

Alberta Department of Energy's policy paper "Results of the Conversation"

- Review of Alberta Department of Energy's policy paper "Results of the Conversation" (October 2018)
 - Implications for the work of the Capacity Cost Allocation Analysis Work Group (CCAA WG)
- Desired outcome:
 - Gain AG alignment on interpretation of DoE paper

- In October 2018, the DOE released a stakeholder consultation paper called “Results of the Conversation”
- Paper indicates a number of policy decisions have been made in relation to capacity cost allocation
 - Use of the Weighted Energy Method (WEM)
 - Description of the WEM
 - Principles AESO must have regard for in implementing the WEM
- Some of the Description and Principles are particularly relevant to the determination of time periods and time period weights (red)

“Results of the Conversation”: Description of the Weighted Energy Method

- WEM must be used to allocate the costs of the capacity market.
- Within an obligation period, the AESO will be required to define time blocks and associated weightings for those time blocks.
- Every hour within the obligation period must be assigned to one of the time blocks.
- Time blocks may recur each day. However, time blocks are not required to be defined as recurring each day or for a subset of days.
- Time blocks may be assigned a weight of zero. Time blocks may not be assigned negative weights.

“Results of the Conversation”: Description of the Weighted Energy Method, continued

- Time blocks must group together hours with consumption that has a similar impact on the need for capacity in the obligation period.
- Time blocks must contain a minimum of 200 hours.
- A maximum of 4800 of the hours in an obligation period may be assigned to a time block with a weight of zero.
- Each weight must reflect the impact that consumption in the associated time block has on the need for capacity in the obligation period.
- The AESO must derive a dollar per megawatt hour rate to be charged in each time block of the obligation period. The rates must be derived from the weights assigned to respective time blocks and the total cost of the capacity market.

“Results of the Conversation”: Principles for implementing the Weighted Energy Method

- **Costs of the capacity market are to be allocated to all entities which have contributed to the need for the amount of capacity procured for the obligation period.**
- The AESO must develop one set of time blocks and weights to be applied consistently to all classes of system access service that receive energy from the transmission system and to transmission line losses. The AESO would not be empowered to develop a separate set of time blocks and weights for an individual rate class or subset of consumers.
- AESO’s own administrative costs associated with the capacity market are to be allocated using the same method used to allocate the amounts to be paid by the AESO for capacity payments.

Thank you