

February 2, 2023

To: The Market Surveillance Administrator (“MSA”), market participants and other interested parties (“Stakeholders”)

Re: Letter of Notice for Additional Feedback on the Operating Reserve Market Review

On September 12, 2022, the AESO published a Letter of Notice seeking additional feedback from Stakeholders on the Operating Reserve (“OR”) Market Review after Stakeholder Consultation Session 3. In the Stakeholder comment matrix, the AESO committed to engaging Stakeholders in further process on moving to a sealed bid auction format, part of the AESO’s larger offer transparency recommendation, in consideration of the London Economics International (“LEI”) report submitted by TransAlta.

Background

The AESO is mandated to ensure the OR market is operated in a fair, efficient, and openly competitive manner. In the OR Market Review, the AESO is assessing changes to improve competition and price fidelity in the OR market. As part of this review, the AESO has recommended moving to a sealed bid format in the OR market, with offer information released after 60 days. This change would align offer transparency in the OR market with the current practice in the energy market. The rationale for this recommendation is set out in the presentations posted for the [OR Market Review Session #1](#) on November 30, 2021, the [OR Market Review Session #2](#) on April 7, 2022, and the [OR Market Review Session #3](#) on September 8, 2022.

On September 7, 2022, TransAlta submitted to the AESO a report titled [“Independent evaluation of proposed changes to Alberta’s operating reserve market format and information release policies”](#) prepared by LEI (the “LEI Report”).

In consideration of the LEI Report and in response to Stakeholder feedback on the AESO’s offer transparency recommendation, the AESO engaged Charles River Associates (“CRA”) to provide an independent assessment of the AESO’s offer transparency recommendation, including a review of the LEI Report and relevant literature. The AESO has posted this report, the “Assessment of AESO Recommendations to Adopt a Sealed-Bid Auction for Operating Reserves” (the “CRA Report”).

The AESO has also posted a letter from the MSA outlining the MSA’s view on the AESO’s offer transparency recommendation (the “MSA Letter”). As public agencies with mandates to support the fair, efficient and openly competitive operation of the market, the AESO provided the MSA with a copy of the CRA Report and sought its views on the AESO’s offer transparency recommendation. The MSA Letter reaffirms its previous endorsement of the AESO’s recommendation to move to a sealed bid format and to release offer information after 60 days in consideration of the CRA Report and the other information posted in the OR Market Review consultation process.

The AESO thanks Stakeholders for their ongoing participation in the AESO’s OR Market Review design initiative. The AESO appreciates the feedback received from Stakeholders in this initiative to date and is seeking further Stakeholder feedback on the offer transparency recommendation in the attached *Stakeholder Comment Matrix – Additional Feedback on Offer Transparency in the Operating Reserve Market Review*.

Comment Period

The AESO is seeking feedback from Stakeholders on their alignment with the AESO's offer transparency recommendation in consideration of the LEI Report, the CRA Report and the MSA Letter.

The deadline for Stakeholders to provide comments is **February 21, 2023**, to rules_comments@aeso.ca.

The AESO will publish all Stakeholder comments received on the AESO website.

Related Materials:

1. *Stakeholder Comment Matrix – Additional Feedback on Offer Transparency in the Operating Reserve Market Review*
2. “Assessment of AESO Recommendations to Adopt a Sealed-Bid Auction for Operating Reserves”, CRA, Andy Baziliauskas and Adonis Yatchew
3. “Market Surveillance Administrator (MSA) Comments on Alberta Electric System Operator (AESO) Operating Reserves Market Review – Sealed Bid and Offer Transparency”, MSA, January 24, 2023
4. “Independent evaluation of proposed changes to Alberta’s operating reserve market format and information release policies”, London Economics International, Julia Frayer and Joannes Ezeokana

Sincerely,

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