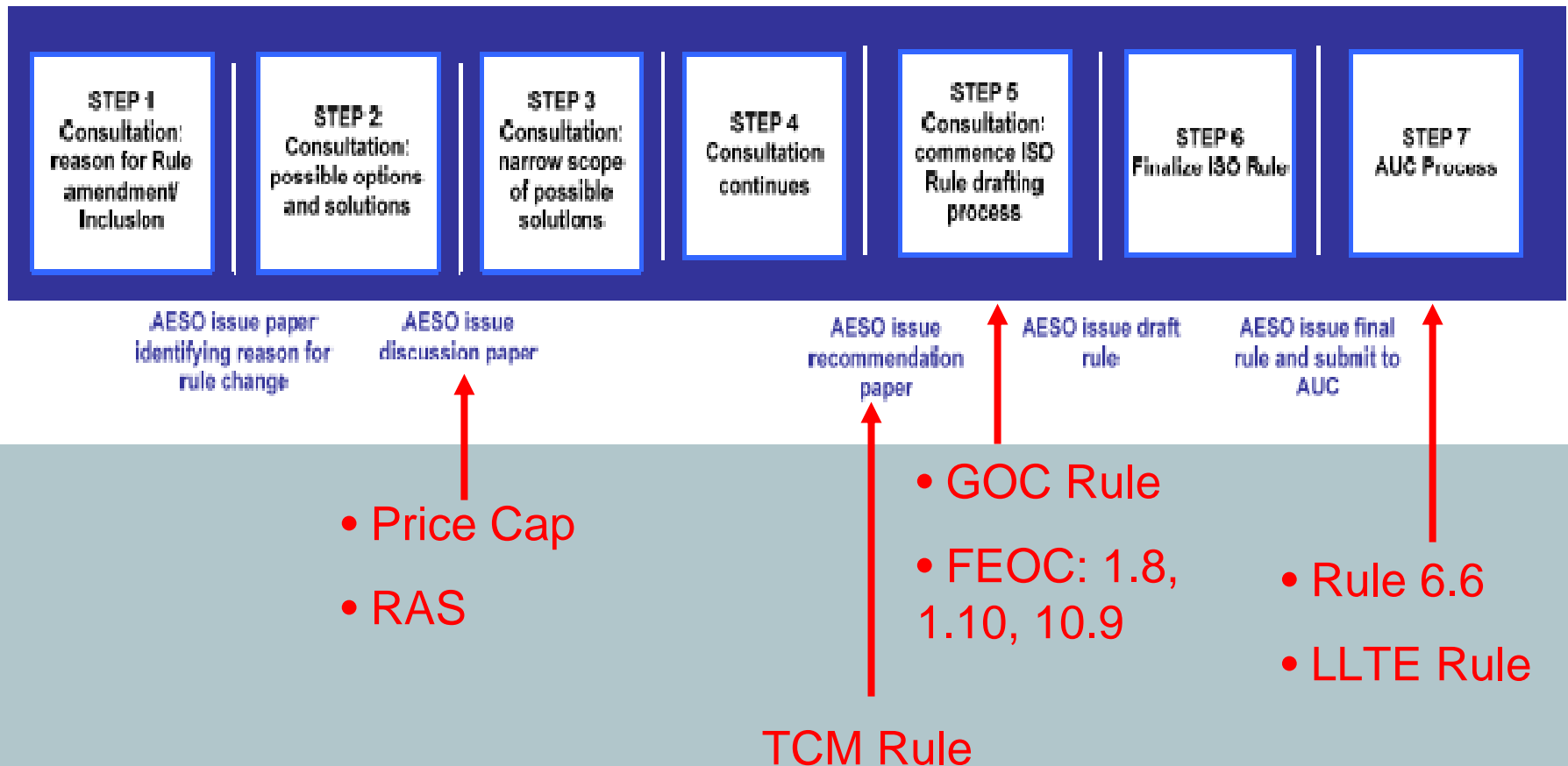


Agenda



- 1:30 Introduction – Kelly Gunsch
- 1:45 Rule Update – Doug Simpson
- 2:00 Price Cap – Kris Aksomititis
- 2:30 Break
- 2:45 FEOC REG – Marina Jagbandhansingh
- 3:00 TCM/RAS – Gordon Nadeau
- 4:00 End

