

Alberta's Capacity Market: Policy Direction

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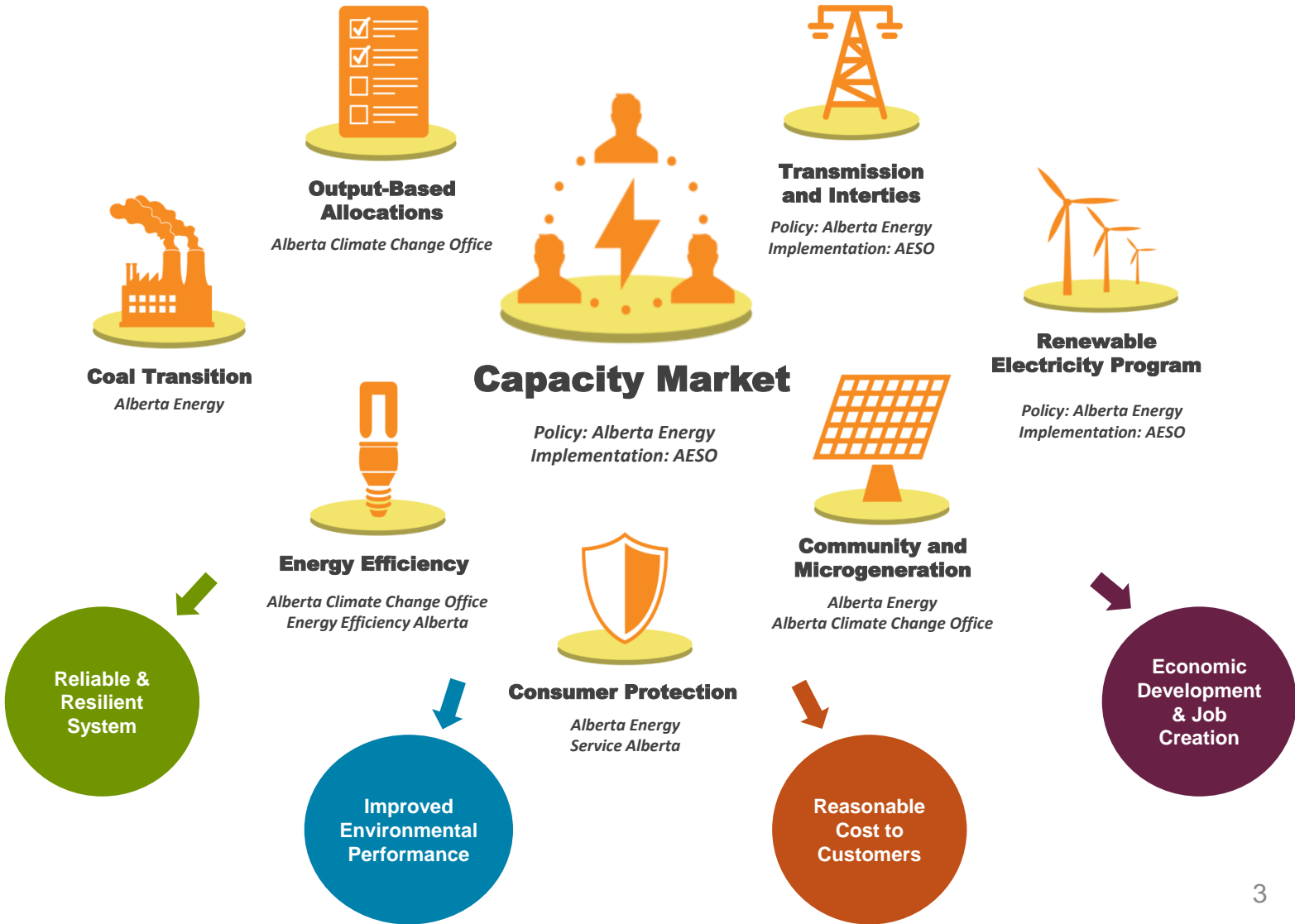
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Presentation Outline

- **Electricity System Transition**
- **Engagement Overview**
 - Stakeholder Feedback
- **Updates on Policy Direction**
 - Agency Governance
 - Rulemaking
 - Resource Adequacy
 - Cost Allocation
- **Moving Forward/Next Steps**

Electricity System Transition



Engagement Overview

Stakeholder Feedback

- **Regulatory stability is crucial for stakeholder confidence.**
- **Effective governance is required to ensuring stakeholders are able to transparently participate in the capacity market, supporting efficient market operations.**
- **The capacity market must efficiently integrate with the energy and ancillary services markets.**

Policy Direction

Agency Governance

- **Electricity agency roles will expand, resulting in an effective governance model for the new market framework**
 - AESO, AUC and MSA mandates and roles will be extended to include governance related to the capacity market
 - These changes align with best practices in other jurisdictions and will provide both stability and confidence in Alberta's electricity market
- **Changes to ISO Rule Development Process**
 - The AUC will be required to review and approve all new or modified ISO rules.
 - The MSA will have a formal role in rule development
 - The AUC will be empowered to determine the scope of review required for new or modified rules

Stakeholder Involvement

- **Stakeholders will have an important role in the rule-making process**
 - Generators that provided technical feedback to government sought stronger input mechanisms
 - The AUC will be formalizing the level of stakeholder involvement to ensure stakeholders are well-represented and the process is transparent
- **A transitional mechanism will be established for capacity market rules**
 - Stakeholders require certainty through this transition
 - This transitional mechanism will approve ISO rules for the first capacity auction in late 2019

Resource Adequacy

- **Alberta will use a Normalized Expected Unserved Energy Metric**
- **The standard will establish a maximum of 0.0011 per cent of the energy going unserved**
 - This is consistent with existing reliability standards
 - The majority of stakeholders who provided input on capacity market policy supported this standard

Cost Allocation

- **Alberta will use a Weighted Energy Methodology**
 - Generally preferred, or the second choice, by most stakeholders
 - Creates a clear price signal for consumers
 - Flexible to evolving technology and consumer behavior
- **Government will provide the AESO and AUC with principles to guide the calculation, approval and administration**

Next Steps

Next Steps

- **Legislative changes are targeted for Spring 2018**
 - A technical briefing will be scheduled once legislation is tabled
- **Regulations are targeted by the end of 2018**
- **Technical design work led by AESO is ongoing:**
 - Comprehensive Market Design (CMD) Draft #2 is scheduled to be published April 24.
- **Alberta Energy will keep stakeholders updated as work progresses**

Closing Remarks

- We look forward to working with you as we implement the capacity market
- Our policy paper is posted online at www.energy.alberta.ca
- Please contact electricity@gov.ab.ca if you have any further questions on our capacity market approach

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