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September 1, 2022

Nicole LeBlanc
Director, Markets & Tariff
Alberta Electric System Operator (AESO)
2500, 330 – 5th Avenue SW
Calgary, Alberta T2P 0L4

Dear Ms. LeBlanc:

Re: Operating Reserves Market Review

TransAlta Corporation ("**TransAlta**") submits the attached "Independent evaluation of proposed changes to Alberta's operating reserve market format and information release policies" prepared by London Economics International LLC ("**LEI**").

TransAlta engaged LEI to provide an independent economic assessment and evaluation of the AESO's proposals to change the operating reserves procurement process from an open auction to a sealed bid format and its recommendation to restrict and delay access to offer data associated with its operating reserves procurements. TransAlta expressed its concerns with the AESO's proposal in its written and verbal comments in the stakeholder consultation process. TransAlta has sought LEI's views as an eminent, respected, and experienced consulting firm that works on market design and electricity market issues including operating reserves markets throughout North America and other international jurisdictions to provide its assessment, conclusions, and recommendations with respect to these issues.

LEI's findings are that proposed change to the auction format are based on a hypothetical concern that are unsubstantiated in fact and are unlikely to achieve the AESO's objective to improve long-run efficiency in the OR market. Moreover, the AESO's proposals are likely to negatively impact price formation and discovery, and weaken competition. LEI's report also identifies other means, such as activity rules, that could be considered within the existing auction format that would better address the types of concerns that the AESO has raised about the existing design.

TransAlta appreciates the AESO's consideration of this additional feedback and economic expert evaluation. While we understand the AESO's desire to improve the operating reserves market, the operating reserves market is functioning well its current design. We are concerned that the AESO is proposing changes that are unnecessary without fully considering the potential impacts of its proposals. We ask the AESO to carefully consider LEI's report and its findings and to hold another stakeholder session on its proposal for sealed bid and transparency of offer information – as outlined in LEI's report, the AESO's recommendations are likely to have adverse and negative effects on the operating reserves market. Please feel free to reach out to me directly should you have any questions or wish to discuss LEI's report further.

Yours truly,

TRANSALTA CORPORATION

AKIRA YAMAMOTO
Manager, Regulatory & Market Policy

cc. Ruppa Louissaint, Manager, Markets