AESO Consultation Timeline



ISO Rules Update -

ISO Rule 6.6 – Energy Market Compliance

LLTE Rules

GOCR Rules

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ISO Rule 6.6 – Energy Market Compliance



- Filed with AUC – July 16, 2009
- Posted by AUC – July 17, 2009
- Deadline for Objections – July 27, 2009
- Targeting September 1, 2009 for implementation
- Working towards posting Information Documents on web to help stakeholders with understanding of new rule.

Long Lead Time Energy Rules



- Rules re-filed with AUC July 7, 2009
- OPPs 101, 705 and 801 filed July 7, 2009
- Deadline for OPP Objections July 20, 2009 - No objections were submitted
- Awaiting AUC Decision on rules 6.3.5, 6.3.6 and appendix 7
- Implementation targeted for September 1, 2009

Generator Outage Cancellation Rules

- Complying with AUC Decision 2008-137
- Combining rule 5.1.2 and OPP 606 and appendix 7 into authoritative document (AD)
 - Transition to new format
 - Provide clarity for participants by combining threshold measures with cancellation action
- Consultation will begin in Q3
- Filing of rule by year end
- Implementation early 2010.

AESO Price Cap Review

July 2009 Stakeholder Session

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- Initiated as a MAC Subcommittee
- Analysis proceeded with input from subcommittee members throughout the process
- Resulted in the release of the Price Cap Discussion Paper in late June.
- Key question: Does the \$1000/MWh price cap interfere with the operation and development of the Alberta market?

1. Frequency of Price Cap Events
 - a. More frequent from 2006 through 2008
 - b. Somewhat correlated with reserve margin but not strongly
2. Importance of Scarcity Pricing
 - a. 1% of hours account for about 10% of industry revenue
 - b. Peaking units received 22% of their revenue in hours priced >\$900/MWh
3. Generation Investment
 - a. 2008 prices sent a positive investment signal, particularly for peaking units
 - b. Carbon costs negatively impacted results, especially for baseload coal
 - c. Peaking units were still attractive with carbon costs of \$50/MWh
 - d. Note that 2008 prices were the highest since 2000 and driven to an extent by events such as the KEG outage

Key Findings

1. FEOC and the Price Cap
 - a. Price cap compatible with AESO's mandate
2. Short term adequacy impacts
 - a. Long Lead Time Energy
 - b. Demand Response
 - c. Imports
3. Long term adequacy impacts
 - a. Generation investment
4. Other market review
 - a. Price cap only part of wider market design issue
 - b. Reviewed to supplement Alberta specific research

Feedback Received to Date

1. Long term adequacy impacts
 - a. Generation investment is getting more expensive and carbon costs are a risk – price cap may become a barrier
 - b. AESO should take a forward looking view on the price cap rather than backward view
 - c. Price cap should be raised (removed) or work should be done to determine the impact of raising the cap
 - d. Various proposals for raising the cap – specific levels, tied to CPI, further consultation on the appropriate cap
 - e. 2008 may not be an appropriate year to use for looking at generator results
2. Price cap and FEOC
 - a. View that the price cap does interfere with the market
 - b. Raising (eliminating) the price cap could increase forward contracting, improve demand response and improve market function

Questions and Feedback



- Questions or comments?
- Deadline extended until Friday, July 24.
- Please submit written comments to kris.aksomitis@aeso.ca

Fair, Efficient and Open Competition Regulation – AESO Implementation

July 22, 2009

Presentation by Marina Jagbandhansingh, Market Services

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Presentation Objectives



- Overview of the AESO's implementation plans for the Fair, Efficient and Open Competition (FEOC) Regulation
- Clarify the AESO's implementation plans with attendees

New FEOC Regulation

- The Regulation addresses 4 key areas:
 1. Conduct not supporting fair, efficient and open competition
 2. Preferential sharing of records that are not available to the public
 3. Restrictions on trading using outage records that are not available to the public
 4. Market share offer control & ISO matters
- Effective date is September 1, 2009

