

Stakeholder Comment Form

AESO Recommendation Paper - Transmission Regulation Section 18

Date of Request for Comment: December 19, 2007
Period of Consultation: December 20, 2007 to January 16, 2008

Stakeholder: Canadian Natural Resources

Topic	Description	Stakeholder Comments
1.0 Executive Summary	Outlines the four main topics as described in Section 18; Outage Coordination, Reliability Unit Commitment, Directives for Ancillary Services and Load Curtailment	No comment at this time.
2.0 Introduction	Reviews Section 18 and indicates that guidance is provided by the Electricity Policy Framework. ISO Rules are required by April 11, 2008.	No comment at this time.
3.0 Recommendation regarding Generator Coordination	Introduces the AESO's interpretation of the direction given in section 18.	No comment at this time.

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3.1 Advanced Generator Outage Scheduling (18(1))	Describes the expectation of Section 18 that the AESO give direction to generators to operate under certain conditions. It is expected that with sufficient notice, generators will react to market signals and adjust their outage plans accordingly. If the market does not respond in a manner that alleviates a supply shortfall conditions, the AESO will invoke a pre-determined process.	The assumption that generators will respond to market signals to move outages is not completely valid for the cogeneration plants. The cogeneration plant outages are driven by industrial production needs and not by the market for electricity. The AESO generation outage plans need to consider the thousands of MW's of generation that is not market sensitive (in terms of the electricity market) and that generally bid in at zero. This comprises 4500 to 6000 MW of the market according to the AESO's own data. It is doubtful that any significant portion of that market will move outages based on market conditions. The AESO needs to establish its rules in this regard to recognize that outages for cogeneration integrated into a larger industrial process are subject to the demands of the industrial processes that such facilities serve. Were the AESO to treat such cogeneration facilities in the same manner as other forms of generation, this could have an unintended and severe impact on the industrial processes and industrial output served by these facilities. This would provide a dis-incentive to the construction of new integrated cogeneration facilities.
a) Procedure	Describes the sequence of events that will be used to ensure sufficient generation is made available.	The assumption that the AESO will be able to set up a rule and will be able to force an outage to be cancelled will be very difficult to enforce on the cogeneration plants and potentially punitive on the industrial process that such plants serve. In the case of cogeneration integrated with oil production facilities, the prime purpose of such cogeneration plants is oil production. Electricity is considered as a byproduct. Therefore forcing the rescheduling of an outage to provide electricity could impair the production of oil. The production of electricity is not the primary driver for this type of generation.
b) Compensation to Generators	ISO Rules will be developed to keep the generator 'whole' for tangible costs associated with	Forcing the rescheduling of an outage for an integrated Cogeneration facility could create a significant financial lose for the owner of the facility. The AESO needs to keep the owner of cogeneration plant

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	moving an outage.	whole for the value of all lost production and revenues from the entire industrial process affected by the AESO's actions. It is not acceptable for the AESO to limit compensation to only the direct costs of cancellation. Cogeneration plant outages are timed for minimum impact on lost steam production, minimum cost for steam replacement and minimizing the impact on oil production, as well as consideration for economic replacement of electricity during the outage. Moving a cogeneration outage could cause serious losses and additional costs for the facility owner and could also cause the plant owner to incur additional costs for deferring or delaying contractors and contracts. Any compensation scheme being considered by the AESO must recognize and compensate for the full impact of forcing a rescheduling of a planned outage.
3.2 Reliability Unit Commitment (RUC)	RUC is a mechanism for the AESO to direct a generator to operate that is otherwise not scheduled near to the delivery hour but may be available to the market, or in other words has the ability to 'commit' their unit. The current ISO Rules (e.g. Must Offer Must Comply, T-2, Payments to Suppliers on the Margin) will assist to facilitate the requirements to implement RUC.	No comment at this time.
a) Advance Dispatch Limitations	The generators view of the market may differ from that of	No comment at this time.

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	the System Controller resulting in an advance dispatch ...	
b) Compensation Option 1	A status quo approach would be used whereby a dispatched generator would receive no additional incentives for an advance dispatch.	No comment at this time.
c) Compensation Option 2	A 'keep whole' approach would be used to ensure dispatched generators are not operating at a financial loss as a result of an advance dispatch.	No comment at this time.
3.3 Directives for Ancillary Services (18(1)(a))	The AESO is given the authority to direct units during abnormal conditions for the provision of ancillary services as reflected in the current ISO Rules. ISO Tariff Article 11 negotiations addressed compensation issues. A separate process will address outstanding issues.	No comment at this time.
4.0 Load Curtailment Priority Plan	The AESO will undertake to consult with certain non-residential load customers to develop a plan to curtail industrial and large commercial loads in line with	Will the AESO take into account all of the evidence provided by intervenors in the Congestion Management hearing and all of the information and data provided to the AESO in the Constraints Management Working Group by stakeholders? This should be the starting point for any discussion of this matter. The Electricity Policy Framework cited by the AESO does not have the force of law. The

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	the direction set out in the Electricity Policy Framework.	<p>current Congestion Management practice established as a result of the Congestion Management hearing before the EUB is in accordance with existing legal and regulatory requirements. The AESO and Electricity Policy Framework are focused on generation as electricity suppliers who have no other interests. This is not appropriate for the majority of the industrial and large commercial loads. The discussion paper appears to be starting over, hitting the big industrials without actually providing enough detail for stakeholders to assess what the AESO is proposing. The draft Constraints Management rule, rejected by the DOE is a good basis to start from as the draft rule allowed stakeholders some commercial opportunities to address constraints.</p> <p>Although the discussion paper is not clear; pro rata curtailment is likely the basis for load curtailment. As was discussed numerous times with the AESO, prorated curtailment is difficult for an industrial plant. The industrial loads are large and not variable. A 5% reduction is too costly to implement so the industrial load is inclined to shut down instead of curtail.</p>
5.0 Policy Coherence	The AESO has ensured that the recommendations of the Paper are consistent with the requirements of Section 18 (1) of the Transmission Regulation AR 86/2007, the Electricity Policy Framework and the Electric Utilities Act.	No comment at this time.
6.0 Implementation	The AESO has worked with the DOE to ensure that the recommendations in the paper	The dead lines for the rules are not possible to meet. It took over a year for the Constraints Management Working Committee to develop the draft Constraints Management rule. Unless the AESO is prepared to

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	are accurate and reasonable and it welcomes all stakeholder feedback.	abandon all attempts to get stakeholder input, the April 2008 date is not going to be met.