

**AESO Discussion Paper – Intertie Framework
Stakeholder Comment Matrix**

Section	Feedback Requested	Stakeholder Response
<p>4.0 Policy Coherence</p>	<p>The AESO is interested in feedback on the principles for alignment of interties into the Alberta market and larger interconnected marketplace. The AESO is also interested in the order priority that should be given to the principles given there would be likely tradeoffs between principles.</p>	<p>Principle 1: Encouraging Competition and Reducing Barriers</p> <p>Supporting FEOC requires reducing inappropriate barriers to entry, thereby <u>facilitating</u> but not explicitly <u>encouraging</u> competition.</p> <p>ATCO has been concerned for some time that inter-tie policy is being unduly influenced by the desire to encourage imports due to their price depressing impacts on the market. While we support the removal of inappropriate barriers to competition, subsidizing entry is inconsistent with a FEOC market. External suppliers should not be advantaged relative to domestic suppliers by Alberta market rules and cost allocations designed to encourage their entry.</p> <p style="text-align: right;">Rank: MEDIUM</p> <p>Principle 2: Facilitating Restoration and Expansion of Intertie Capacity that is Sustainable and Supports Efficient Market Processes</p> <p>We support this principle and are concerned that, without care and recognition of the inherently different investment frameworks between jurisdictions, expansion of the interties has the potential to challenge the long term sustainability and efficiency of Alberta’s energy-only market. In our view, this initiative would benefit from a higher level “policy” reassessment.</p> <p style="text-align: right;">Rank: HIGH</p> <p>Principle 3: Level Playing Field for Domestic and External Market Participants</p> <p>The “Level Playing Field” does not extend beyond Alberta’s borders.</p> <p>Investment decisions in neighbouring jurisdictions are made to satisfy the needs of those jurisdictions and are compensated for on</p>

a different basis than Alberta's energy-only market. The Alberta market cannot in practice – and should not in principle, attempt to – guide those investments.

Instead, we should recognize that (a) the playing fields for external and domestic suppliers are not level and (b) our priority must be to establish a level playing field within Alberta to guide internal generation decisions.

Rank: **HIGH**

Principle 4: Product Development is Consistent with Alberta Legislation and Policy.

When considering inter-tie solutions, we should focus on those we feel are most appropriate based on their impact on the Alberta market and should not feel unduly constrained by intra-Alberta approaches.

Rank: **LOW**

Principle 5: Manage Seams between Jurisdictions

We support this principle. It remains our view that removing unnecessary barriers to counter-flows is a far more desirable approach than policing “uneconomic” transactions. To this end, we note that the current approach of transferring responsibility for managing ATC on the BC Tie to BCTC fails to take advantage of the opportunity that T-2 scheduling in Alberta provides to create counter-flow ATC. We have included a conceptual approach for intertie management in our response to sec. 5.2 for your consideration.

Rank: **MEDIUM**

Principle 6: Support inter-tie dispatch through the EMMO

The argument for priced inter-tie transactions is one of short term market efficiency. Absent costs associated with achieving dispatch flexibility, it makes economic sense to dispatch flexible resources in real

		<p>time via the EMMO.</p> <p>ATCO Power suggests that AESO take a pragmatic approach to accommodating priced inter-tie transactions that recognizes both the implementation costs as well as the estimated improvements in market efficiency.</p> <p style="text-align: right;">Rank: LOW</p>
5.0 Intertie Framework	The AESO is interested in feedback on the intertie framework and the decisions identified.	
5.1 Real-Time Dispatch/Scheduling	<p>The AESO is interested in stakeholder comment to the following questions:</p> <ol style="list-style-type: none"> 1. Should the AESO adopt real-time dispatch and scheduling on the interties and what are the impacts to market participants? 2. If yes, should the AESO do so through dynamic schedules, intra-hour scheduling every 5 minutes or by using the existing scheduling process in real-time? 3. Should the AESO again explore a dispatch up/down service or system market product on the interties as a substitute to real time dispatch and what are the suggested designs? 4. Do stakeholders interpret policy to permit for a bi-lateral market? 	<p>1) Should AESO adopt real-time inter-tie scheduling and dispatch?</p> <p>While ATCO Power has not fully considered the costs associated with this proposal, we note that real-time scheduling over constrained interties may be complex with implications for allocating ATC between ties as well as facilitating efficient counter-flows. To enhance the efficient use of the ties, dynamic scheduling should ideally be combined with dynamic ATC allocation.</p> <p>We are unsure of whether the increased complexity associated with real-time scheduling can be justified by the benefits it offers to our market. It would appear to us that greater efficiencies can be accomplished by addressing seams issues.</p> <p>2) Does policy permit a bi-lateral market?</p> <p>ATCO Power does not feel that bi-lateral ATC arrangements are necessarily inconsistent with Alberta's market principles but is not yet convinced that they could be feasibly implemented.</p>
5.2 Transmission Rights - Policy	The AESO is interested in stakeholder comment as to whether current policy permits the assignment of transmission rights to ATC and whether interties should be treated by the same rules as internal	As noted in #4 above, ATCO Power does not feel that AESO should consider itself constrained by legislation or policy to treat interties by the same rules as internal generators and loads.

