

AESO Quick Hits A Six Month Review Paper  
Stakeholder Comment Matrix  
October 26, 2009

**1. Introduction**

Stakeholder	Stakeholder Comment	AESO Response
Capital Power	<p>Capital Power is pleased that the Alberta Electric System Operator (“AESO”) has undertaken to analyze the impacts of the Quick Hits rule package. The Quick Hits package was implemented to address a subset of the policy recommendations discussed in the Department of Energy’s (“DOE”) policy paper: Alberta’s Electricity Policy Framework: Competitive, Reliable, Sustainable (“policy paper”).</p> <p>Capital Power would like to remind the AESO that the original Quick Hits package was developed and contemplated as a package, including the merit order stabilizers (T-2 and must offer/must comply), payments to suppliers on the margin and improvements to price fidelity (price reconstitution for Transmission Must Run). That is, Capital Power’s support of the implementation of the merit order stabilizers was contingent on the resolution of the negative impacts of Transmission Must Run (“TMR”) on the energy price. Therefore it is very important to Capital Power that the Quick Hits rules implemented to increase price fidelity and provide price reconstitution are successful.</p>	<p>The Quick Hits is an integrated package of market design changes created in response to the recommendations contained in the June 6, 2005 DOE policy paper: Alberta’s Electricity Policy framework: Competitive-Reliable- Sustainable. The Quick Hits design elements were expected to be implemented in a reasonable amount of time and were intended to have an immediate effect on the visibility of available supply, on pool price credibility and stability while reducing undue pool price volatility. The AESO believes the Quick Hits goals are still relevant and important including the goal of improving pool price fidelity.</p>

### 3.2 Analysis Framework and Overview

Stakeholder	Stakeholder Comment	AESO Response
Capital Power	<p>Capital Power is pleased to see the AESO undertake to provide market performance metrics and would recommend that the AESO produce metrics including the Quick Hits metrics (or a subset thereof) on a weekly or monthly basis. For the purpose of evaluating the success of the Quick Hits rule changes, the AESO should extend their analysis to include the data from July 2008 to July 2009. An analysis of six months of data is a short time horizon and does not provide a strong basis to support the AESO's conclusions. Market conditions have changed dramatically over the last eighteen months and longer term trends should provide better insight into the efficiency of market outcomes. Capital Power is interested in seeing an analysis of one year of data to confirm that the conclusions do not change.</p>	<p>The AESO regularly reviews market metrics including data on QH effectiveness internally as part of its normal market monitoring function.</p> <p>The AESO would also note that it is in the process of developing a set of market performance metrics for external publication. Work is ongoing to determine appropriate reports for communication with industry. Metrics will be shared with other agencies and participants in the near future and are intended to monitor the fair, efficient and openly competitive operation of the market as a whole.</p>
TransCanada	<div style="border: 1px solid black; padding: 5px;"> <p>TransCanada supports the AESO addressing the “<i>issue of allowing imports to set pool price as discussed in the Policy Paper and suggested that exports should be treated the same as load with no T-2 restrictions</i>” through the Market Roadmap process.</p> </div>	<p>Allowing imports to set the price is an important element of price fidelity. The AESO is moving forward with this initiative as part of its work on intertie business practices and recognizes it as a priority item.</p> <p>The AESO has initiated intertie discussions and encourages stakeholder participation in those discussions.</p>

### 3.3.3 Mandatory Energy Restatements (MER)

Stakeholder	Stakeholder Comment	AESO Response
Capital Power	<p>Capital Power would be interested to know how much of the decrease in MERb/locking restatements can be attributed to the fact that market participants no longer have to restate when providing operating reserves. It is difficult to conclude that there is in fact more merit order stability based on a decrease in MERb/locking restatements when in fact it may simply be attributed to a change of the dispatch tool algorithm.</p>	<p>In reviewing the first 6 months of data the AESO did recognize that there was a noticeable decrease in the number of restatement reasons associated with market participants no longer having to restate for providing operating reserves. All restatements require an AOR and the AOR data indicates that the elimination of restatements for operating reserves accounted for approximately half of the 17% decline in AOR's between the pre and post Quick hits periods.</p>
TransCanada	<p>TransCanada notes that revisions to Rule 6.6 (currently in front of the AUC) provide a more robust alignment with actual operating characteristics through the addition of “operational deviation” into the rule.</p>	<p>Acknowledged.</p>

