

September 22, 2025

**RE: AESO's Fast Frequency Response Plus (FFR+) Proposal Addendum**

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**SUMMARY**

Further to the AESO's request for comment on the addendum to its rationale for the procurement of FFR+ (Proposal Addendum)<sup>1</sup> and the MSA's initial comments<sup>2</sup> on the AESO's initial proposal,<sup>3</sup> the MSA provides the following comments.

Following its initial procurement proposal based on long-term contracts, the AESO has identified other potential concepts to explore, including allowing FFR+ contracted assets to participate in the operating reserve (OR) market, developing a pricing mechanism to incentivize load participation, and proceeding directly to an FFR market.

The MSA continues to believe that, without market failures, openly competitive markets will drive outcomes that are fair and efficient and support solutions that lead to those outcomes. Relying on long-term contracting may mute the transparent price signals that support efficient entry and exit and the rivalry that disciplines the exercise of market power. Long-term contracting may also suppress the innovation and flexibility required to meet evolving system needs. Accordingly, the MSA considers that long-term contracting should only be used as a last resort.

**VIABILITY OF A MARKET APPROACH**

In the Proposal Addendum, the AESO reiterated that the "minimum criteria necessary to establish a viable FFR market does not exist today" and points to ownership and technology diversity, sufficient capacity, and clear market signals as the missing elements. The MSA addressed each of these elements in its initial comments, and no further support for the AESO's position has been provided in the Proposal Addendum.

In summary, the MSA maintains that there appear to be sufficient conditions for establishing a market for FFR. These include the absence of identified barriers to entry for suppliers of FFR, the proven functioning of markets (including the existing markets for operating reserves), and the potential for a credible market design in light of a clear policy direction.

Similarly, the AESO has reiterated in the Proposal Addendum that it believes that "FFR+ contracts are expected to result in the lowest cost option" without bringing forward further support for this

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<sup>1</sup> [Rationale for Ancillary Service Procurement for Intertie Restoration: Fast Frequency Plus \(FFR+\) Addendum \(August 25, 2025\)](#).

<sup>2</sup> [MSA comments re: AESO's Fast Frequency Response Plus \(FFR+\) Proposal \(July 4, 2024\)](#).

<sup>3</sup> [Rationale for Ancillary Service Procurement for Intertie Restoration: Fast Frequency Response Plus \(FFR+\) \(June 18, 2025\)](#).

position. The MSA does not accept that competitive markets are inherently more costly than negotiated contracts.

In its approach to this consultation, the AESO appears to give considerable weight to feedback from project proponents regarding revenue expectations and expressions of interest. The MSA suggests that the AESO consider that project proponents, given their intrinsic financial interests, may be expected to advocate for long-term contracts and express doubt about market viability and costs. Accordingly, “feedback from developers that they require contracts to develop FFR capable assets”<sup>4</sup> should be evaluated in light of the AESO’s own analysis, experience, and understanding of the markets that it designs and operates.

As indicated in its initial comments, the MSA sees many similarities between FFR and the current OR products. Given the apparent compatibility with the existing and future overall market design, the MSA believes that developing a market for FFR remains a viable option that should be considered further.

The MSA recognizes that the AESO is contemplating the “stacking” of other services from assets contracted to provide FFR, including fast net demand response (FNDR) and fast regulating reserve (FRR). The MSA believes that these may also be viably procured through markets, with the potential for co-optimization across the range of products.

## **RISKS OF LONG-TERM CONTRACTING**

Before the end of a 20-year contract, material change should be anticipated. The composition of generation and load, the development of new technologies with different characteristics, the nature of the transmission system, the design of the energy market, and the extent of Alberta’s interconnections with neighbouring jurisdictions may all be subject to considerable evolution. Such change may require an entirely different volume or structure of ancillary services, including FFR.

Alberta has recent experience with the challenges stemming from long-term contracts. For instance, the 20-year Power Purchase Arrangements created with the initial restructuring of Alberta’s electricity market did not foresee the many changes that resulted in unexpected issues throughout the lifetime of the contracts. The experience with the Renewable Electricity Program demonstrates how quickly changes in economic fundamentals can induce merchant investment to meet policy objectives without the need for long-term contracts.

The AESO itself recently identified several of the risks of long-term contracting in its engagement on the Restructured Energy Market.<sup>5</sup> The MSA notes that the existing FFR program was explicitly designed to contemplate short-term contracts with a view to being a “bridge” to Market Pathways.<sup>6</sup> As indicated in its comments regarding the AESO’s initial FFR procurement from October 2023,<sup>7</sup>

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<sup>4</sup> Proposal Addendum at page 6.

<sup>5</sup> [Alberta’s Restructured Energy Market AESO Recommendation to the Minister of Affordability and Utilities \(January 31, 2024\)](#).

<sup>6</sup> [Fast Frequency Response Information Session \(February 1, 2024\)](#).

<sup>7</sup> [MSA comments regarding AESO’s Fast Frequency Response Services Procurement \(October 30, 2023\)](#).

the MSA has observed that out-of-market actions, once taken, have the tendency to continue. This creates the potential for a long-term impairment of the development and functioning of competitive markets.

## **CONTRACT CHARACTERISTICS AND MARKET PARTICIPATION**

While the MSA reiterates that, to date, no market failures have been identified and documented, to the extent that the AESO determines it must pursue contracts for FFR, the MSA recommends that the total contracted volumes first be minimized. Over the course of the FFR+ consultation to date, the AESO's anticipated minimum long-term contracted amount has decreased from up to 750 MW to 450–500 MW, suggesting that there may be scope for further refining the extent of the need for long-term contracting. Given the suite of new services that the AESO is developing, there may be an opportunity to develop cohesive FFR, FNDR, and FRR markets concurrently, that precisely target the required outcomes. Beyond minimizing the contracted volumes, contracts, if necessary, should be made as short in duration as possible. By minimizing the contracted volumes and contract length, the risks of long-term contracting can be minimized.

In respect of the AESO's additional options regarding OR market participation, the MSA expects that participation in OR markets would provide an additional source of revenue for market participants. Accordingly, these revenues would be expected to be reflected in investment and contractual decisions. Combined with shorter contract durations, this may promote more efficient market outcomes, should the AESO determine that it must pursue contracts for FFR.

Similarly, the MSA supports minimizing barriers to participation in all markets and procurements, including for FFR. Accordingly, the MSA commends the AESO for exploring mechanisms to enable competition from as many technology types as possible, including loads, wherever feasible. To the extent that the AESO believes that the existing interconnection and tariff structure does not allow for the appropriate development of energy storage assets, this may be considered as part of the product development. The MSA cautions that limiting the procurement of additional services to assets subject to FFR+ contracts may exacerbate competition concerns by restricting participation to a subset of assets and technologies.

The MSA continues to recommend that the AESO rely on the competitive markets, upon which the Alberta electricity market framework is established, to fairly and efficiently procure necessary services.

Andrew Wilkins, Executive Director, Market Assessment, would be happy to make himself available to address any questions that the AESO may have regarding the comments above.

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