived at through consensus. iii) To identify areas of disagreement, and enhance understanding of the reasons therefor. iv) To examine options and develop solutions that are considered acceptable by affected stakeholders. v) To contribute to narrowing the scope and number of issues brought to the Alberta Utilities Commission (“AUC”) (e.g. for resolution as a result of objections to ISO rules). <p>5) We believe that a mechanism for rapid dispute resolution at the AESO and/or AUC is also required. We believe that a host of the quantity-related decisions may need to be made quickly in order for the AESO to discharge its mandate to facilitate the capacity market. The anticipated short timeframe for these decisions may obviate the ability to use of the traditional hearing process at the AUC. We note that arbitration/mediation is common processes within other ISOs, but should be conducted via those with expertise in the Alberta electricity industry. Or, if a process was conducted at the AUC that the scope of the issues be limited with the benefit of the CIDIR approach noted above and the proceeding be time-bound.</p> <p>6) We recommend that the AUC increase its organizational capacity to respond to the increased volume of decisions associated with our market’s evolution and the complexity of those decisions. We would also recommend that the AUC give strong weight to the decisions made at the AESO’s stakeholder committee. This deference would create an important incentive for the AESO to ensure its stakeholder committee works.</p> <p>7) A 5 year review of the above consultation process proposal should be</p>
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		<p>undertaken given that the early years of the capacity market implementation will elicit strong stakeholder interest. As it matures, perhaps less involvement will be warranted, or other approaches could be considered.</p> <p>8) The role of the MSA should be limited when it comes to the AESO’s determination of the capacity market related ‘quantity decisions’. It would be inefficient, confusing for stakeholders, and would potentially impact decision timeliness for both the AESO and the MSA to have roles in determining those quantity decisions. We further believe the DOE should revisit the role and reporting structure of the MSA in the context of Alberta’s new capacity market; with the purpose of improving agency efficiencies.</p>
<p>If used for the capacity market, should there be any changes to Alberta’s current development, approval, or appeal processes?</p>	<p>YES</p>	<p>To improve AESO and AUC stakeholder engagement, IPPSA recommends:</p> <ol style="list-style-type: none"> 1) The establishment of a formal consultation committee at the AESO to aid in the development of its market rules and to resolve the AESO’s near annual capacity market ‘quantity decisions’. 2) This committee would have a broad composition - representing loads and generators - and have deliberations made transparent to industry as a whole, much like the capacity market working groups. 3) This committee would be responsible for contracting out to third parties for the modelling work underpinning the quantity decisions. The reliance on third parties is important to mitigate against the risk of overprocurement. Quantity decisions include: <ol style="list-style-type: none"> i) Load growth forecast ii) Quantity procured for capacity market auctions iii) Quantity procured for balancing auctions iv) Value of CONE/net-CONE v) We would also recommend an automatic evaluation mechanism to continuously improve modelling assumptions of the above ‘quantity decisions’. This automatic review would answer the questions – ‘did the AESO over or under procure capacity?’ and

