

## **TMR Price Reconstitution**

As part of his March 29, 2006 presentation on TMR, Kent McDuffie called for comments on various elements of TMR price reconstitution design. The following is a comment from Crowley & Associates Ltd, on one of the specific elements, namely, the prohibition against using constrained down payments.

Luscar still strongly supports payment of the constrained down payment to a very specific subset of units that are in-merit (see next paragraph below), but constrained down because a TMR unit is required to run. While it understands the motivation of the government policy not to compensate generators who are constrained off because there is not enough transmission capacity to serve them, the policy inappropriately captures other generators in that same widely cast net.

Specifically, when, by the vagaries of the dispatch process, the TMR unit bumps off in-merit units upstream of the constraint (i.e. in a region where the congestion does not physically constrain them), those units should be paid compensation based on at least the pool price minus their offer price. This selective payment would not pay an in-merit generator behind a congestion, since that generator would generally have known, when they built their generator, that they were subject to a constraint until a stressed transmission line was upgraded. Therefore, it does not create the slippery slope where the AESO is “guaranteeing”, with “liquidated damages”, to serve all generators.

Crowley & Associates Ltd respectfully encourages the AESO and ADoE to reconsider their position on “constrained down” payments during this round of changes, and especially in the restricted form suggested herein. If the policy must stand as the AESO has proposed it, please consider a short “sunset clause” after which the concept could be reconsidered, since we expect it will eventually be seen to be an essential component of a properly crafted market design.

Allen Crowley  
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