

Capacity Market Cost Allocation Analysis (CCAA) Working Group Update

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Working group reviewed CCA “Targeted Capacity Cost Allocation” proposal

- Working group appreciates intent of CCA to provide an innovative option for capacity market cost allocation
- Working group understands CCA’s proposal to provide “dynamic price signals” that would be triggered by predefined criteria with notification then given of an increase to the high-weight block charge
- Working group considers that the dynamic price signal proposal would not be compliant with the *Capacity Market Regulation’s* requirement for one rate for each time block
- Dynamic price signal proposal would also rely on a deferral account process to redistribute revenue
- Based on the comments above, working group does not support the CCA proposal

AESO's position is that “corresponding to” is different from “equal to”

- AESO does not consider subsection 12(5)(c) of the *Capacity Market Regulation* to restrict the weight for each time block to values that are exactly equal to the expected unserved energy in each time block
- Meaning of “corresponding to” is different from the meaning of “equal to”, particularly when considered in the context of the legislative scheme as a whole
- AESO instead considers that adjustments to the weights must maintain a reasonable relationship or correlation with expected unserved energy

Working group is continuing examination of “light-weight” weekend time block

- Advisory Group requested additional review of the “light-weight” weekend time block at April meeting
- Working group is examining impacts of refinements to time blocks in the four-block option
- Working group will update Advisory Group when examination is complete

Working group continues to discuss criteria for assessing cost allocation rate

Cost Allocation Rate Criteria	1× Multiplier on High-Weight Block	3× Multiplier on High-Weight Block	6× Multiplier on High-Weight Block
(1) Capacity Market Regulation requirements	fully satisfies	fully satisfies	fully satisfies
(2) Recovery of revenue requirement	fully satisfies	fully satisfies	fully satisfies
(3) Appropriate price signals	fully satisfies/ does not satisfy	fully satisfies/ does not satisfy	fully satisfies/ does not satisfy
(4) Fairness, equity, and minimization of inter-customer subsidies	fully satisfies/ does not satisfy	fully satisfies/ does not satisfy	fully satisfies/ does not satisfy
(5) Stability and predictability	fully satisfies	fully satisfies	fully satisfies
(6) Practicality	fully satisfies	fully satisfies	fully satisfies

Working group will continue analysis over coming weeks

- Finalize review of time blocks
- Finalize examination of weights and assessment against rate design criteria
- Consider aggregate impact of prices from capacity market cost allocation, energy, and transmission tariff, to extent possible
- Examine impact on individual consumer bills

Thank you