### 3.3.5 Offer Behavior and Pool Prices

Stakeholder	Stakeholder Comment	AESO Response
ATCO Power	<p>ATCO Power believes the analysis provided by the AESO does not show a significant decrease in intra-hour volatility or the frequency of short duration dispatches.</p>	<p>The AESO acknowledges ATCO Power’s views on the significance of the impact, however analysis shows that on a statistical basis, there has been a measurable decrease in both the dispatch frequency and the price velocity. The AESO agrees with ATCO Power in the sense that the intra hour volatility change is not readily apparent. The AESO analysis suggests that the QH rules have not created any undue price volatility and notes that the price volatility observed is in line with the market fundamentals in the respective time periods.</p>
Capital Power	<p>Capital Power is concerned that the AESO may be focusing on market outcomes such as reducing price volatility without fully recognizing that some price volatility is the legitimate outcome of an efficient market. The AESO should only be concerned with eliminating undue price volatility through the improvement of market design and should not attempt to manage legitimate price outcomes that result from changes in fundamentals. An analysis of pool price volatility that does not attempt to identify the cause of the volatility will fail to distinguish between price volatility that is consistent with an efficient market outcome and price volatility that results from the inability of the market to respond to changes in fundamentals (seams issues or poor market design) and thus limits the AESO’s analysis to conclusions that any level of price volatility is undesirable. In Capital Power’s view the AESO should be indifferent to pool price volatility as long as the market design is efficient and supports Fair, Efficient and Openly Competitive (“FEOC”).</p> <p>The AESO states that “...Quick Hits rule changes have impacted the merit order in a way that would reduce intra-hour</p>	<p>The merit order stabilizers (must offer, must comply and limitations on restatements) were intended to create offer stability in the merit order resulting in a more efficient dispatch of the system eliminating the unnecessary volatility caused by last minute restatements to price and volume. These issues and solutions were identified through extensive consultation with stakeholders. The AESO notes that the SMP analysis and the pool price volatility analysis indicate that on a relative basis the QH rules changes are working as intended. The AESO agrees with the view of Capital Power that some price volatility is a legitimate outcome of an efficient market. The AESO interpretation of that data is that the QH rules have not created any undue price volatility and that price volatility was reduced which is consistent with the market fundamentals in the two time periods.</p> <p>The AESO did undertake a more extensive analysis of the energy market merit order to support its conclusions than was presented in the report. The AESO examined the</p>

	<p>volatility...” The analysis or evidence provide by the AESO is very limited. Figure 7: EMMO example: Winter Peak – Normal Supply demonstrates that the only noticeable difference in the shape of the merit order is in the \$700 to \$800 range. Capital Power does not see how the AESO can conclude that changes in offers at this level can be responsible for decreases in intra-hour volatility given that price on average is less than \$100. More detailed analysis would be appreciated.</p> <p>The AESO indicates that a reduction in System Marginal Price (“SMP”) changes translates to more efficient dispatch and lower price volatility. The AESO seems to be under the impression that any decrease in price volatility is efficient, when in fact, one might conclude that more frequent SPM activity leads to more efficient outcomes (i.e. if the market is better able to respond to changes in fundamentals, price may change more frequently). Once again the AESO should only be concerned with eliminating undue price volatility through the improvement of market design. The merit order stabilizers were implemented to increase the visibility of available supply. However, this should not be taken to mean that the aim is to reduce volatility in the pool price. The AESO analysis concludes that price volatility is lower in the post Quick Hits period. Capital Power is concerned that the AESO does not distinguish between a decrease in undue price volatility and a decrease in the ability of the market to respond to changes in fundamentals. For example, the implementation of T-2 may very well have reduced price volatility due to the inability of the market to respond to changes in supply with imports. Capital Power would conclude, in this case, that the reduction in price volatility negatively impacts the efficiency of the energy market and is a negative consequence of the Quick Hits T-2 rule.</p>	<p>EMMO in various on and off peak time periods, creating merit order duration curves and performing statistical analysis all of which lead the AESO to believe that merit order stability had improved in the post Quick Hits period. The AESO notes that when the merit is examined over all hours for the entire period there is an improvement in more than just the \$700 to \$800 range shown in figure 7.</p> <p>Please refer to AESO response to ATCO Power in this section.</p>
<p>Load Coalition</p>	<p>The analysis presented considers only the first six months of 2008, and omits the entire past 12 months’ data. A review of all available data suggests that volatility has increased substantially, a situation which is doubtless of concern to both generation and load.</p>	<p>The AESO believes that price velocity measures provide the best indications of price volatility and regularly tracks this metric as well as the price volatility measures such as price range and monthly standard deviation of the hourly pool</p>

