

AESO Recommendation Paper – Intertie Framework Stakeholder Comment Matrix

| Section | AESO Recommendation/Feedback Requested | Stakeholder Response |
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| 4.0 Policy Coherence | <p>The AESO is interested feedback as to the AESO's policy interpretation.</p> | <p>The AESO misinterprets its obligation under the Transmission Regulation and the Electric Utilities Act. This leads to the current recommendations which are not FEOC and harm Alberta generators and even more so Alberta consumers.</p> <p>The Transmission Regulation Section 15 (1) (e) (i) gives the AESO the obligation to plan a transmission system that is sufficiently robust so that 100% of the time, transmission of all anticipated in-merit electric energy referred to in section 17 (c) of the Act can occur when all transmission facilities are in service.</p> <p><u>Electric Utilities Act Section 17:</u> The independent System Operator has the following duties:</p> <p>(c) to determine, according to relative economic merit, the order of dispatch of electric energy and ancillary services in Alberta and from scheduled exchanges of electric energy and ancillary services between the interconnected electric system in Alberta and electric systems outside Alberta, to satisfy the requirements for electricity in Alberta; [emphasis ours]</p> <p>Flows on interties are only ever scheduled up the available ATC limit and not to the path rating. As such section 15 of the regulation does not put an obligation on the AESO beyond current ATC limits. For exactly this reason, the Transmission Regulation was amended by section 16 that does put a specific obligation on the AESO, namely to restore the existing (pre August 12, 2004) interties to its path ratings.</p> <p><u>To summarize:</u></p> <ul style="list-style-type: none"> • The AESO has no general obligation to upgrade the intra-Alberta transmission system to facilitate flows up the path rating. • The AESO specifically needs to restore the existing interties to their path rating. • The AESO has no obligation to provide incremental ATC to future interties (including MATL). The new amendment of the regulation [Section 16 (4)] does clarify though that there shouldn't be any preferential treatment by the AESO in the allocation of ATC. |

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| <p>5.1 Real-Time Dispatch/ Scheduling</p> | <p>The AESO recommends implementing dynamic scheduling to enable real-time dispatch and to permit the submission of priced/bids and offers.</p> | <p>Allowing priced bids/and offers gives importers/exporters the option to manage the risk of the transaction becoming uneconomic. Given the fact that neighboring jurisdictions are generally on hourly schedules and that there are ways to mitigate the risk in the forward market it is questionable to what extent tie-participants would actually exercise the option.</p> <p>On the other hand priced interties have two major disadvantages:</p> <ol style="list-style-type: none"> 1. Counterflows are only possible if the initial flow is offered as a price taker. As such every priced intertie flow would reduce the (counterflow) ATC that could be made available otherwise. 2. Priced intertie transactions can be used to withhold intertie capacity which is contrary to generally accepted practices across North America. If on the other hand in an attempt to avoid this, lower priced imports (higher priced exports) would receive automatically higher priority the incentive would be for intertie participants to not use the option but instead act as price takers. <p>In summary allowing priced bids/offers on the intertie is a complex option that offers little benefit, would see limited if any use, and carries major disadvantages. As such ATCO Power opposes the AESO's suggestion to permit the submission of priced bids/offers.</p> |
| <p>5.2 Transmission Rights - Policy</p> | <p>The AESO recommends that it plan the transmission system so that each intertie can transfer up to its path rating simultaneously.</p> | <p>As stated and explained in our response to 4.0 Policy Coherence the AESO is misinterpreting its obligation under legislation.</p> <p>Additionally ATCO Power would like to point out that the correct interpretation would not necessarily result in an impediment to future investment. An important part would be the creation of a market for ATC.</p> <p>When planning to build a transmission line, developers have the option of planning a DC line which effectively guarantees that the line can flow up to its path rating. If developers should decide to build additional AC lines this would result in increased competition for the available ATC. The market would then efficiently allocate the available ATC. The comparatively inefficient AC tielines will then face lower margins just like a generator that is faced with more efficient competition. And where a generator might have no option to improve his efficiency, the intertie can always restore its full path rating through the installation of an AC/DC/AC converter.</p> |

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| <p>5.3 Transmission Products</p> | <p>The AESO recommends that a merchant transmission service (MTS) be added to the AESO tariff, offered to the merchant transmission asset owner, which appropriately reflects system access service to inject/withdraw at the border.</p> | <p>While there might be a need for additional transmission products, the proposed MTS is not acceptable. The resulting treatment of a merchant intertie as a generator at the border is not aligned with legislation.</p> <p>With regard to the ATC auction ATCO Power recommended during the stakeholder session we would like to point out that:</p> <ol style="list-style-type: none"> 1. Due to the fact that there is no obligation to build for uncongested interties it can be expected that ATC has a value going forward that can be realized through the auction 2. It is common for both jurisdictions that are connected by an intertie sell their side of the ATC and as such implementing the auction would bring Alberta in line with other jurisdictions. 3. Given the fact that the auction would also facilitate counterflows the AESO would also be able to realize the value of counterflow ATC which is in excess to the physical ATC <p>ATCO Power opposes the current proposal of the AESO. Instead the AESO should investigate which products would work best given the nature of the ATC constraints and the possible ways of allocating ATC.</p> |
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| <p>5.4 ATC Allocation</p> | <p>The AESO recommends when there is congestion on the interties, an ATC allocation rule be implemented that arbitrates by energy price and then pro-rata between remaining same priced schedule requests.</p> <p>The AESO is interested in feedback as to what the best timing (xx:yy) for ATC curtailments to be made if not xx:45.</p> | <p>ATCO Power disagrees with the AESO's recommendation and continues to support the market based auction solution instead.</p> <p>Pro-rata allocations result in equal treatment of participants based on some (arbitrarily) defined criteria. Pro-rata allocations are therefore generally neither <i>efficient</i> nor <i>fair</i> (individual participants are harmed differently). Since most participants will have trouble scheduling odd volumes which are generally the result of pro-rata mechanisms, the proposed methodology would also not be <i>openly competitive</i>. These important elements would be achieved by implementing a proper market for ATC (i.e. the proposed auction). In addition any non-market solution would fail to realize the value of ATC.</p> <p>With regard to timing, ATCO Power continues to advocate for the simultaneous ATC auction at T-2. Bids/offers for the Alberta market are already firm at this point and the 2 hour window should give participants enough time to schedule their flows.</p> |
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| 5.5 Next Steps | The AESO is interested in stakeholder comment on the AESO's next steps. | Given that the entire framework presented by the AESO is based on a misinterpretation of the AESO's legislative duties, the suggested next steps do not reflect the necessary actions that need to be taken. ATCO Power would like to make the following recommendation regarding next steps: <ul style="list-style-type: none">• Resolve the policy interpretation• Design and consult on an ATC auction• Continue consultation on intertie restoration measures and how they could be integrated into the auction• Develop necessary tariff products |
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