

Comments on the AESO letter April 26/06

The topic of the letter was the wind reliability and the role wind power and generation plays in the total generation of electricity in the province. After technical discussions it appears that the AESO feels that to meet contractual arrangements wind provided power which by its nature is variable has to be limited to 10% of the provincial output or 900 MWs.

The technical details of the analysis are beyond any of my expertise and I am unable to comment on any of that data. Rather my comments are directed to what the result of such a policy may be interpreted to be.

My view may be because of my lack of technical background but regardless of the reasons for this policy it would appear that the result of the policy is to create an "income sharing scheme" for the newly deregulated electrical industry.

Allowing the wind energy sector a 10% portion of the total wind capacity also limits the industry to 10% of the revenue of the entire industry.

In perhaps a simplistic way I view the system as, when the wind blows and the wind sector generates electricity other types of power generators may have to reduce their contribution to the pool. It is an environmental benefit that when wind generates other hydrocarbons do not need to be burned to produce power. In effect the battery for storing wind power is the act of leaving hydrocarbons in the ground for use during calm periods. Companies burning fuels, to make power generate not only electricity but revenue. It is to their advantage to burn rather than conserve in favour of wind energy.

It may be viewed that the AESO cap is a competition limiting action that divides the revenue pie by policy rather than market. This is interesting given the province's philosophy of not "choosing winners and losers".

It is not clear that the 900 Mw watt limit is an engineering problem or an economic market issue.