The attached graphs clarify our concerns. The 60-Day volatility for AESO average daily price is higher in 2008 than any other year, where volatility is calculated as the change in average daily prices over a moving 60-day period and annualized for comparative purposes.

With the projected increase in 'zero offer' resources such as wind, it appears that volatility may increase in future. The difficulties identified in respect of pool price forecasting (section 3.7) reinforce the view that price volatility remains high.

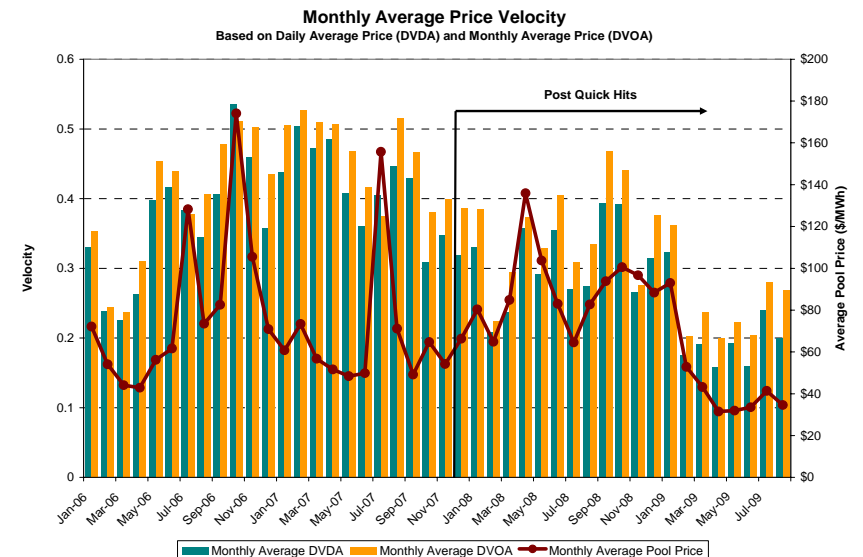
The 2005 Electricity Policy Framework on which Quick Hits is based states:

“Across North America many jurisdictions are moving toward or have established a day ahead electricity market (DAM) to address many of the STA issues facing Alberta. Reflecting this industry change, the Integrated Options Paper put forward an option for a DAM in Alberta... However, given the evolving nature of electricity markets and a need to remedy STA issues, a DAM may be added at a future date.” (p.21)

We note, for example, that the AESO's 'Pool Price Cap Review' considered three markets (Australia, Texas and the Netherlands) with generally similar market designs. The AESO's paper observed that all of these markets are primarily bilateral in nature, with the spot market being mainly used to clear imbalances and congestion.

