



2900, 240 – 4<sup>th</sup> Avenue S.W.  
Calgary, Alberta T2P 4H4  
Telephone: (403) 750-3300

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Colleen Fairhead  
Alberta Electric System Operator  
2500, 330 – 5<sup>th</sup> Avenue SW  
Calgary AB T2P 0L4  
*Via email: colleen.fairhead@aeso.ca*

Dear Colleen:

**RE: EXPORT MUST RUN SERVICE – DISCUSSION PAPER**

Calpine Canada Power Ltd. (Calpine) is pleased to have this opportunity to comment on the above-referenced discussion paper.

One of the principles in Alberta's transmission regulation is the need to provide for the efficient and reliable access to jurisdictions outside of Alberta. Calpine supports the AESO's effort to minimize the Alberta congestion that limits inter-jurisdictional trade. Inter-market trading is critical component in ensuring Alberta's resource based comparative advantage is fully utilized and to ensuring expanded market opportunities for Alberta-based generation. As such, an Export Must Run (XMR) service, where the total transfer capability of the tie-line is increased when southern-Alberta generation is running, can be an important market evolution to create value opportunity for Alberta's electricity industry.

However, Calpine feels that the XMR service as proposed in the discussion paper will not produce the intended results. In the current description of the proposal, there will be no clear incentive for southern Alberta generation to voluntarily participate in this service. There is no incentive for a generator to provide advance notice and assurance of their availability if there is no fee for service nor any rights granted to the additional tie-line capacity they have facilitated. We are concerned by the apparent reluctance to allow those who have strategically invested in locationally-preferred units to extract value from their investment that is reflective of the increased system efficiency their unit can create.

Southern Alberta generation that voluntarily supply XMR service should obtain first rights to additional exporting capacity which itself creates. If you'll indulge us, we make an analogy. The electrical transmission system is publicly owned, analogous to the public road-way system. When a freeway or major thoroughfare becomes constrained due to growth, municipalities often look to enhance the efficiency of the system by creating incentives for the efficient use of the system. In many circumstances, preferential treatment (i.e., high-occupancy vehicle lanes) are provided to encourage car pooling and bus riding. This improved utilization of existing infrastructure benefits all users of the road system will little or no additional cost to

infrastructure. Key to this working is the provision of a benefit to those taking on behavior that will help the whole system: the inconvenience of those users car-pooling or riding the bus is minimized by providing them - and only them - faster lanes and express routes.

Open and competitive electricity market operation must include recognition of actions and behavior that increase the efficiency and capacity of existing market infrastructure. Recognition must to be given, or allowed to be sold by, those generators that create the improved efficiency of the publicly owned system, which incurs little or no cost in receiving the improved efficiency. Calpine strongly suggests that the AESO should further examine finding a mechanism to link XMR generation with to a firm export transmission product, or, alternately, making XMR a service with a fee or addressed through an ancillary service tariff. Any treatment of XMR service, including alternate approaches to provide incentive for the provision of the service, should not result in a reduction of market price. Every effort should be made to ensure the outcome of incentives to offer XMR service are price neutral.

Further, XMR service providers must continue to be allowed open and fair participation in Alberta's energy market. Currently, due to the scheduling requirements for export transactions, participants will be required to submit energy restatements to ensure firm capacity is available to support the enhancement of the total transfer capability of the system. The XMR service must not limit the ability of the pool participant to continue to participate in the Alberta market through existing restatement rules. The XMR restatements must be treated separately from the current single locking restatement rule.

Thank you for your consideration of these comments.

Yours truly,

**CALPINE CANADA POWER LTD.**

*Original signed by*

Susan Dowse  
Manager, Public Affairs

c. Bert Adam, Calgary Energy Centre  
Mike Rogers, VP Western Operations