

AESO Discussion Paper – Alberta Demand Response Initiatives
Stakeholder Comment Matrix

Section	Subsection	Stakeholder Response
2.0 Demand Response Policy and Background	2.3 Demand Response Principles a. Remove Barriers b. Symmetric Rules c. Product Design d. Price Fidelity	<p>Capital Power is very supportive of the principles proposed by the Alberta Electric System Operator (AESO) in the Alberta Demand Response Initiative Discussion Paper (“discussion paper”).</p> <p>a. Technical requirements that exist to maintain system reliability requirements should be maintained. Separate rules should not be created for loads as a means of increasing demand response (DR) or demand participation (DP) in the energy market.</p> <p>b. Generators and loads should face the same price signal and have access to the same options to mitigate price risk.</p> <p>c. Every effort should be made to prevent the fracturing of the existing energy and ancillary service markets. A competitive outcome is far more likely when all potential suppliers compete to sell the same products on the same platform.</p> <p>d. The market should provide incentives for load to curtail its consumption when the price of electricity rises above the value of lost load (VoLL) for that load. DR programs should allow for the delivery of the energy price signal to assist loads in making this determination.</p>
3.0 Energy Market Initiatives	3.2 Barriers to more DR in the Energy Market a. Are the barriers identified actually barriers? b. Are there missing barriers?	<p>Capital Power is not convinced that the <i>challenges</i> identified in the working group should actually be considered <i>barriers</i>. The challenges that load face, as the discussion paper points out, are</p>

		<p>the same challenges that generators face. Generators respond to these challenges by contracting and participating in the forward market for electricity. Changes to the energy only market design, even incremental, will not be as successful or efficient in addressing these challenges as contracting directly with energy suppliers will. Contracts can offer a flexibility that the market rules will never be able to mimic. Capital Power is of the view that long term contracting or hedging should be pursued as the best option for mitigating the risk associated with exposure to or participation in the electricity market.</p>
3.3 Options to Increase DR in the Energy Market	3.3 Options to Increase DR in the Energy Market a. Other options beyond those identified in sections 3.3.1 through 3.3.4?	
	3.3.1 Price Certainty a. Payments to bids on the margin b. Altering settlement rules c. New products d. Others to add?	<p>a. Provided that loads are required to submit a bid into the merit order and to comply with dispatch we do not oppose the development of payments to bids on the margin.</p> <p>b. Capital Power supports shorter settlement intervals as it would have a positive impact on price fidelity. Would load not be required to submit bids in order to receive any benefits from this initiative as well?</p> <p>c. It is essential that load participation be developed within the existing market design.</p>

	<p>3.3.2 Insufficient Incentive</p> <ul style="list-style-type: none"> a. Pay loads for the benefits they create b. Pay loads the energy price c. Allow bids >\$1000/MWh d. Others to add? 	<ul style="list-style-type: none"> a. Capital Power agrees with the AESO statement that, “...loads should curtail when the price of electricity is higher than their VoLL...” Payments made to load for curtailing artificially reduces demand and the price signal does not accurately reflect the underlying value of electricity and the investment signal is harmed. b. Paying loads to curtail in an effort to reduce the overall average market price would significantly harm the investment signal. In addition, these types of payments would result in load optimizing between curtailing energy consumption and producing the products they are in business to produce. c. Capital Power agrees that the current market design does not prevent load from bidding into the market, however, very few loads if any chose to do so. It is not clear to Capital Power why load would be incented to bid in above the price cap given that price will be set by that bid should the load be curtailed which is higher than the current cap of \$1000.
	<p>3.3.3 Aggregation and Baseline Methodology</p>	<p>Capital Power is supportive of conservation and demand response programs for small consumers. We believe that many of the barriers will be addressed by technologies associated with smart metering such as smart home applications that allow aggregators to control, verify, and validate conservation and price responsive behaviours for residential consumers. These will ultimately enable aggregators to structure programs to incent small consumers to conserve without resorting to baseline methodologies, which are imperfect ways of measuring demand response. Therefore, we do not see the need for changes to the market to enable aggregator participation as these entities can use a combination of contracting and spot market position management to ensure that small loads receive the same benefits that any other load receives through participation in the market.</p>

	3.3.4 Signals Beyond the Spot Energy Price	Capital Power agrees; the AESO does not have a mandate to participate in the market for the purpose of managing market outcomes.
4.0 Reliability Product Initiatives	4.2 Barriers to more DR participation in Reliability Products a. Are the barriers identified actually barriers? b. Are there missing barriers?	New reliability products should not be created for the sole purpose of engaging load in the demand response. System requirements should dictate the need for products and the technical requirements of supplying the required service.
	4.3.1 New Products a. Ramping (wind following) product b. Voluntary load curtailment (VLC) c. Transmission must run (TMR)	a. The system and technical requirements should dictate the service providers. Any resource that can meet the technical requirements should be able to compete to provide a service. b. Paying loads to curtail in a system emergency indicates that the price has not risen sufficiently to incent those loads to reduce consumption independently. The use of this type of service may be negated if the price cap were higher. In the absence of a higher price cap, Capital Power would support the procurement of this service provided that those loads providing VLC are required to bid into the energy market.
	4.3.2 Aggregators	We agree that it would be inappropriate to relax technical standards to encourage small load participation in the market. Further development of standards for aggregators should be pursued, if aggregators demonstrate an interest in supplying reliability products.
	4.3.3 Technical Standards a. Supplemental Reserves b. Spinning Reserves	
5.0 Other Products	5.1 Generator Outage Coordination and Rescheduling	Capital Power agrees that the AESO should not create a market for outage scheduling.

	5.2 Long Lead Time Energy	Since loads do not offer into the merit order it is difficult to determine if a load actually intended to consume and as a result loads with no intention of consuming could potentially receive payment.
	5.3 Dispatch Down Service	Since loads do not offer into the merit order it is difficult to determine if a load actually intended to consume and as a result loads with no intention of curtailing could potentially receive payment.
	5.4 Load Shed Service	What is the compensation mechanism being contemplated by the AESO?
6 Conclusions and Next Steps		