Conduct Not Supporting FEOC

- Identifies specific prohibited conduct by participants that does not support the operation of a “fair, efficient and openly competitive” (FEOC) market
- Examples:
 - Providing misleading records to the market or to any other person
 - Misrepresenting the financial condition of the market participant to the market or to any other person
 - Disrupting or impairing the safety or reliability of the interconnected electric system

Conduct Not Supporting FEOC



AESO Actions:

- Removal of rule 1.10 – Market Participant Behavior Guidelines

Preferential Sharing of Records Not Available To The Public



- Market participants will be required to seek approval from the AUC for certain information sharing arrangements:
 - Past, current and future prices and quantities of MW offers made to the power pool or for ancillary services
- Certain information may be shared with:
 - AESO, Market Surveillance Administrator (MSA), market participant affiliates, brokers, financial settlement agents and other relationships specified in the Regulation

Preferential Sharing of Records Not Available To The Public



AESO Actions:

- Current process of pool participants applying to AESO for approval of agency agreements will be refined
- AESO will be administrator of agency relationships and will enable AUC approved relationships and those which do not require AUC approval
- All previously AESO approved agency relationships will be grandfathered for one year at which time the requirements of the Regulation will apply
- ISO rule changes (rule 1.8) will be required

Restrictions On Trading Using Outage Records Not Available To The Public



- Addresses restrictions on trading using outage records that are not available to the public
- Provisions based on the current MSA Trading Practice Guideline have been incorporated into the Regulation
- A market participant may only use outage records to trade if the requirements of the Regulation have been satisfied
- Outage information can not be used to trade until it has been made public

Restrictions On Trading Using Outage Records That Are Not Available To The Public



AESO Actions:

- Current AESO transmission outage reports will be upgraded
- AESO will exercise discretion and “exempt” market participants from providing electric distribution system outage information
- AESO will assume ownership of the current MSA load and generator outage reports
- A new ISO rule will be required to support the load outage report

Market Share Offer Control & ISO Matters



- A new market share offer control test will limit the amount of aggregate (including related entities) offer control a market participant may hold to 30% of the total maximum capability of **all** generating units in Alberta (not including tie-line activity). Wind and ISO required generation (e.g. TMR) are not included in offer control (numerator)
- Information will be collected and reported by the MSA on a minimum annual basis and more frequently if required
- Information will include market participant identities and ownership levels, but exclude entities that hold less than 5% of offer control

Market Share Offer Control & ISO Matters



AESO Actions:

- AESO is explicitly directed to publish, with a 60-day lag, “price, quantity and asset identification information associated with each offer made to the power pool”
- Information will be published starting November 1, 2009
- AESO will publish daily a snapshot of the energy market, dispatch down service and ancillary service merit orders on an hourly basis

AESO Actions (con't):

- Once AESO implements the required IT and process changes, the asset identification report will be augmented with offer control information
- Significant AESO IT changes are required to implement the offer control information - AESO will begin preliminary work in 2009

Next Steps

- AESO Information Document will be published to the website
- ISO Rule 1.8 and 1.10 will be filed with the AUC
- AESO will have changes in place for September 1 and November 1, 2009
- AESO work on future offer control reporting requirements will begin later in 2009

Questions?



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Transmission Constraints Management (TCM) Rule 9.4 Stakeholder Meeting

July 22, 2009

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Agenda



- TCM Rule 9.4 plan
 - Overview of AUC directions and AESO approach
- TCM schedule and consultation plan

TCM Rule 9.4 Background



- Transmission Regulation Section 17 requires the AESO to make rules and establish practises to manage transmission constraints
 - TCM Rule 9.4 filed with AUC
 - AUC hearing held and TCM decision released April 2009
 - TCM rule supported FEOC but technically deficient
 - AESO to implement AUC directions

TCM Decision

Intent of Commission Directions



- AESO directed to change the TCM Rule pursuant to subsection 20.5(1)(c) of the EUA and refile the rule
- The Commission provided the following comments with respect to the directions given:
 - “In many cases, the Commissions directions reflect the clarifications provided by the AESO regarding how the TCM Rule would operate in practise”.
 - “The Commission, in issuing its directions, does not purport to rewrite the rule for the AESO. Rather, the Commission seeks to provide concepts and principals for the AESO to include in its amended TCM Rule to be filed”.