The Load Coalition strongly recommends that the AESO continue to monitor pool price volatility, giving due consideration to its potential adverse impacts on both generation and load. While the AESO has stated that it will not pursue a wholesale market redesign within the context of the market roadmap discussion, ongoing monitoring and assessment of these issues will be of value in determining whether and when a 'day ahead electricity market' similar to that employed in other jurisdictions will be of benefit to the competitive market as a whole.

price. The price velocity metrics the AESO uses show a decrease in the in the hour over hour volatility in the pool price over time in the post Quick hits period. More recent analysis continues to support the pool price volatility conclusions included in the review. An update to Figure 10 presented in the review is attached for information purposes.



### 3.4 Transmission Must Run (TMR) and Dispatch Down Service (DDS)

Stakeholder	Stakeholder Comment	AESO Response
ATCO Power	<p>During the consultation process for the Quick Hits the inclusion of a TMR reference price was accepted as an interim solution in an effort to not delay the implementation of the entire package. Since then it has become clear that some of the concerns that were raised at the time have materialized and were first analyzed by the MSA in July 2008.</p> <p>The original DDS proposal provided an efficient solution that included safeguards against undesired offer incentives. The current rules do not include these safeguards and accordingly participants have adjusted their offer behavior in line with the newly created incentives having a negative impact on price fidelity. The AESO has recognized this but has not considered it in their reconstitution analysis rendering it invalid.</p> <p>Given that the current DDS rules impact price fidelity and do not achieve the mandate from the policy to properly reconstitute the pool price ATCO Power would like to see the AESO make it one of their highest priorities to consult on these issues.</p>	<p>DDS is a pool price reconstitution mechanism created to address the unintended consequences of TMR on the pool price. DDS is intended to improve pool price fidelity. The AESO analysis to date has indicated that DDS has been effective in reconstituting pool price when TMR is running. This conclusion is based upon several factors including the amount of DDS being offered, the frequency of DDS dispatch relative to TMR, and the pool price reconstitution impact which was estimated to have increased pool price by \$5.00 /MWh during the six month study period.</p> <p>The AESO acknowledges the DDS stakeholder comments provided on the QH paper and has more recently been in discussions with several stakeholders to understand their concerns. Two areas of concern are the DDS reference price impact on price fidelity (“price stickiness”) and a DDS market design that may allow generation that would normally be out of merit to participate in the DDS market, preventing full price reconstitution. The AESO is undertaking further analysis of the DDS market specifically aimed at providing information on the concerns noted above. This analysis will also benefit from having more than 18 months of data to review. The AESO will share the results with stakeholders in the near future.</p>
Capital Power	Capital Power is concerned that the AESO conclusion that Dispatch Down Service (“DDS”) has been effective in reconstituting pool price when TMR is running has been based solely on the analysis presented in	Please refer to the AESO response to ATCO Power in this section.

Table 2: Impact of DDS on Pool Price. As market participants have pointed out, and as the AESO has been made aware of, the DDS market has influenced market participant offer behavior in the energy market. As a result, it is difficult to conclude what the price would have been in the absence of the DDS market. Therefore, Capital Power is not convinced that the AESO analysis is indicative of what energy prices would have been absent the impacts of the DDS market.

Capital Power is uncertain as to why the AESO analysis did not take into consideration the Market Surveillance Administrator’s (“MSA”) findings on DDS and the Reference price for the same time period published in the Quick Hits Review: Dispatch Down Service (“the review”). Capital Power understands why the AESO may not want to simply duplicate the MSA analysis but to completely ignore it and conclude that the DDS has been effective in reconstituting pool price based solely on this one analysis seems unreasonable. Based on the review the DDS market has failed to achieve what it was designed to do; that is, it has not resulted in price reconstitution for the impacts of TMR and has subsequently resulted in a number of unanticipated and inefficient outcomes which require immediate attention.

**Reference Price:**

In Capital Power’s view the AESO number one priority should be ensuring that the price signal is accurate and that it reflects the fundamentals. The fact that the price signal more often than not is a reflection of the monthly reference price is inappropriate. The AESO did not present any analysis on the impact of the reference price on the price signal. Capital Power sees the following issues with the Reference Price.

