

February 19, 2009

Alberta Electric System Operator
2500, 330 - 5th Ave SW
Calgary, AB
T2P 0L4

Attention: Mr. Paul Barry

Via Email: Paul.Barry@aeso.ca

Dear Mr. Barry:

Powerex appreciates the opportunity to review and comment on the AESO's January 2009 Recommendation Paper on the Operating Reserves Market Redesign.

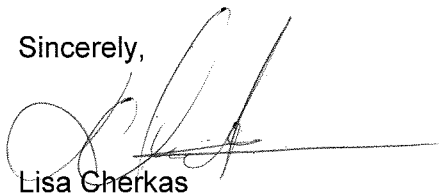
Powerex has attached the Appendix B, Stakeholder Comment Matrix, as provided on the AESO website.

Powerex is generally supportive of this Phase 1 of the redesign, subject to a few minor comments. We look forward to working with the AESO as the operating reserves market evolves and develops.

Should you have any questions or wish to further discuss our comments, please contact me directly at 604.891.6074 or either Mike Corrigan or Miles Federspiel at 604.891.5000.

Thank you.

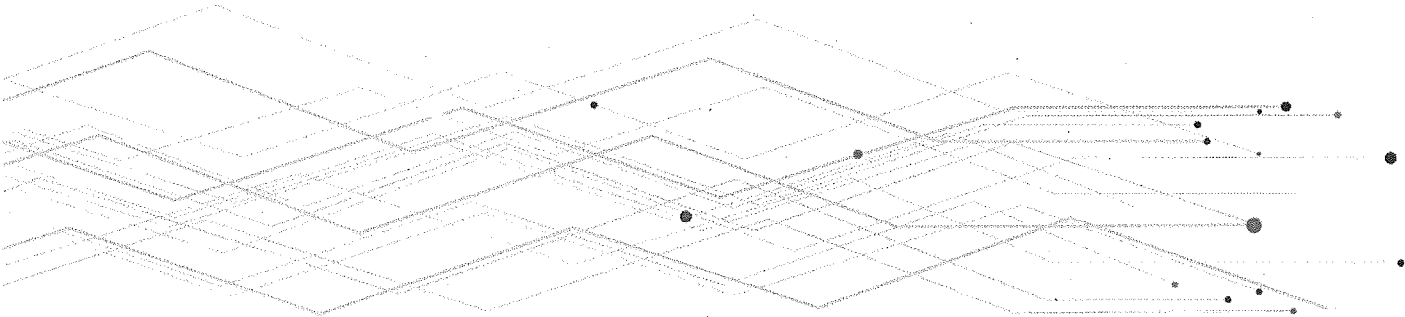
Sincerely,



Lisa Cherkas
Trade Policy: BC and Alberta

Attach.

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email: lisa.cherkas@powerex.com



Appendix B

AESO Recommendation Paper - Operating Reserve Market Redesign Stakeholder Comment Matrix: **POWEREX CORP**

Section	Subsection	Stakeholder Response
3.1 Market Framework	3.1.1 Create a single trading platform to concentrate liquidity and establish more meaningful OR price indices	
	3.1.2 Minimize AESO influence - submit bid volume requirements in auction format	
	3.1.3 Minimize AESO influence - D-1 auctions	
3.2 Market Products and Pricing	3.2.1 Add to the suite of D-1 OR products	
	3.2.2 Continue to use On/Off peak products instead of hourly products	Powerex encourages the AESO to move to an hourly market as soon as possible. The benefits of an hourly market over a day-ahead, on/off-peak market are numerous and will permit market participants to more accurately price OR in the real-time/T-2 market.
	3.2.3 OR indexed to pool price, marginal pricing for homogenous products and pay as offered for non-homogenous products	
	3.2.4 OR market price cap equal to energy market price cap	
3.3	3.3.1 Apply selling logic for profile and	--It is unclear whether a market participant must price each of the

Procurement Process and Timing	non-standard offers	hours when volume is required at the same price or if the hours may be priced independently. Please confirm. --Confirm that the AESO will clear all conforming bids first, regardless of whether a non-conforming bid is less expensive.
	3.3.2 A reasonable procurement schedule	Powerex encourages the AESO to revisit the 20 minutes between markets and implement a much more compressed timeline.
	3.3.3 Fix market closes and create price discovery	
3.4 Market Participation and Obligations	3.4.1 No must offer requirement	
	3.4.2 Remove virtual units	
	3.4.3 Standing offers facilitated by blind offers	
	3.4.4 5MW minimum blocks	Powerex encourages the AESO to reconsider the 5MW minimum block and allow for 1MW increments.
	3.4.5 No limitations around price/quantity pairs	
	3.4.6 Allow for flexible and inflexible offers in most cases	
	3.4.7 Inter-ties participation unaffected	
	3.4.8 Dealing with conflicting ancillary service obligations	
3.5 Dispatching and Technical Terms	3.5.1 All active OR providers dispatched. Standby providers dispatched as needed	
	3.5.2 Technical Standards process	

	unchanged	
	3.5.3 Testing	
3.6 Multiple Buyers	3.6.1 Facilitate Self Supply by financial arrangements	
	3.6.2 AESO facilitate third party asset substitution	
3.7 Out of Market Actions	3.7.1 Exhaust market solutions prior to conscripting OR providers	
	3.7.2 Process required for conscripting OR providers	
	3.7.3 Consult on market suspension process and rule	
3.8 Compliance and Market Integrity	3.8.1 Remove perverse incentives, provide clarity around acceptable/unacceptable behaviour and potential consequences	Powerex is VERY supportive of the AESO developing clear and transparent guidelines for acceptable and unacceptable behaviour. Similar to T-2, the AESO and market participants must develop and understand acceptable operating reasons for non-compliance with a OR dispatch. There must be mechanisms to distinguish unintended or excusable non-compliance from instances of inappropriate actions.
	3.8.2 Continue to use force majeure definition in NGX Agreement	
	3.8.3 Improve transparency of OR providers	
3.9 OR Market in ISO Rules and Contractual	3.9.1 Documentation of OR Rules	

Items		
	3.9.2 Amendments to the NGX and Over the Counter (OTC) Agreement	
	3.9.3 OTC Agreement	
4.0 Policy Coherence		
5.0 Consultation and Implementation Process	5.1 Implementation of Administrative Improvements to NGX	
6.0 Post Implementation Process	6.1 Post implementation review	
	6.2 Phase II	