

Stakeholder Comment Form

Rule 6.6 Review – Recommendation Update

Date of Request for Comment: February 6, 2009
Period of Consultation: January 15, 2009 to February 6, 2009

Stakeholder: Nexen Marketing

| Recommendation | Stakeholder Comments |
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| 1 The AESO recommends that steady state dispatch compliance is based on the unit integrated average MW output for each clock 10 minute period | <p>Nexen feels the AESO’s approach is reasonable as the 10 minute average accommodates for the operational fluctuations a generating unit may experience as a result of various external or internal factors.</p> <p>During the January 29, 2009 stakeholder session several participants suggested a rolling 10 min approach rather than distinct 10 min blocks would not only be simpler to implement but would also reduce the compliance / non-compliance “cliffs” associated with the 10 min blocks. Nexen submits this approach has merit and suggests the AESO investigate the technical requirements associated employing a 10 min rolling average and include the approach in the ISO Rule if the implementation hurdles are reasonable.</p> |
| 2 The AESO recommends that the maximum delay time to start ramping be increased to 10 minutes and | <p>Nexen submits the AESO’s approach is reasonable if the different components of the energy market generally work in unison. Nexen submits, currently the different components of the real-time market do not operate in reasonable unity. For instance if a generator is participating in both the energy and DDS markets, at the top of the hour a generating unit may receive a dispatch to produce more energy and then 10-20 minutes later that same generator may receive a dispatch for DDS therefore required to ramp down.</p> |

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| | <p>The quick ramping up and down of the generating unit causes extreme wear and tear on the unit and is highly undesirable. Nexen submits the AESO should investigate methods of improving the real-time operation of the market to effectively manage events such as these. That being said Nexen recognizes improvements to ETS and other systems can be challenging, and suggests in the interim that the rule take into consideration circumstances where delays in a system controller dispatches which may direct a unit to quickly ramp up and down (and its impact on the operators equipment).</p> |
| <p>3. Participants submit a ramp profile for each of their generating assets.</p> | <p>It is Nexen’s understanding that the AESO has proposed that generators provide a ramp profile and the +/- 40% criterion is no longer required. Nexen has several concerns regarding the use of ramp profile rather than using the +/- 40% variance criterion originally proposed.</p> <p>Nexen submits that employing a ramp profile rather than a tolerance window will complicate rather than simplify the Rule. There are a number of environmental factors along with the unique operating characteristics of the generating unit that cannot be adequately captured in a single ramp profile. For instant some generating units can operate in different modes such as simple or combined cycle. The time of year (i.e. ambient temperature), can also significantly impact the ramp capabilities of the unit. These two factors alone would require several if not multiple ramp profiles to be considered by the AESO. Nexen would also submit that even if the AESO intended to somehow take these considerations into account as part of new generator ramp profile proposal it would greatly increase the complexity and compliance administration of the Rule. Nexen submits the approach outlined in the October 30, 2008 paper would be a much more reasonable approach.</p> <p>Nexen also submits seeing as Alberta is a competitive market where multiple players with different generating technologies (with different ramp rates) participate in the market, the +/- 40% tolerance window seems to be more in aligned with this sort of tolerance. It appears to Nexen that measuring compliance on a stringent single ramp profile seems contrary to the balance between market obligations, flexibility and stakeholder equity this Rule is striving to achieve.</p> |

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| <p>4. The rule will contain language that prohibits intentional deviation from the dispatch level. Checks for intentional non-compliance include deviation and price correlation, synchronization to the grid, intentionally operating at a different level than the dispatch level</p> | <p>There are two comments Nexen would like to offer regarding this enhancement.</p> <p>Nexen seeks additional clarity regarding ‘synchronization to the grid’ and how that relates to non-compliance. Some generating units have the ability of not being synced to the grid but can sync to the grid quickly (within 1 minute) to provide energy/DDS/AS (all within compliance of the appropriate AESO Rule and OPPS). Is it expected that the generating units will be required to be synced with the system at all times? If so please provide any supporting rationale.</p> <p>While Nexen understands and generally supports the AESO’s recommendation regarding the delineation of intentional versus unintentional non-compliance events, it is unclear how this delineation will impact the non-compliance outcome. If a non-compliance event is determined to be unintentional versus intentional how will this change the AESO’s actions? How will this be communicated to the MSA? Does the MSA intend to “penalize” these events differently? If so how? Nexen suggests additional clarity either in the Rule or from the MSA is necessary.</p> |
| <p>5. Next steps</p> | <p>Nexen has no concerns with the proposed next steps.</p> |
| <p>6. Other Comments</p> | <p>Nexen would like to take this opportunity to make the following general comments which do not expressly fall into the comments boxes provided above.</p> <p>Nexen has reviewed the October 30, 2008 Section 6.6 Recommendation Paper and the January 15, 2009 comment matrix which included the AESO remarks. Nexen agrees with stakeholders and the AESO that further clarity around the evaluation criteria on non-compliance events is valuable and will provide transparency to industry participants on this important matter. While Nexen appreciates the AESO’s efforts in this matter, it is not clear if and when the AESO will continue to apply discretion in the application of Section 6.6. The AESO notes in</p> |

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| | <p>several places in their responses in the stakeholder comment matrix that details outlined in the ISO Rule will provide greater guidance and clarity. The AESO also notes that there are also a number of operating considerations which may impact the decision on whether or not an “event” will be forwarded to the MSA. Nexen requests that the AESO provide some clarity on how the different operating considerations will be used in the evaluation process. Do these “operating considerations” work in cooperation with the AESO’s discretion in the application of the Rule or has the ability for the AESO to apply discretion in relation to Section 6.6 been removed from the Rule entirely and replaced with the “operating considerations”? If some element of discretion is intended to continue, the ASEO may consider making that clear when drafting the new Section 6.6 Rule.</p> <p>Nexen also acknowledges that the AESO is trying to address a number of issues related to dispatch compliance in the proposed rule and developing a Rule such as this can be a very difficult. Nexen would like to caution that making further “accommodations” to the Rule will dilute the Rules desired outcome. Nexen appreciates that AESO Rules should accommodate some of the unique characteristics of market participants but the AESO should not lose sight that Alberta is a competitive market. Much like the pool price, AESO Rules can also send a reasonable “price signal” to industry participants regarding capital investment and their desire to participate in the market. Nexen submits if the Rule is “softened” any further this could create inequity between generating units. More lenient compliance thresholds not only open the potential for larger amounts of excess energy on the AIES, it also means units that invested significant capital in their control and other equipment did so needlessly. As these units are now required to recover this incremental capital cost in a market which has potentially more excess energy on the AIES and compete against units that incurred no such capital expense.</p> <p>As noted above Nexen generally (except for the proposed ramp rate approach) feels the AESO’s proposal reasonably accommodates the current needs of industry participants and looks forward to the next phase i.e. ISO Rule consultation.</p> |