

Notice

**Notice of Commission Initiated Proceeding
Proceeding 23757
Application 23757-A001**

Initiation of the proceeding to consider ISO rules to implement and operate the capacity market

The Legislative Assembly of Alberta has now passed Bill 13: *An Act to Secure Alberta's Electricity Future* and it received royal assent on June 11, 2018. It included, among other things, amendments to the *Electric Utilities Act* that enable the implementation and operation of a capacity market for electricity in Alberta. Under the amended *Electric Utilities Act*, independent system operator (ISO) rules require Commission approval.

Pursuant to the amended *Electric Utilities Act*, the Alberta Electric System Operator (AESO), as ISO in Alberta, is required to make an application to the Commission for approval of a first set of ISO rules that the AESO considers to be essential for the implementation and operation of the Alberta capacity market (the provisional rules). Additionally, the amended act legislates the processes that the Commission must undertake to approve the provisional rules and requires the Commission to consider and decide upon those rules within six months of receipt of the AESO's application. Immediately following the conclusion of that process, the Commission must undertake an additional 18-month approval period to consider the ISO rules, pursuant to the regular approval process, as set out in the legislation (the initial rules). The Commission expects the AESO's first application for approval of the provisional rules in the first quarter of 2019.

Because of the limited amount of time available to the Commission to review and decide upon the provisional rule application, the Commission is initiating this proceeding in advance of receipt of the AESO's application. In order that the six months available to the Commission for the processing of the AESO's application may be used as efficiently as possible, the Commission will use this preliminary process to augment its understanding of the final comprehensive market design published by the AESO on June 29, 2018 (CMD Final) and for issue identification regarding the market framework that is informing the drafting of the ISO rules. For continuity of the record, the AESO should file its application under this proceeding number, referenced above.

The Commission considers that, in light of the time constraints imposed by legislation, the commencement of this proceeding is timely and supports regulatory efficiency.

Preliminary process

The Commission is eliciting the views of interested parties with respect to the components of the market design that will warrant examination during the six-month process. To that end, the Commission requests that parties provide written submissions on the following:

- Components of the market design, and resulting ISO rules, that will not require discussion during the six-month process.
- Components of the market design, and resulting ISO rules, that will require exploration during the six-month process with an explanation of:
 - The reason each component should be discussed in the six-month process.
 - How the component affects the performance of the wholesale electricity market.
 - The incentives the component creates and how those incentives may promote or frustrate achieving certain outcomes.

In addition, the Commission has engaged Dr. Peter Cramton as an independent expert witness to provide and speak to an assessment of the CMD Final. Dr. Cramton's report will be available on the public record of this proceeding before the end of September, 2018.

Finally, the Commission invites submissions on the evaluation criteria by which the Commission must assess ISO rules. In particular, the Commission requests submissions regarding the interpretation of Section 20.21(2) and Section 20.22(5) of the *Electric Utilities Act* and how the criteria listed in those sections may be understood to work together. Submissions might take the form of legal opinions, academic and regulatory expert evidence, or legal argument.

Parties are requested to make submissions on the matters set out above by no later than **4 p.m. on October 29, 2018**.

Six-month process

The above-requested submissions will inform the Commission's consideration of the topics that warrant exploration during the six-month process. The Commission will seek input on the process steps that proceeding participants propose be included in the six-month process, commencing November, 2018. The Commission will communicate the final process and the proceeding scope following receipt of the AESO's application for provisional rule approval. The Commission anticipates a process that includes, at a minimum, reply evidence that addresses issues within the scope of the proceeding, an oral hearing, argument and reply argument.

Participation

All parties that wish to participate in this proceeding are asked to file a statement of intent to participate no later than **4 p.m. on September 14, 2018**. If a party is represented by another

party, the contact information for that representative should be included. If a submission is being made on behalf of a group, the contact person for the group and the details of the group members should be provided. Parties with similar interests are encouraged to participate as a group. All interested parties are encouraged to register to participate using the Commission's eFiling System.

All submissions should be filed under Proceeding 23757 using the eFiling System. If required, the submission can be filed with the AUC by mail or fax. Please contact the AUC's information services group at info@auc.ab.ca or 403-592-4500 if you require assistance with the eFiling System, or if you do not have internet access, and they will assist you with your submission. For efficiency, please identify any communication with the AUC about this proceeding by indicating the proceeding number.

Cost recovery

For the purposes of this proceeding, which includes the preliminary process and the six-month process for the consideration of the provisional rule application, the Commission will suspend the operation of the prohibition on cost recovery set out in *AUC Bulletin 2008-17* (Costs for Market Proceedings). Eligibility for cost recovery will be determined by the Commission. The Commission will direct the AESO to pay the costs associated with the proceeding to eligible claimants.

The Commission emphasizes that, at this time, the suspension of *AUC Bulletin 2008-17* applies only to this proceeding, which includes the preliminary process and the six-month ISO rule approval process, and to no other market related proceeding that is subject to *AUC Bulletin 2008-17*.

The Commission will host a meeting with Commission staff to explain the Commission's proposed approach to cost recovery and to answer any additional questions parties may have on August 14, 2018 from 9:30 a.m. to noon in the Commission's Calgary office. The Commission will provide dial-in information to parties who indicate their interest in participating by teleconference.

The Commission asks interested parties to confirm their participation in the meeting, either in-person or by teleconference, by August 7, 2018 by emailing capacitymarket@auc.ab.ca. Participants are asked to include the number of attendees if they plan to attend in-person.

Privacy

To support an open and transparent process, information you send to the AUC will be publicly available through the AUC's eFiling System. If there is confidential information you would like to file, a request must be made in advance of filing your submission in accordance with Section 13 of Rule 001: *Rules of Practice*

Contact

If you have questions, please contact Kevin Thompson at 403-592-4496 or by email at kevin.thompson@auc.ab.ca or Elizabeth von Engelbrechten at 403-592-4489 or by email at elizabeth.von.engelbrechten@auc.ab.ca.

Issued on July 23, 2018.

Alberta Utilities Commission
Douglas A. Larder, QC, General Counsel