- AESO is proceeding with a TCM Rule stakeholder consultation process which would involve:
 - Several stakeholder meetings but not a formal recommendation paper
 - Explanation of concepts and principals
 - Drafts of rule language for comment

TCM Rule 9.4 and OPP Schedule

	2009 Q3	2009 Q4	2010 1H	2010 2H
TCM Rule	<ul style="list-style-type: none"> • Consultation 	<ul style="list-style-type: none"> • Rule drafting • Rule AUC filing 		
TCM OPP's - staged		<ul style="list-style-type: none"> • Consultation 	<ul style="list-style-type: none"> • Consultation • Rule drafting • Rule AUC filing • Partial IT Solution 	<ul style="list-style-type: none"> • Full IT Solution timing TBD

TCM Decision Direction

Clarify Scope of the Rule



Direction:

- “TCM Rule should either be limited to real time congestion or be expanded to include the planning stage elements related to congestion;” (205 c) If the scope of the TCM Rule ... is expanded..., provide a description in the TCM Rule of how RAS will be administered;” (205 d)

Approach:

- Draft rule language that clearly limits the TCM Rule to real time congestion
- Discuss planning stage elements as part of the RAS stakeholder consultation and formulate separate RAS Rules and guidelines

TCM Decision Direction

Clarify TMR / TCM Rule Relationship



Direction:

- “Clarify at a high level when, in real time, the AESO would move from the use of the TCM Rule to the use of TMR.”
(205 e)

Approach:

- Discuss appropriate transition point for use of TMR and use to draft rule language
- Discuss market power issue related to sustained events of limited downstream supply and potential high prices

TCM Decision Direction

Consider ENMAX Pay as Bid Approach



Direction:

- Consider ENMAX proposal when revising the TCM Rule in order to determine an approach which best reflects the market design objectives (i.e. current market design, existing legislation and underlying policy)

Approach:

- Present views and analysis regarding the ENMAX proposal and solicit stakeholder feedback as part of TCM Rule consultation
- Discuss policy issue related to integrity of price signal and administrative complexity

TCM Decision Direction

Define Key Terms



Direction:

- “Identify, use and fully define fundamental concepts and terms ...;” (205 a) “The Commission has considered terms such as transmission constraint, foreseen, unforeseen, real-time, planned, local load pocket and effective...” (55)

Approach:

- Consult on use of TMR
- Discuss definitions and use to draft rule language
- Discuss market power issue related to TMR and load pocket definition

TCM Decision Direction

Clarify Process Steps



Direction:

- “Clarify the process steps that will be followed to manage congestion:
 - i) through the use of TMR.
 - ii) by addressing ... re-dispatching DDS ...; and
 - iii) by adding clarity to when the system controller’s discretion is exercised ...” (205 b)

Approach:

- Discuss TMR/DDS procedures and use to draft rule language clarifying process steps
- No policy issue anticipated

TCM Rule 9.4 Next Steps



- TCM Rule 9.4 consultation to proceed thru to the fall when draft rules will be made available for stakeholder comment
- TCM Rule 9.4 is expected to be filed with the AUC in late 2009 while most associated OPPs will be filed in stages in 2010
- The TCM Rule 9.4 full implementation thru OPPs and systems enhancements will proceed in stages on a yet to be determined schedule

Remedial Action Scheme (RAS) Discussion Paper Stakeholder Meeting

July 22, 2009

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Agenda



- RAS discussion paper
 - Background
 - AESO practises and related policy interpretations
- RAS schedule and consultation plan

Background:

- During the TCM Rule 9.4 hearing, the AESO committed to provide more formal documentation of RAS policies and procedures
- Consultation was initiated with a RAS discussion paper
- The RAS discussion paper, among other things:
 - presents current practises
 - discusses the alignment of the RAS practises with the AESO duties and seeks comment on that alignment
 - suggests an approach for the creation of RAS rules and a RAS information document and seeks comment on that approach

