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Alberta Electric System Operator
330 5 Ave SW
Calgary, AB
T2P 0L4

Attention: **Aaron Engen**, President and CEO, AESO

Cc: **David James**, Deputy Minister, Affordability and Utilities, Government of Alberta
Nicole LeBlanc, Vice President Markets, AESO
Ruppa Louissaint, Director, Markets, AESO

As Alberta's four largest energy retailers, collectively serving ~90% of the mass market customers across the province, we appreciate the opportunity to participate in the ongoing consultation process for the Restructured Energy Market (REM). We commend the Government of Alberta and the AESO for the considerable effort and leadership invested in advancing the REM design. The level of engagement, collaboration, and openness to feedback have been encouraging, and we recognize the many thoughtful enhancements to existing market parameters that have emerged as a result. These outcomes reflect a shared commitment to delivering a more modern, effective, and responsive electricity market for Albertans.

We offer the following input in the same spirit of constructive collaboration. Our intent is to contribute positively to the ongoing process and help ensure that the market framework being developed is robust, transparent, and positioned for long-term success. We would like to share some reflections regarding the proposed adoption of Locational Marginal Pricing (LMP) and related design elements, which merit further consideration and consultation.

A well-designed congestion management framework is important and has the potential to improve customer affordability by lowering overall system costs. However, the scale, complexity, and timing of the proposed LMP implementation raises several important concerns that we believe deserve closer attention.

Key Considerations Regarding LMP and Related Design Elements

- **Potential for unintended consequences**

The combination of limited information and a compressed timeline increases the risk of outcomes that may be contrary to policy objectives, including **1) cross-subsidization between customer classes, 2) reduced ability for retailers to manage exposure on behalf of customers, 3) increased volatility and overall cost escalation for consumers**

- **Foundational elements still under development**

Critical components such as Optimal Transmission Planning (OTP) and Transmission Reinforcement Payments (TRP) are evolving in a parallel stakeholder process. These elements are central to how

congestion will be managed and how locational prices will be formed. Without clarity on reinforcement timing, prioritization criteria, or cost allocation, it is difficult to assess the impacts of LMP for customers or evaluate how often and to what extent congestion will persist.

- **Limited consultation on LMP design specifics**

LMP as a design pathway was introduced in February 2025, following stakeholder feedback on the December 2024 High-Level Design. While we recognize the AESO has made efforts to share updates, many of the associated design components—including FTRs, the Alberta Load Price (ALP), market access, and local market power mitigation—have not yet been meaningfully explored with stakeholders. Additional engagement with industry on these details would help mitigate market impacts, and ensure affordability, while providing industry confidence and alignment.

- **Concerns about fairness and cross-subsidization**

The provision allowing transmission-connected customers to opt out of the Alberta Load Price (ALP) raises important equity concerns. Large industrial customers will be able to avoid higher costs by settling at their (typically lower) LMP, while mass-market consumer-residential, farm, and small business customers—will be left to cover a larger share of system costs. This creates a structural cross-subsidy that risks driving up electricity prices for everyday Albertans, undermining the principle of fairness and the government's goal of protecting affordability for households and small businesses.

- **Compressed timeline**

In other jurisdictions, the transition to LMP has taken many years—often close to a decade—of iterative design, industry engagement, analysis, and phased implementation. Alberta's timeline, which targets implementation in under three years from the initial policy direction, is extremely ambitious and introduces risks for consumers and market participants. We are concerned this timeline does not leave sufficient space for the rigorous analysis and meaningful consultation needed to get such a complex design right.

Recommendations

We raise these concerns not in opposition to market evolution, but in the spirit of ensuring Alberta's future market design is workable, transparent, and fair. To that end, we offer the following points for consideration:

- **Move forward with updates to existing parts of the market design** that have been strengthened through meaningful consultation and broad stakeholder support.
- **Limit the option to opt out of ALP to dispatchable transmission-connected loads who participate in the market** - similar constructs are used in other successful LMP markets to minimize the potential for cross-subsidization.
- **Delay the implementation timeline of LMP and associated FTRs to at least January 1, 2029** to allow retail electricity providers to manage their existing forward hedges and retail offerings and allow the second RoLR (Rate of Last Resort) term to end (under which the RoLR providers are constrained by legislation in their price response).

- **Extend the LMP consultation timeline** to allow for more robust engagement, analysis, and cross-functional design integration — especially across transmission planning, congestion management, and retail pricing implications.

Conclusion

As Alberta's largest energy retailers, we are committed to supporting a market framework that delivers reliable, affordable, and competitive electricity to all Albertans. The proposed implementation of LMP, as currently designed and timed, presents significant risks to customer affordability and investor confidence. Without further consultation and refinement, these changes could undermine the AESO's core REM objectives, specifically affordability. We appreciate the opportunity to contribute to this important dialogue and look forward to continued collaboration with the AESO and government to ensure the success of Alberta's restructured market.

Sincerely,

Spencer Forgo
Vice President, Government Relations & Corporate Affairs
ATCO Ltd.

Travis Kavulla
Vice President, Regulatory Affairs
Direct Energy/NRG Energy, Inc.

Riley Georgsen
Vice President, Public Policy and Government Relations
ENMAX Corporation

Jay Baraniecki
Vice President, EPCOR Energy Management
EPCOR Energy Management L.P.