- The market rules dictate that DDS will not be dispatched once SMP exceeds the Reference price. Therefore all DDS MWs must be dispatched up (off) before an energy block with an offer greater than the Reference price is dispatched on. As a result, the merit order has a large predictable block (shelf) of MWs at a 12.5 HR that often acts as a soft price cap. The impact of this administrative price cap on price fidelity is extremely inappropriate. The “stickiness” of pool price about the reference

With respect to Capital Power’s comment on market power, the AESO has a duty to facilitate the fair, efficient and openly competitive operation of the market. This includes developing proper market rules that address market power concerns. The DDS reference price rule was considered a necessary and appropriate part of the Quick Hits rules at the time of implementation and the AESO continues to believe that a mechanism is required to address market power concerns.

With respect to Capital Power’s comment on the price suppressing impact of DDS offer rules, the AESO notes that DDS offers are taken from an assets lowest priced offer block which may or may not be a \$0 block. At the time of implementation a number of options were discussed and there was a concern regarding the potential for a race to zero in offer behavior. The option of taking the DDS offer from the highest priced offer block was not workable because the highest offer block would then have to be in merit which could lead to all offers being at or near zero to ensure a DDS dispatch. As well, the option of using the highest in merit offer block has significant implementation challenges. Using the lowest priced energy offer block allows generators to offer their seven energy offer blocks in a way that ensures a DDS dispatch can be complied with and they can participate in the DDS market if they chose to.

price interferes with the natural price signal as in many circumstances creates an artificial price ceiling.

- The Reference price has created a disjoint in the probability for those energy blocks offered directly (one penny) below the reference price and those offered directly (one penny) above the reference price. Market participants have responded by altering their pricing strategies such that they offer directly below the reference price, adding significantly to the size of the shelf and the amount of time Pool price is capped by the reference price.
- The implementation of a Reference price is not consistent with the DOE's policy direction to remove the impact of transmission congestion from the energy price. The very presence of the Reference price ensures that price reconstitution will only occur at prices corresponding to heat rates less than 12.5 GJ/MWh. True price fidelity would require that price reconstitution occurs at every price between \$0 and \$1000, in fact, price fidelity should be an even higher priority during times of scarcity when prices are likely to be higher than a 12.5 heat rate. (The AESO price cap analysis demonstrated the importance of scarcity pricing and the investment signal as 10% of revenue for the average generator is earned in 1% of hours).
- The AESO is mandated to design, implement and facilitate a market where the fundamentals of supply and demand dictate the price. The AESO should not be concerned with price outcomes or with preventing market participants from exercising market power.

**Gas Unit Pricing Behavior:**

In the review the MSA compared the average generation of a subset of those gas units (at varying heat rates) with the greatest market share of DDS sales before and after the implementation of the DDS market. The analysis indicated that relatively few of the MWs that are dispatched for DDS would have been generating prior to the implementation of the DDS market. Rather, it appears that these generators are offering at levels below where they would be willing to produce energy in order to ensure they are in merit to receive a DDS dispatch. By doing so, these generators

	<p>are able to remain not generating as they did pre Quick Hits; however, they now have an opportunity to collect additional revenue. It appears that the majority of DDS is being provided by units that typically wouldn't have been generating and as the MSA has indicated, price reconstitution may not be occurring.</p> <p><b>Price Suppression due to \$0 Offer Block Requirement:</b>  DDS has a suppressing impact on Pool price because DDS offers are taken from the \$0 offer block instead of the highest priced offer block. This forces some generators to price their entire DDS offer volume at \$0 to manage the dispatch of their minimum stable generation constraints. There are numerous outstanding issues with the DDS market and the Reference price, Capital Power urges the AESO to address these issues as they have a negative impact on price fidelity.</p>	
ENMAX	<div style="border: 1px solid black; padding: 2px; display: inline-block;">ENMAX looks forward to actively participating in this review.</div>	Please refer to the AESO response to ATCO Power in this section.
Load Coalition	<p>The AESO's observations are consistent with the MSA's 2008 analysis, including price 'stickiness' and other unanticipated consequences of DDS.</p> <p>While opportunities to broaden DDS participation could be of value to the market, TransAlta's proposal would, as the AESO suggests, create a two-tier Minimum Stable Generation regime that appears both discriminatory and open to gaming.</p> <p>As the MSA has observed, "reconstitution mechanisms are inherently complex and are likely to have unanticipated consequences. Price fidelity in the Alberta market would be best served by elimination of the need for TMR energy." (Quick Hits Review: DDS, July 20, 2008, p.20) Absent a demonstration of compelling benefits, the addition of further complexities is likely to create yet more unintended consequences.</p>	Please refer to the AESO response to ATCO Power in this section.

