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November 18, 2008

Alberta Electric System Operator
2500, 330 – 5th Avenue SW
Calgary, Alberta T2P 0L4

Attention: Doug Simpson

Re: AESO Recommendation Paper - Rule 6.6 Review

Dear Mr. Simpson,

AltaGas appreciates the opportunity to participate in the discussion with respect to Rule 6.6. The issue affects the affiliates of AltaGas Income Trust that participate in the Alberta power market. In regard to your October 30, 2008 Recommendation Paper, AltaGas has provided comments in the comment matrix attached.

AltaGas generally supports the recommendations and looks forward to their implementation. However, there are some recommendations with which we have concerns.

AltaGas is primarily concerned with the recommendation for the treatment of PPAs and on the recommended change to small offer block volumes. These concerns are outlined in the comment matrix.

I look forward to the consultation process and am available at your convenience to discuss our comments. Please feel free to contact me at 403-691-7048.

Yours truly,

Jason Beck

Manager - Regulatory Projects

Enclosure

Stakeholder Comment Form

Rule 6.6 Review – Recommendation Paper

Date of Request for Comment: November 18, 2008
 Period of Consultation: October 30, 2008- November 18, 2008

Stakeholder: **AltaGas Ltd.**

Section of Paper	Description	Stakeholder Comments
1. Introduction		
2.1 Rule History	A brief history of rule 6.6	
2.2. The Compliance Monitoring Process	An overview of the current compliance monitoring process	
2.3 Rationale for Changing the Rule	The drivers and parameters behind the rule change	
2.4 Issue Identification	A summary of the issues that participants have raised as well as some identified by the AESO	
3 Rule Revision Recommendations	Considerations for developing the rule	
3.1 Pool participants are responsible for	The AESO recommends the Pool Participant	AltaGas would remind the AESO that PPAs are not “commercial arrangements”. Rather, they are regulations and not subject to the

compliance with the ISO Rules.	remains accountable for compliance	same flexibility of commercial arrangements. As such, compliance obligations are a shared responsibility between the PPA Buyer and PPA Seller and this should be reflected in the Rule.
3.2 The ± 5MW allowable dispatch variance should be increased for units operating at their dispatch level.	Recommendation is to change the allowable dispatch variance to 2.5%, minimum of ± 5 MW, maximum of $+10$ MW	AltaGas Ltd. generally supports this recommendation
3.3 The Rule must take into account time required for communication and ramping of a unit in response to a dispatch.	Recommendation is to allow 7 minutes to begin responding and the time to ramp at the ETS ramp rate $\pm 40\%$	AltaGas Ltd. generally supports this recommendation
3.4 The rule should allow for normal fluctuations in output from generating units.	The new rule should consider momentary operational deviations from the dispatch level.	AltaGas Ltd. generally supports this recommendation
3.5 Preparation to provide Operating Reserves must be considered	The 15 minutes allowed for positioning to provide AS will be considered in the rule.	AltaGas Ltd. generally supports this recommendation
3.6 There must be allowance for governor action during frequency excursions.	Governor action in response to a frequency deviation will be considered in the rule.	AltaGas Ltd. generally supports this recommendation
3.7 The Rule must recognize the operational challenges when ramping between	The rule will describe specific steps for operating below minimum stable	AltaGas Ltd. generally supports this recommendation

<p>0 MW and minimum stable output.</p>	<p>generation level.</p>	
<p>3.8 Participants must comply with small offer block volumes</p>	<p>More stringent rules for small offer blocks and small units.</p>	<p>AltaGas is of the view that the AESO should not change this aspect of the rule because it would have a limited positive impact for the significant administrative and operational changes that would be required. Presumably, a 5-10 MW swing in generation does not cause system security issues or the other recommendations presented in this paper would not be under consideration.</p> <p>Small block offers make up a small percentage of all dispatches and monitoring, evaluating and adjudicating non-compliance of these dispatches will not have a significant impact on the performance of the Alberta electric system. The AESO would be better served pursuing other aspects of Rule 6.6 compliance.</p> <p>AltaGas also notes that compliance with this rule change would require small generators to build sufficient business infrastructure to stay in compliance. The cost of such infrastructure risks the profitability of small generators and therefore creates a barrier to entry in the Alberta power pool, reducing system diversity and reliability.</p> <p>Also, the wording of the recommendation is overly broad, stating that, “generating assets that do not respond in the appropriate direction to a dispatch <i>of any volume</i> may be referred to the MSA for non-compliance.” [emphasis added]. Taken literally, this would mean that the tiniest deviation from dispatch in the wrong direction for <i>any</i> amount of time by <i>any</i> sized generator would leave them open to fines and other penalties.</p>

		<p>Notwithstanding the above, AltaGas would support enforcing compliance on small offer blocks that are price-setting, as a means of preserving the integrity of the price signal. Small offer blocks that are not on the margin do not have a significant impact on Pool Price. This would minimize enforcement and compliance efforts by focusing solely on price-setting dispatches.</p> <p>Finally, AltaGas notes that wind power generators are not subject to the requirements of this recommendation. The stated policy of a level playing field in the Alberta power market is not consistent with this exception.</p>
4. Policy Adherence		
5. Implementation Considerations		
6. Summary of Recommendations		
7. Next steps	The AESO seeks specific input on the timeline and items that might affect the timeline	Due to the lack of detail within the small block enforcement recommendation and assuming that the AESO wishes to proceed with such a course, AltaGas would encourage the AESO to include another round of consultation between November 18 and January 15 in order to craft a rule that will be acceptable to a maximum number of market participants.