

March 12, 2009

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

Attention: Paul Barry - Director, Market Services

Re: AESO Recommendation Paper - Operating Reserve Market Redesign

Dear Mr. Barry,

AltaGas appreciates the opportunity to participate in the discussion with respect to the Operating Reserve Market Redesign. The issue affects the affiliates of AltaGas Income Trust that participate in the Alberta power market. In regard to your January 22nd, 2009 Recommendation Paper, AltaGas has provided comments in the comment matrix attached.

AltaGas generally supports the recommendations and looks forward to their implementation. However, we have some concerns with the recommendations and our comments will reflect those concerns.

We look forward to continuing the consultation process and I 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

Appendix B

AESO Recommendation Paper - Operating Reserve Market
Redesign
Stakeholder Comment Matrix

Section	Subsection	Stakeholder Response
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	
	3.2.2 Continue to use On/Off peak products instead of hourly products	
	3.2.3 OR indexed to pool price, marginal pricing for homogenous products and pay as offered for non-homogenous products	AltaGas Ltd. supports this, but reminds the AESO that if standby prices are to be based on active pricing, active products must be traded before standby 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	AltaGas Ltd. understands why, for administrative simplicity, the AESO supports the use of number of hours as the primary factor for its selling logic. However, we believe this is inconsistent with the principles of efficient market pricing. The AESO should be using price as the primary factor for all market decisions.
	3.3.2 A reasonable procurement schedule	AltaGas Ltd. supports this recommendation so long as recommendation 3.4.3 (blind offers allowed) is implemented. Otherwise, AltaGas Ltd. suggests grouping all reserve products together (i.e. all Regulating, then all Spinning, then all Supplemental) so that market participants who can only sell one type of product do not need to dedicate a large block of time to offering reserves.
	3.3.3 Fix market closes and create price discovery	

3.4 Market Participation and Obligations	3.4.1 No must offer requirement	
	3.4.2 Remove virtual units	AltaGas Ltd. does not support this recommendation. The use of virtual units provides flexibility to our traders. The AESO has rules and procedures in place to deal with 'trades in error' and the removal of virtual units is not a reasonable solution to this issue.
	3.4.3 Standing offers facilitated by blind offers	As noted in 3.3.2, AltaGas Ltd. supports this recommendation and finds it strongly linked to the procurement schedule.
	3.4.4 5MW minimum blocks	AltaGas Ltd. does not support this recommendation. AltaGas Ltd. finds this recommendation arbitrary, discriminatory and limiting to market access. AltaGas Ltd. does not agree that there is 'little or no OR value' in bids under 5 MW and finds no evidence for such a claim. While AltaGas Ltd. understands that smaller volumes may have been administratively complex to manage in the past, we expect that by having 100% of volumes cleared on an electronic trading platform the process can be easily automated. AltaGas Ltd. recommends that the 5 MW minimum block requirement be removed, and that any market participant who can satisfy the technical requirements for providing reserves be permitted to participate in the market.
	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	
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	AltaGas Ltd. supports this recommendation in principle, but worries about the cost/benefit balance of this change. If the AESO is satisfied that the benefits will outweigh the costs, AltaGas Ltd. is satisfied with this recommendation.
	3.6.2 AESO facilitate third party asset substitution	AltaGas Ltd. supports this recommendation in principle, but worries about the cost/benefit balance of this change. If the AESO is satisfied that the benefits will outweigh the costs, AltaGas Ltd. is satisfied with this recommendation.
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	As noted by the AESO, further consultation on these points is required.
	3.8.2 Continue to use force majeure definition in NGX Agreement	
	3.8.3 Improve transparency of OR providers	
3.9 OR Market in ISO Rules and Contractual Items	3.9.1 Documentation of OR Rules	
	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	5.1 Implementation of Administrative Improvements to NGX	

Process		
6.0 Post Implementation Process	6.1 Post implementation review	
	6.2 Phase II	