<p>TransCanada</p>	<p>TransCanada also agrees with the findings that the DDS reference price creates “stickiness” in the pool price. To mitigate this, TransCanada suggests making the reference price equal to the unit’s offer price for the TMR volume level.</p> <p>Additionally, TransCanada suggests evaluating the merits of a “settle as offered” mechanism. (I.e. if DDS is offered at PP minus \$50 and PP ends up being \$45, the generator must pay \$5).</p> <p>TransCanada also believes that DDS costs should be borne by load in order to more accurately depict the true cost of congestion. (TMR costs represent only half of the cost relieving transmission constraints, DDS being the other half)</p>	<p>Please refer to the AESO response to ATCO Power in this section.</p> <p>With respect to TransCanada’s suggested change to the reference price, the AESO notes that making the reference price equal to the units offer price effectively removes the reference price influence altogether and therefore does not mitigate the potential market power issue the reference price was intended to address.</p>
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### 3.5 Payments to Suppliers on the Margin (PSM)

Stakeholder	Stakeholder Comment	AESO Response
ATCO Power	<p>In ATCO Power’s opinion the fact the uplifts represent only 0.06% of the market value while true is largely irrelevant. For the marginal participant uplift payments represent a larger percentage of the revenue and an even larger share of their margins. Therefore ATCO Power does not see any compelling reason to discontinue these payments at this time. ATCO Power does agree that the current mechanism is unnecessarily complex and administratively burdensome. ATCO Power would appreciate if the AESO initiated stakeholder discussion around this topic. For example paying suppliers the average of SMP over the dispatch period would simplify the rule, make it easier to administer and in ATCO Power’s opinion even improve the rule’s alignment with FEOC principles.</p>	<p>The AESO appreciates ATCO Power’s comments on the value of the Payments to Suppliers on the Margin (PSM) program to participants and the suggestions for improvement. Incorporating ATCO Power’s suggestion to use the average SMP could simplify part of the calculation but would still result in PSM procedures that would be complex to administer. Other participants have noted that PSM was intended to be an interim measure to aligning settlement and dispatch intervals. The 1 hour settlement interval was noted as a market design concern that had an impact on price fidelity. The AESO understands the concerns regarding the 1 hour settlement interval. There are potential benefits in price fidelity, decreasing payments to suppliers on the margin and increasing price certainty for price responsive loads. Given that reducing the settlement interval would require significant IT infrastructure, this work is best explored as part of the technical discussions within the Market Systems Visioning project.</p>
Capital Power	<p>To the extent that the AESO would like to abandon PSM an alternative mechanisms would need to be implemented. The policy paper recommended that the AESO pursue the approach of payments to suppliers on the margin as “an interim and as a <i>possible</i> alternative” to aligning settlement and dispatch intervals. The policy paper further noted that aligning settlement and dispatch intervals would address key merit order stability and price fidelity objectives. Capital Power agrees that there should be a symmetrical treatment of Loads and Generators with respect to payments on the margin and the alignment of settlement and dispatch intervals (minute by minute settlement) would likely facilitate an</p>	<p>Please refer to the AESO response to ATCO Power in this section.</p>