		<p>‘were the forecasts wrong, and why?’ among others.</p> <p>4) To expedite its deliberations, we would recommend that this committee adopt the relevant principles and approaches contained in the Collaborative Industry Dialogue and Issue Resolution (CIDIR) process to aid in the resolution of its deliberations. Some of the CIDIR principles include:</p> <ul style="list-style-type: none"> i) To facilitate brainstorming of solutions to market issues. ii) To identify areas of agreement arrived at through consensus. iii) To identify areas of disagreement, and enhance understanding of the reasons therefor. iv) To examine options and develop solutions that are considered acceptable by affected stakeholders. v) To contribute to narrowing the scope and number of issues brought to the Alberta Utilities Commission (“AUC”) (e.g. for resolution as a result of objections to ISO rules). <p>5) We believe that a mechanism for rapid dispute resolution at the AESO and/or AUC is also required. We believe that a host of the quantity-related decisions may need to be made quickly in order for the AESO to discharge its mandate to facilitate the capacity market. The anticipated short timeframe for these decisions may obviate the ability to use of the traditional hearing process at the AUC. We note that arbitration/mediation is common processes within other ISOs, but should be conducted via those with expertise in the Alberta electricity industry. Or, if a process was conducted at the AUC that the scope of the issues be limited with the benefit of the CIDIR approach noted above and the proceeding be time-bound.</p> <p>6) We recommend that the AUC increase its organizational capacity to respond to the increased volume of decisions associated with our market’s evolution and the complexity of those decisions. We would also recommend that the AUC give strong weight to the decisions made at the AESO’s stakeholder committee. This deference would</p>
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		<p>create an important incentive for the AESO to ensure its stakeholder committee works.</p> <p>7) A 5 year review of the above consultation process proposal should be undertaken given that the early years of the capacity market implementation will elicit strong stakeholder interest. As it matures, perhaps less involvement will be warranted, or other approaches could be considered.</p> <p>8) The role of the MSA should be limited when it comes to the AESO’s determination of the capacity market related ‘quantity decisions’. It would be inefficient, confusing for stakeholders, and would potentially impact decision timeliness for both the AESO and the MSA to have roles in determining those quantity decisions. We further believe the DOE should revisit the role and reporting structure of the MSA in the context of Alberta’s new capacity market; with the purpose of improving agency efficiencies.</p>
Capacity Market Input Methods		
How would you like to provide input on capacity market rules, products and parameters?		As noted above, IPPSA supports the need for capacity market rules to proceed along an improved AESO consultation process.
Should government provide guidance on sector representation in capacity market engagement?	No	<p>The AESO is well positioned to understand the effected stakeholders of its market rules and business practices as it relates to the capacity market.</p> <p>The standing committee that we recommend should have broad load and generator representation and should have its deliberations made transparently, for the benefit of all other stakeholders.</p>
Capacity Market Products		

<p>Are there specific capacity market products or parameters that stakeholders should provide input on?</p>	<p>Yes</p>	<p>As noted above, these products include:</p> <ul style="list-style-type: none"> i) Load growth forecast ii) Quantity procured for capacity market auctions iii) Quantity procured for balancing auctions iv) Value of net-cone
<p>Additional Input</p>		
<p>Do you have additional input?</p>		<p>We further believe the DOE should revisit the role and reporting structure of the MSA in the context of Alberta’s new capacity market; with the purpose of improving the efficiency of Alberta’s overall regulatory scheme.</p> <p>Investors support clear market rules that will be enforced as a precondition to their market entry. This is a given.</p> <p>It is also true that the capacity market evolution fundamentally changes the former energy market’s revenue recovery model. Investors will now progressively rely on the AESO’s capacity market mechanism and related market mitigation rules to earn a return. Capacity market consultations are contemplating significant ex ante mitigation. In such an evolution, the utility of a stand-alone MSA comes under question.</p> <p>Under the capacity market evolution, the AESO is now contemplating ex ante bid mitigation rules, performance standards, and a host of industry parameters that were previously left to the market. This evolution makes the MSA’s duty to provide guidelines for participant behavior moot.</p> <p>As noted earlier in this submission, stakeholders would be concerned with the risk of the MSA interjecting itself in the key quantity decisions - and quantity decision stakeholder consultations - that the AESO needs to make to execute the capacity market. Such an interjection would be redundant. Therefore the MSA’s role in market design would be duplicative.</p>

		<p>In terms of market monitoring, all North American jurisdictions have market monitoring carried out by a division of the ISOs. In fact, and with regard to rules compliance in Alberta, the AESO has always led compliance to its own rules. There is no reason to believe that compliance to rules associated with specified penalties cannot be contained with the AESO. Similarly, formal investigations requiring adjudication to the AUC - noting how rare they have been in Alberta – can also be an expanded role of the AESO’s existing compliance function.</p> <p>Furthermore, the MSA’s historic function for market reporting and analytics can be contracted out by the AESO, as they are in other capacity markets.</p> <p>Finally, a new structure where market rules and compliance are carried out under the AESO Board would also improve industry coherence. Gone would be the days of the MSA taking the AESO to the AUC on matters that the MSA believes are important. The four year Historic Trading Report dispute is a critical example of this confusion and ultimately poor use of consumer dollars. For investor confidence and policy stability reasons, it makes sense to align rules development and rules compliance under the AESO.</p> <p>The AUC remains extremely relevant for hearing any market investigations and remains relevant for approval of AESO rules, including hearing rule objections, for receiving any complaints about the AESO’s conduct. In fact, IPPSA suggests that the AUC should expand its internal resources and Commissioner expertise as it will play a key role in the capacity market’s success.</p>
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Table 1: Stakeholder Involvement feedback matrix

Organization Name: IPPSA

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