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Canada

January 14, 2011

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

Dear Ms. Minhas:

Re: Market Suspension Recommendation Paper

Capital Power appreciates the opportunity to provide comments on the AESO's Market Suspension Recommendation Paper dated December 2, 2010. Our comments are brief and we thank the AESO for its receptiveness to stakeholder input throughout this consultation. We hope that the market suspension rule is never invoked but appreciate the careful consideration paid by the AESO to ensure the rule is fair and comprehensive.

- We support the AESO recommendations that the market suspension rule should be used as a last resort. The requirement for the authorization by the AESO CEO or his designee for all but one situation provides strong assurance of this principle.
- We are pleased to see that the procedures for limited market operations mode strive to achieve market outcomes that are closest to those that would result if the market was fully functional. We look forward to seeing the final procedures to more fully understand what and how the AESO will use the 'best available' energy market merit order.
- We understand the AESO rationale for the pricing mechanism in blackout situations (\$999.99/MWh) and the compensation recommendations for operating and incremental generation cost. We appreciate that these are alternatives in situations where the AESO has exhausted limited market operations alternatives.

We ask the AESO to reconsider the use of a 30 day on- and off-peak rolling average pricing mechanism. Practically speaking, this mechanism only makes sense if the market suspension event lasts for a single day. Beyond a single day, the pricing mechanism really begins to reflect fewer than 30 days of historic pricing (e.g. on the second day, the pricing mechanism would be based on 29 day of historic data, etc.)

Capital Power provided comments to the AESO discussion paper that stressed that the administrative pricing mechanism should strive to reflect, to the best extent possible, current market fundamentals – the use of historic price data points does not allow this to happen. One alternative that the AESO should consider is the use of NGX AESO forward prices from the last day prior to market suspension event. These prices are provided for Extended Peak (7x16) and Extended Off-Peak (7x8) for forward days/weeks/months and would more closely reflect forward

pricing fundamentals in the time periods when the rule is invoked (i.e. they are determined by the market on a forward basis rather than a backward one).

We hope that the AESO will reconsider this 30 day on- and off-peak rolling average pricing mechanism. If you wish to discuss Capital Power's comments further or need any other assistance, please contact me directly at (403) 717-4639 or by email at jgtaylor@capitalpower.com

Sincerely,
<Unsigned>

Janene Taylor
Senior Advisor, Regulatory Affairs
Capital Power Corporation