	increase in price responsive demand which was also addressed in the policy paper.	
ENMAX	<p>Contrary to the wording provided in Section 3.5 The DoE did not “suggest that market participants approach the AUC to have all uplift costs recognized under the RRO regulation”. Rather the DoE letter proposed that each RRO provider initiate a costly and time consuming amendment to their respective Energy Price Setting Plans.</p> <p>ENMAX does not argue with the concept of payments to suppliers on the margin, or that load should be responsible for the costs of these payments through rates. ENMAX does object to the AESO flowing through costs to market participants without advance notice or consultation and with the AESO imposing a regulatory burden on other parties. These costs should be built into the market price or recovered through trading charges or such other mechanism as does not disadvantage parties that cannot recover the costs without a costly regulatory process.</p>	The AESO notes that in the May 30, 2009 DOE letter to market participants the DOE examined the option of including PSM charges in the trading charge among other options and chose to remain with the status quo. The AESO recognizes the ENMAX concern regarding the administrative burden of modifying contracts to comply with RRO legislation and would point out that the QH rules were subject to extensive industry consultation before approval and implementation.
Load Coalition	<p>The AESO’s concern regarding the PSM asymmetry between generation and load is well taken. The increasing prevalence of intermittent resources will reinforce the importance of demand response programs. Customers who respond to a high SMP signal would have every reason to resent the fact that generators are compensated for intra-hour price deviations, while they are not.</p> <p>It would also be helpful to the market if the AESO could work hourly PSM payments into the market price, and eliminate the separate uplift charge. The current uplift charge is unhedgable since it represents such a small and volatile adder. The Regulated Rate Option Regulation 3(2) also forbids its recovery from RRO customers, which appears to be an unintended consequence of the ‘uplift’ treatment since the charge arises in real time dispatch and is properly part of that process.</p> <p>A broad review of the PSM program is strongly supported by the Load Coalition.</p>	<p>Numerous participants raised improving price fidelity as the most important issue in the market today. The AESO would have a concern with working hourly PSM payments into the hourly market price after the fact during settlement. The inclusion of such payments into price could at times mask underlying market fundamentals and result in price fidelity issues. As the AESO noted in the paper, the DOE investigated the RRO pass through issue and considered that the best approach was to leave the rule unchanged.</p> <p>The AESO is of the view that further industry discussions on the PSM program are not a priority at this time.</p>
TransCanada	<p>TransCanada urges the AESO to continue the PSM mechanism. Although it currently represents a relatively small value proposition to the generator, in principle it works correctly.</p>	Acknowledged.

### 3.6 Imports and Exports

Stakeholder	Stakeholder Comment	AESO Response
ATCO Power	If the AESO starts looking at addressing seam issues for Imports and Exports ATCO Power would like to ensure that tie line participants are treated in alignment with intra Alberta participants.	The AESO has initiated intertie discussions and would encourage stakeholder participation on topics such as the treatment of exports within the market rules.
Capital Power	Capital Power believes that by subjecting Importers and Exporters to a T-2 requirement the AESO is creating unnecessary seams with adjacent markets thus leading to inefficient use of the inter-ties. Simply comparing the import and export available capability values both pre and post Quick Hits or general trends in import volumes relative to Pool price is insufficient in determining efficient hourly usage of the interties.	The AESO notes that importers and exporters are subject to the T-2 rule which is intended to create a level playing field with respect to intra-Alberta generators. The AESO analysis of import and export trends extended beyond a simple comparison of available capacity information. While the AESO did not publish all the information compiled due in part to confidentiality of the data, the analysis did not suggest that the T-2 restriction on import offers was creating serious seams issues as.
ENMAX	<div style="border: 1px solid black; padding: 5px;">                     ENMAX intends to join the consultation on a broad range of intertie topics and to determine the best way to proceed in addressing “seam” issues.                 </div>	The AESO has initiated intertie discussions and would encourage stakeholder participation on a wide range of topics including seams issues.
Load Coalition	The Load Coalition supports and encourages the proposed intertie reviews.	The AESO has initiated intertie discussions and would encourage stakeholder participation on a wide range of topics.
TransCanada	<div style="border: 1px solid black; padding: 5px;">                     TransCanada remains concerned that imports do not set price and that the T-2 window does not align with neighboring jurisdictions creating challenges in arranging commercial transactions. (Seams issues)                 </div>	The AESO believes that allowing imports to set the price is an important element of price fidelity. The AESO is moving forward to achieve this as part of its work on intertie business practices and recognizes it as a priority item. The AESO has initiated intertie discussions and would encourage stakeholder participation on a wide range of topics including seams issues.

