

Appendix B

AESO Recommendation Paper - Operating Reserve Market
Redesign
Stakeholder Comment Matrix

Section	Subsection	Stakeholder Response
1.0 Executive Summary		ATCO Power is concerned about the competitive viability of the operating reserves market if WECC Standard BAL-002-WECC-1 is adopted by the AESO as written. If the new standard is adopted as written, there is a need to evaluate the impact on the competitiveness of the operating reserves market given the large volume reduction.
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	ATCO Power believes that the new products represent an unnecessary complexity that can be avoided by transacting hourly products (see 3.2.2).
	3.2.2 Continue to use On/Off peak products instead of hourly products	ATCO Power supports an hourly equilibrium AS market for all products as a phase one solution to the existing design. We feel that such a design would better compliment the energy market and offers simplicity and price fidelity. ATCO would like to elaborate on the three advantages mentioned

		<p>by the AESO and point out additional advantages of trading hourly products:</p> <ul style="list-style-type: none"> • Maximum flexibility for participants, allowing a seller to price each hour differently and submit different volumes for each hour if desired. This would increase the depth of the market since it allows participants that operationally can't supply all hours to at least partially participate. • Eliminating the six profile products, and simplifying the market by combining base and profile volumes together. • Elimination of the artificial selling logic that precludes the cheapest supply from clearing the market. • Scheduled time required for transacting would be reduced. • ATCO agrees with the AESO that it could mitigate some of the operational challenges faced with real time transitioning from on peak to off peak providers (and vice versa) • An hourly clearing price is a better reflection of the supply and demand in each hour. Hourly pricing would eliminate the "cherry pick" behaviour that is a concern of the AESO as participants could price their volume for the perceived 'weak' hours accordingly. • Including the option for participants to select their offers as flexible or inflexible as is done in the energy market provides suppliers with an option to create more operational certainty. This option is not available to shape-providers in the current proposal. • An hourly AS market is more consistent with the energy market. <p>ATCO Power would like to provide the following comments on the perceived disadvantages listed by the AESO:</p> <ul style="list-style-type: none"> • Introducing 144 products on a regular trading day. – While it is true that 144 different products would clear in a given day (compared to the 12 current products) offering the
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		<p>products would actually be simpler for participants. Every participant would only need to provide 3 offers for a given day since an IT solution could be easily implemented to allow participants to simplify their offers to provide the same price for each hour and to track volumes appropriately. Anything beyond that is <u>optional</u> flexibility.</p> <ul style="list-style-type: none"> • Increasing complexity and logistical challenges for sellers which could also contribute to the number of errors. – An hourly design is much simpler than the current design that bifurcates the market and introduces a complex selling logic. Working group discussion have shown that there is still confusion among participants regarding the current logic. Since the ability to differentiate hours is optional it doesn't create challenges but provides opportunities. • Creating a potential barrier to entry for smaller participants. – It is unclear to ATCO Power how reducing the number of required offers and providing additional flexibility could be a barrier to participation. ATCO believes the contrary to be true. • Creating more operational uncertainty for suppliers hour to hour. – Under an hourly design suppliers would be fully aware of their ancillary services obligations on a day ahead basis. Given that ancillary services providers need to be able to respond to directives within 10 minutes, following hourly dispatches based on a schedule that is known day ahead should not negatively impact suppliers. <p>In our view, the Phase I design would benefit from further consideration of an hourly equilibrium market alternative and would support further discussion on the matter.</p>
	<p>3.2.3 OR indexed to pool price, marginal</p>	

	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 Procurement Process and Timing	3.3.1 Apply selling logic for profile and non-standard offers	<p>Adopting a selling logic that clears volume before price does not make sense as a current practice or as part of a redesign. The party that offers the best price should be the party that supplies the reserves to the market, not the party that provides the most volume.</p> <p>Changing the profile market to an hourly market automatically removes the need for selling logic, and creates a more FEOC market. In an hourly market participants are able to appropriately price a product, which should alleviate any concerns that not all the volume will be secured.</p>
	3.3.2 A reasonable procurement schedule	It is very important that adequate time is given for all products to clear, especially for participants with many plants. Extended time frames need to be incorporated to account for long weekends, and holiday volume. Twenty minutes is the minimum time that would be required by ATCO Power.
	3.3.3 Fix market closes and create price discovery	ATCO Power supports the AESO recommendation to have a fixed close and not a random close. Price discovery is possible on a daily and intra-daily basis.
3.4 Market Participation and Obligations	3.4.1 No must offer requirement	
	3.4.2 Remove virtual units	<p>ATCO Power supports removing virtual units. Does the AESO also propose to eliminate the restatements on NGX after the session close?</p> <p>ATCO Power would be in support of a more sophisticated unit tracking mechanism within NGX. For a company with multiple plants, time is needed between products to review volumes sold in</p>

		a prior market and calculate remaining volume.
	3.4.3 Standing offers facilitated by blind offers	
	3.4.4 5MW minimum blocks	<p>Is ATCO Power correct in assuming that an offer of less than 5 MW can be made in the profile market, if a participant already has 5 MW in the product from the baseload market?</p> <p>What does the AESO propose will happen to the product price when rounding up or cancellations occur? This has the potential to have direct consequences on price.</p>
	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	<p>The AESO states “it is appropriate to leave the decision on OR participation with TMR providers to make the risks (and rewards) of doing so transparent”. ATCO Power supports this objective but strongly feels that not delivering an AS product due to a TMR obligation should be treated differently than non-delivery for commercial reasons. While it may be appropriate to include a charge in the former case sufficient to motivate risk/reward analysis, non-delivery should not be treated as a breach of an ISO rule. If there is a significant difference in views, ATCO Power would urge AESO to engage in further consultation to arrive at a satisfactory resolution to this important issue..</p>
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	ATCO Power supports 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	
	3.8.2 Continue to use force majeure definition in NGX Agreement	
	3.8.3 Improve transparency of OR providers	ATCO Power would encourage the AESO to break apart the tie line and load providers into separate categories.
3.9 OR Market in ISO Rules and Contractual Items	3.9.1 Documentation of OR Rules	Paragraph 20(1) of the Electric Utilities Act states “The Independent System Operator may make rules respecting (d) the provision of ancillary services” ATCO Power believes the current compliance regime is efficient and well designed and appears to be functioning properly and is

		<p>consistent with the Act.</p> <p>ATCO Power would encourage the AESO to split Phase I of the operating reserves market redesign into two phases. Phase Ia could encompass the elements of design that can be more quickly implemented into the market. Phase 1b could contain the elements around rule design which would take longer to implement.</p>
	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	