	generators and loads.	<p>AESO's obligations to avoid discrimination require it to treat persons in similar circumstances similarly. Although they may all wish to exchange energy through the power pool, domestic and external market participants are in vastly different circumstances and treating them similarly has the potential to undermine the Alberta market.</p> <p>Transmission rights can be helpful to achieving efficient market outcomes and should not be eliminated from the suite of inter-tie options for intra-Alberta policy reasons.</p>
5.3 Product Priority	<p>The AESO is interested to stakeholder comment to the following questions:</p> <ul style="list-style-type: none"> • What would be objectives of a new product on top of an opportunity transmission product to import and export customers? • What would be the design options of a new product (see appendix A for assistance)? • Should ATC priority be assigned by tariff/commercial product? • Would an auction to different products be preferred and what would be the design of that auction methodology? 	<p>ATCO Power supports a market based framework for allocating <u>physical</u> ATC via a T-2 auction and provides the conceptual proposal outlined below. Although we have not made specific recommendations, we feel that this approach could readily accommodate the sale of longer term <u>financial</u> transmission rights over the interties via the allocation of the physical ATC auction revenues.</p> <p><u>Objectives:</u></p> <ul style="list-style-type: none"> ▪ Efficient Allocation of Alberta ATC ▪ Facilitate participant's ability to counter-flow (competitive alternative to policing "uneconomic" transactions) ▪ Realize value of Alberta ATC <p><u>Proposal:</u></p> <p>Step 1: At T-2, Participants wishing to transact over the ties submit bids and offers. These include volumes, path (BC, Sask. or MATL) and positive bid prices for ATC. Associated energy offers are \$0 (import) and \$999 (export).</p> <p>Step 2: AESO conducts simultaneous pay-as-bid auctions for export and import ATC. For the purposes of this discussion, we refer to the direction (import or export) that receives the greater volume of ATC bids as the forward-flow and the direction with the lower volume of ATC bids as the counter-flow.</p>

		<ul style="list-style-type: none"> ▪ Auction Step 1: Counter-flows can always be physically accommodated and there is no associated ATC cost, so all counter-flow bids will clear. Accordingly, all counter-flow bids are accepted. ▪ Auction Step 2: An auction is conducted for forward-flow ATC. The demand curve is created from the ATC bids. The supply curve is created from the available system ATC and the additional ATC that could be created at a cost (eg. via RAS schemes). ATC is awarded based on the bids and offers that clear subject to the physical constraints on the ties. ▪ Auction Step 3: Alberta ATC is awarded to those bids that are accepted. We propose that bidders pay as bid. In the event that a curtailment is required in real time, we propose that the lowest priced ATC be cut first. <p>Step 3: By T-1, AESO notifies the participants whose ATC bids have cleared and they purchase Alberta ATC at the price they bid. AESO also notifies the neighbouring jurisdictions which parties are able to schedule flows.</p> <p>Proceeds from the sale of Alberta ATC are used to fund the Alberta transmission tariff.</p> <p>Step 4: By T-20min, participants whose bids cleared in the Alberta ATC auction purchase transmission on neighbouring networks and submit their final schedules to AESO.</p>
<p>5.4 ATC Allocation Tiebreaker</p>	<p>The AESO is interested in stakeholder comment to the following questions:</p> <ul style="list-style-type: none"> • Should the AESO adopt a pro-rata solution instead of LIFO as a tie breaker? • If pro-rata is used, how should it be calculated? • If LIFO is used, should the AESO use LIFO at 	<p>As noted above, ATCO Power supports a market-based approach to allocating ATC. In the event of equal priced ATC offers, we would support a pro-rata allocation.</p>

	xx:yy or only approve up to the system ATC? <ul style="list-style-type: none"> • What time xx:yy should be used in curtailment to maximize utilization of the ATC and provide maximum flexibility to participants and transmission operators? • What differences in application may be required for import as opposed to export transactions? • What other design options are there for considering ATC allocation tiebreakers? 	
7.0 Next Steps	The AESO is interested in stakeholder comment on the AESO's next steps.	

The following table can be used as a guide to proposing tariff product design. Please fill out the suggested design detail as per the characteristic. You may suggest new characteristics.

Characteristic	Proposed Product Design
I1	Legislated Requirements
I1a	Planning
I1b	Recovery of connection costs
I1c	Recovery of system costs
I1d	Losses
I2	Currently-Approved Tariff Provisions
I2a	Bulk system charge
I2b	Local system charge

Characteristic	Proposed Product Design
I2c Point of Delivery (POD) charge	
I2d Operating reserve charge	
I2e Loss charges	
I2f Voltage control (TMR) charge	
I2g Other system support charge	
I2h Take or pay provisions	
I2i Transaction fees	
I2j Construction contribution/ Interconnection Costs	
I2k Generator system contribution	
I2l Contract term	
I3 Other Considerations	
I3a Conceptual basis	
I3b Market access	
I3c System planned to accommodate	
I3d Curtailment for capacity limitations	
I3e Price offers/bids	
I3f Supply surplus/shortfall conditions	
I3g Market Obligations	