TCM and RAS Schedule Comparison

	2009 Q3	2009 Q4	2010 1H	2010 2H
TCM Rule	<ul style="list-style-type: none"> • Consultation 	<ul style="list-style-type: none"> • Rule drafting • Rule AUC filing 		
TCM OPP's - staged		<ul style="list-style-type: none"> • Consultation 	<ul style="list-style-type: none"> • Consultation • Rule drafting • Rule AUC filing • Partial IT Solution 	<ul style="list-style-type: none"> • Full IT Solution timing TBD
RAS Rule	<ul style="list-style-type: none"> • Consultation 	<ul style="list-style-type: none"> • Consultation • Rule drafting • Rule AUC filing 		

- A Remedial Action Scheme (RAS) is designed to protect system facilities without the need for system controller intervention.
- A RAS typically activates at pre-set levels automatically initiating a generator/load runback signal if conditions allow followed by a trip if necessary. Under certain conditions an immediate trip is activated.
- The system controller may, in some cases, be able to manage a constraint in such a way as to prevent a RAS from activating, however the RAS is still needed to protect system facilities.

RAS Practises and Policy Interpretations



The AESO is seeking comment on its practises and policy interpretations in the following areas:

- Use of interconnection RAS for new customers
- RAS as a non-wires solution
- Denying system access
- RAS and congestion management
- Multiple RAS
- Ineffective RAS or other exceptions

The AESO is also seeking comment on the following topics:

- The interconnection and system RAS distinction
- Technical and operational RAS policies
- Use of expedited rules to facilitate early access
- The AESO's recommendation for rule language content
- The approach for determining what might be best included in business practise document

A Framework for RAS Comments



When commenting, the AESO would appreciate receiving feedback on specific practises or policy in terms of their alignment with the intention to:

- Provide reasonable system access
- Allow generation and load to compete for transmission access
- Balance safe, reliable and economic system operation with market solutions that support a fair, efficient and openly competitive market

Discussion of RAS Practises and Policy Interpretations



Use of interconnection RAS for new customers:

- Regulations allow temporary non-wires solutions.
- RAS is practical, proactive option to allow early interconnection.
- RAS is an automatic action and typically assigned to one party.
- AESO practise is to assign RAS to new customer to enable early interconnection; otherwise wait until facilities are in place.

Discussion of RAS Practises and Policy Interpretations



Denying system access:

- The AESO proactively plans the system to anticipate generator and load interconnection requirements, however transmission usage has strained system capabilities in many parts of the AIES.
- The AESO considers that it can deny transmission system access service without a RAS given its duties to provide for safe, reliable and economic operation of the system. Denying system access under these conditions is not contrary to the AESO's duty to provide reasonable system access.

Discussion of RAS Practises and Policy Interpretations



Multiple RAS:

- Constraints caused by an interconnection can sometimes be managed by assigning a RAS to multiple generators or by creating a pro rata application among existing multiple RAS
- The AESO practise is to avoid multiple RAS because of:
 - Technical and operational complexity and temporary nature of the need
 - Higher implementation costs
 - Impact on existing generator system access (does not allow competition for access based on price)

Discussion of RAS Practises and Policy Interpretations



RAS as a non-wires solution:

- Regulations allow permanent non-wires solutions.
- AESO practise is to, on occasion, designate a permanent RAS paid for by load to address specific system issues.
- When more than one load or generator is effective in providing the service, the AESO determines the approach used to procure the service on a case by case basis.
- The AESO believes that it is providing reasonable system access when it assigns a permanent system RAS to generator or load when it is required system reliability purposes.

Discussion of RAS Practises and Policy Interpretations



RAS and congestion management:

- A RAS would not be used to manage congestion when a real time operational approach could be used.
- After a RAS has operated and the SC can manage the situation, the AESO proposes to apply the Rule 9.4 generic protocol using RMO and pro rata where technically and operationally viable.
- The AESO will need to consider area specific alternate post-RAS protocols on a temporary or permanent basis.

RAS Next Steps



- Comments on RAS discussion paper due July 24
- RAS Information Document and new RAS rules will be developed on same timeline as the TCM Rule 9.4