

Candela Energy Corporation  
Comments on Phase 1 Policy Implementation  
Alternatives to Quick Hits

Candela is satisfied that the proposed TMR solution (Option 1) heads in the right direction and appears to be an improvement on the original April 3 rule.

With respect to the import proposal, it seems that Alberta importers would be getting the worst of all worlds. Whereas the April 3 rule at least gave some semblance of pricing discretion to importers, the proposed rule strips all of that away. What we are left with would be the pre-April 3 rules plus the T-2 hindrance. In other words, not only are importers required to secure supply at T-2 with a degraded view at the fundamentals of the market and little certainty with respect to transmission availability, but there will now be nothing in the way of pricing discretion to mitigate those challenges.

At least under the current rules, importers have a decent view of the market, however allegedly inefficient. Under the proposed rules, importers will have a lousy view of an only slightly more efficient market. All the advantage will go to large market players with a significant view of multiple generating units, while smaller players will have to sit and wait for an extended outage or derate within the market in order to participate.

The ability of participants to capitalize on arbitrage opportunities is an important part of an efficient market. By making rules that hinder the arbitrageur, the AESO would be reducing competition and efficiency within the Alberta market, in favour of larger, more integrated market participants. Of particular concern, is the fact that the new rule favours large, out-of-province suppliers, arguably one of the biggest import causes of Alberta market volatility. As they are least likely to be impacted by hour to hour fluctuations while managing their portfolio, it is of little concern to them how they offer in their power, or when. Furthermore, with the drift away from rules which propose dispatching imports based on non-zero offers, there is no longer any check to our provincial neighbour's use of network economy.

In summary, not only does this new rule not address those issues which were pertinent in the last consultation, it exacerbates old, nagging issues that were meant to be rectified by the April 3 rule. As such, Candela is unable to support the AESO's recommended course in this matter.

Candela understands that progress should be made on this issue so that other, delayed issues can be addressed. However, we cannot recommend proceeding purely for the purpose of expediting a poor resolution.

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