



03 September, 2010

Ms. Ruppa Minhas
Alberta Electric System Operator
Suite 2500, 330 - 5th Ave SW
Calgary, AB T2P 0L4

Dear Ruppa,

Re: Market Suspension Discussion Paper

ATCO Power appreciates the opportunity to comment on the AESO's Market Suspension Discussion Paper. ATCO agrees with the AESO that the market suspension rule would benefit from a thorough review in light of the current state of Alberta's electricity market.

Market Suspension Principles

ATCO Power agrees with the market suspension principles that the AESO has laid out in Section 4.2, with special emphasis added to the principle that market suspension must only be used "as a last resort".

ATCO Power kindly requests further clarification of subsection 4.2 b) where the AESO states "Market suspension should not be considered for normal market activity". The term "normal market activity" is not defined in the paper and requires further explanation to ensure that market participants and the AESO have a mutual understanding of its definition.

Section 10 of the paper discusses "non-competitive outcome[s] due to market conditions such as insufficient energy supply or supply surplus over an extended period of time" and "non-competitive outcomes due to an AIES system failure". ATCO Power agrees with the AESO that market suspension would not be necessary or appropriate because there are already rules and procedures in place to manage such conditions. ATCO Power also emphasizes that the market should not be suspended due to transmission congestion. Similar to insufficient energy supply and supply surplus, there are a real time transmission constraint management rules & procedures to deal with such situations.

Limited Market Operation

ATCO Power fully supports continuing limited market operations during outages to the market management tools. Suspending the market completely when limited operations could continue is not an optimal solution. ATCO Power realizes that this may put additional operational burden on the AESO control center staff, but believes it is very important to preserve market price signals.

Pricing during Energy Market Suspension

As a principle, ATCO Power believes that during periods of market suspension pricing should try to approximate as closely as possible the SMP that would have prevailed if the market was still operational.

ATCO Power submits that the Combined Approach set forth in section 8.6 will best represent pool price in times of energy market suspension. When all available MW are dispatched during a market suspension, the price should be set at \$999.99 to reflect that scarcity. Likewise in the event of a blackout, SMP should reflect the value of lost load. The value of lost load has been calculated to be well over the SMP cap of \$999.99 in various papers and reports. Therefore ATCO Power agrees that the SMP should be set at \$999.99 in the event of a blackout.

Out of the options presented that would form part c) of a combined approach, the similar day demand pattern is a useful starting point. However, there are a few issues with this option which could easily be resolved. Firstly, looking at the demand side of the market alone will not fully represent market conditions. ATCO Power suggests that the AESO use a metric which incorporates both supply and demand such as the supply cushion. This would be more effective at estimating what pool price would be in times of market suspension than looking at demand alone.

Secondly, ATCO Power suggests that the AESO use a larger sample of days to base this metric on. There may not be any comparable days within a particular 60 day sample period. ATCO power believes that a sample period of 6 months to 1 year would provide greater clarity when constructing a supply cushion metric.

ATCO Power would not expect the other options (8.3 – 8.5) to as accurately reflect the prevailing market conditions of any particular day in which the market may be suspended.

Regards,

Shad Bendiak
Regulatory & Compliance
ATCO Power Canada Ltd.