

Friday, May 28, 2021

Dear Stakeholders,

Re: Small DER Market Participation – Next Steps

The AESO thanks all stakeholders that submitted comments on the [Small DER Market Participation Draft Recommendation](#). This [feedback](#) from stakeholders was used to determine the final recommendations, including the priority and pace required to progress the recommendations.

The AESO has been engaging with stakeholders since the fall of 2020 to understand and analyze Small DER participation in the energy and operating reserve markets. The final recommendations, summarized below, consider removing barriers to entry for Small DER market participation, where appropriate; and balance the potential benefits of increased competition against implementation and additional regulatory/compliance requirements for the AESO and market participants.

Small DER Market participation recommendations:

- 1) Maintain the Section 203.1 of the ISO rules, *Offers and Bids for Energy* (must-offer) requirement for energy submissions for source assets 5 MW and greater.
- 2) Allow voluntary participation in the energy market for Small DER (1 MW to 5 MW).
- 3) Lower operating reserve (OR) asset qualification thresholds to provide operating reserves for regulating reserve, spinning reserve, and supplemental reserve from the current requirement of 15 MW, 10 MW and 5 MW, respectively, to 1 MW.
- 4) Allow Small DER (1 to 5 MW) participation in the OR market without a requirement to submit offers in the energy market.
- 5) Discontinue exploration of aggregation options for Small DER in the energy and OR markets.

Next Steps:

- 1) Consult on changes to voluntary participation in the energy market for source assets between 1-5 MW in co-ordination with other market initiatives. For efficiency, the AESO anticipates consulting on this change as part of the ongoing [Energy Storage ISO Rule Amendments](#). The AESO will review the Energy Storage ISO rules and draft proposed amendments with completion targeted for fall 2021.
- 2) Progress changes to OR market participation for Small DER through the OR market competitiveness review. The AESO currently plans to initiate stakeholder consultation on the OR market competitiveness review in Q3/Q4 of this year.
- 3) Continue to monitor the growth of Small DER and determine when/if future changes are warranted; with the pace of those changes driven by stakeholder input and the AESO's assessment on requirements for facilitating a FEOC market and maintaining system reliability.

Questions or comments in relation to the above next steps may be submitted to stakeholderrelations@aeso.ca.

Yours Truly,
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