

## Stakeholder Comment Matrix Supply Surplus Discussion Paper

**Date of request for comment:** May 28, 2010

**Period of consultation:** April 29, 2010 – May 28, 2010

**Stakeholder:** ENMAX

Section	Subsection	Stakeholder Comment
2.0 Purpose 3.0 Introduction		
4.0 Supply Surplus Principles	<ul style="list-style-type: none"> <li>• Are there any principles that are missing, that should be included? Please include reasons why.</li> <li>• Are there any principles listed that should not be included? Please include reasons why.</li> </ul>	<p>Regarding (b): This rule should be restated as “Supply surplus rules must be drafted to support a fair, efficient, and openly competitive market,” to make it more consistent with the wording in the <i>Electric Utilities Act</i>.</p> <p>Regarding (d): ENMAX accepts that, with respect to supply surplus principles <i>in the short term</i>, market redesign is not part of the scope of this project. That does not imply that market redesign may not be appropriate in the future.</p>
5.0 Supply Surplus Conditions – contributing factors	<p>5.1 Historical Analysis 5.2 Upcoming Considerations</p> <ul style="list-style-type: none"> <li>• Are there any other factors that</li> </ul>	<p>ENMAX notes two other things that could exacerbate the supply surplus situation: (a) British Columbia’s plan to become a green energy exporter coupled with an increase in BC-to-Alberta transmission</p>

	are not mentioned or considered in the paper that may contribute to or exacerbate supply surplus conditions? Please include reasons why.	capacity; and (b) the coming massive increase in transmission charges that may drive a significant number of large consumers off the grid.
<b>6.0 Current Supply Surplus Rules</b>	<b>6.1 Market Participation Rules</b> <ul style="list-style-type: none"> <li>• Please provide comments on the rule assessment.</li> </ul>	
	<b>6.2 Operating Policies and Procedures</b> <ul style="list-style-type: none"> <li>• Please provide comments on the rule assessment.</li> </ul>	The AESO states (p. 12) that “the use of pro rata allocation provides generators a fair and efficient mechanism to compete for system access.” Pro rata curtailment is not economically efficient because it ignores the relative cost of curtailing one unit compared to another. This is one reason market-based approaches are generally preferable, though admittedly the cost of a market-based solution might outweigh the benefits when the problem to be solved occurs very infrequently.
<b>7.0 Supply Surplus Workgroup results</b>		
<b>8.0 Comments on MOF Recommendation paper for Wind</b>		
<b>8.1 Minimum Operating Level and Minimum Stable Generation</b>	<ul style="list-style-type: none"> <li>• Is it appropriate to implement MOL when we already have MSG? Please provide reasons why or why not.</li> <li>• Please provide comments on</li> </ul>	A single minimum operating level (“MOL”), which reflects the physical capability of a unit and which may therefore vary over time, should be used.

	possible modifications to the existing MSG definition and its' application.	
<b>9.0 Supply Surplus Rule Options</b>		
<b>9.1 Long Term Options</b>		
	<b>9.1.1 Market rules for wind generation</b>	ENMAX agrees that wind must be included in the merit order. Wind generators should be required to offer energy into the market on the same basis as other generators which, among other things, means in compliance with must offer must comply. This will require wind generators to make backstop arrangements with dispatchable generators or to have access to energy storage. It is not clear to ENMAX at this stage whether "must <i>forecast</i> must comply" would put wind generators on an equal footing with other generators.
	<b>9.1.2 Voluntary Generator Curtailment Program (VGCP)</b>	Dispatchable generators should not have to pay to allow wind generation to remain on line.
	<b>9.1.3 Negative Prices</b>	ENMAX does not support negative prices. It would be perverse to pay loads to continue to consume so that wind generators could continue to generate. Negative prices were not contemplated when the PPAs were written, and there could be significant unintended consequences.
<b>9.2 Short Term Options</b>	<ul style="list-style-type: none"> <li>The paper provides an example of a supply surplus management procedure within this section. Please provide comments on suggested order</li> </ul>	In the short term, supply should be curtailed in the following order: (1) dispatch variances; (2) opportunity imports; (3) dispatchable generation above MOL; (4) wind generation (through Wind Power Management); and (5) units providing thermal energy for industrial processing or heating/cooling.

	<p>of the procedure.</p>	<p>Wind should be curtailed ahead of any facility providing thermal energy for industrial processing or heating. It would not be appropriate to curtail industrial production or to put the comfort or safety of Albertans at risk simply because the wind is blowing. ENMAX expects that the MOL of any unit providing thermal energy would be set at the level below which its thermal energy production would be adversely affected by curtailing its electrical output.</p> <p>Over the longer term, AESO rules should strive for fairness, not only between one generator and another, but also between generators and loads. Consumers accept that wind generators cannot provide energy if the wind is not blowing; conversely, wind generators should not expect loads to consume wind output just because the wind is blowing. This is another reason why wind generators should be required to meet MOMC obligations in the near future.</p> <p>When allocating curtailments across generators having the same curtailment priority, market-based solutions should be used if possible. Having said that, as long as surplus-induced curtailments are rare, the cost to implement market-based solutions might outweigh the benefits.</p>
	<p><b>No exemption for wind generators under OPP 103</b></p> <ul style="list-style-type: none"> <li>• Are there any points that the AESO has not considered within it's assessment in Table 3?</li> </ul>	<p>Please see ENMAX's previous comments regarding the treatment of wind generation relative to dispatchable generation.</p>
	<p><b>No exemption for co-generators under OPP 103</b></p> <ul style="list-style-type: none"> <li>• Are there any points that the AESO has not considered</li> </ul>	<p>As noted above, cogeneration facilities should be curtailed <i>after</i> wind power management has been implemented.</p>

	within it's assessment in Table 3?	
	<p><b>Voluntary Generator Curtailment Request</b></p> <ul style="list-style-type: none"> <li>• If VGCR is implemented, and included as a step in the supply surplus procedures, please provide comments on whether participants would respond to such a request.</li> </ul>	<p>Considering that generators are probably being paid \$0 during supply surplus events, there is some possibility that one or more generators would curtail voluntarily. However, \$0 offers are sometimes used to keep a unit "hot" in anticipation of system needs and higher prices in subsequent hours, and/or to avoid shut-down and start-up costs. It therefore seems unlikely that this option would succeed.</p>
	<p><b>Exports within T-2</b></p> <ul style="list-style-type: none"> <li>• Are there any points that the AESO has not considered within it's assessment in Table 3?</li> <li>• If exports were permitted within the current hour or within T-2 under supply surplus protocols, please provide comments on whether participants could use this service during such times.</li> </ul>	<p>Conceptually this option is a good one. Practically, however, it could be difficult for exporters to find counterparties, arrange transmission in adjacent jurisdictions, and confirm export transactions in sufficient time to avoid curtailment. Clearly, export ATC that is dependent on whether the wind is blowing carries some risk for the exporter and/or its ex-Alberta counterparties.</p>
<b>10.0 Reporting</b>	<ul style="list-style-type: none"> <li>• Please provide comments on the report provisions</li> </ul>	
<b>11.0 Policy</b>		<p>As the AESO notes, the EUA does not specifically address supply surplus. However, the EUA does tell the AESO to determine the order of dispatch according to relative economic merit. Economic merit is not pro rata since each generating unit has different variable costs.</p>

<b>12.0 Next steps</b>		
<b>Additional Comments</b>		