### 3.7 Adequacy and Price Forecasting

Stakeholder	Stakeholder Comment	AESO Response
ATCO Power	ATCO Power agrees with the AESO that the price forecast is still unreliable and continues to question the value of this report unless the accuracy would be significantly improved.	The AESO analysis suggests that the price forecast improved relative to the previously published format and was a good predictor of price most of the time. The AESO recognizes that as with all forecasts the price forecast is not 100% accurate. The AESO will continue to monitor price forecasts for potential improvements.
Load Coalition	The AESO's difficulty in developing accurate short-term price forecasts is indicative of significant and unpredictable price volatility. If, with unrivalled access to market information, the AESO cannot predict the small two-hour ahead changes in supply and demand which have a large impact on the final price, then customers seeking to be price-responsive will face similar difficulties.	While the AESO recognizes the difficulties of developing accurate short term price forecasts, the AESO believes that price volatility is to be expected in a normally functioning market and that the price volatility in the Alberta market at present appropriately reflects market fundamentals.

## 4.0 Government Policy Alignment

Stakeholder	Stakeholder Comment	AESO Response
ATCO Power	In ATCO Power’s opinion our above comments show that the quick hits generally do not meet their objectives but we do believe that relatively small changes could improve the rules significantly.	The AESO notes ATCO Power’s concern. The AESO is in the process of reviewing all stakeholder comments and providing an updated priority listing of market design projects that it will pursue in the near term.
Load Coalition	As noted in section 3.3.5, the broader policy context is that a day ahead market remains an important option for Alberta, and appears to be in wide use in comparable market structures. The AESO’s ongoing monitoring of ‘quick hits’ will continue to be essential in determining whether changes in the market pricing mechanism are warranted.	The AESO agrees that ongoing market monitoring is essential to market design evaluations and regularly reviews a set of QH metrics internally as part of its normal market monitoring function. The day ahead market design is an option that has been discussed in the past. The purpose of the QH changes was to implement enhancements to the energy only market as set out in the DOE Policy Framework. <sup>1</sup>

<sup>1</sup> Alberta’s Electricity Policy Framework: Competitive – Reliable – Sustainable June 6,2005 Alberta Department of Energy the “DOE Policy Framework”

## 5.0 Summary of Findings and Recommendations

Stakeholder	Stakeholder Comment	AESO Response
ATCO Power	See above comments. (Comments on Section 4.0)	Please refer to the AESO response to ATCO Power in section 4.
Capital Power	Capital Power is encouraged by the AESO conclusions that the Quick Hits rules have improved visibility of supply and created a more robust, stable energy market merit order. Capital Power requests that the AESO publish more detail and supporting evidence to provide market participants greater confidence that the market is operating efficiently and that the policy goals have indeed been achieved. In addition, Capital Power recommends that the AESO expand on the analysis provided by including data post June 2008. Capital Power notes that market conditions have changed dramatically over the last eighteen months and that a more in depth analysis of long term trends should provide better insight into the efficiency benefits of the Quick Hits rule package.	Please refer to the AESO response to the Capital Power in section 3.2.
ENMAX	ENMAX supports the findings and recommendations.	Acknowledged.
TransCanada	TransCanada agrees with the AESO's findings and recommendations. Revisions to Rule 6.6 and implementation of the FEOC Regulation (September 1, 2009) will assist in providing further stability to the Alberta Electricity Market.	Acknowledged.

## 6.0 Next Steps

Stakeholder	Stakeholder Comment	AESO Response
ATCO Power	ATCO Power would like to urge the AESO again to address the TMR/DDS issue since there is currently not only an improperly reconstituted pool price but price fidelity is actually negatively impacted.	Please refer to the AESO response to ATCO Power in section 3.4.