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*VIA E-Mail*

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Mr. Doug Simpson  
Alberta Electric System Operator  
2500, 330 – 5<sup>th</sup> Avenue SW  
Calgary, AB T2P 0L4

**Re: Feedback on AESO Recommendation Paper  
Transmission Regulation Section 18**

By way of a letter dated December 19, 2007, the Alberta Electric System Operator (“AESO”) requested feedback from stakeholders on *AESO Recommendation Paper—Transmission Regulation Section 18*. The AESO proposed several mechanisms to deal with situations in which it foresees that available supply will be insufficient to meet load. The proposed mechanisms include outage re-scheduling, reliability unit commitment, load curtailment, and additional rules around generator response to ancillary service directives.

ENMAX Energy Corporation (“ENMAX”) acknowledges that the AESO is working diligently to develop rules that are aligned with both the *Transmission Regulation* and certain existing market rules. However, ENMAX believes that the proposed mechanisms:

- are more complex than necessary, as will become particularly evident when the details of generator and load compensation payments are discussed;
- will be highly contentious if they are ever invoked; and
- exacerbate the one-sided (“supply only”) nature of Alberta’s existing energy market.

In ENMAX’s view, there is a simpler and more market-based solution to the problem at hand, and it involves only two steps. When the AESO foresees that a supply shortfall might arise, it should:

1. *Notify all market participants that the pool price cap will be increased to \$10,000/MWh in those hours foreseen to have a shortfall risk (and only in those hours).* If the pool price is allowed to truly reflect scarcity, a supply/demand balance will be achieved by the market without the need for the AESO to:
  - modify suppliers' outage schedules, which will trigger extensive debate about which items are to be included in generator compensation payments and what the value of each item is;
  - tell generators to commit their units when they otherwise might not do so, which will also trigger debate about appropriate compensation mechanisms;
  - or
  - develop and deploy out-of-market load curtailment mechanisms when in-market mechanisms are available.

Note that a price cap of less than \$10,000/MWh may be sufficient to allow the market to clear.

2. *Notify non-firm loads in the province that they are at risk of being curtailed during the flagged hours.* ENMAX notes that, as reported in the AESO's real-time *Current Supply and Demand Report*, Alberta Load Responsibility is often more than 1000 MW below Alberta Internal Load. ENMAX's understanding of OPP 406 is that the AESO has no obligation to provide contingency reserve for non-firm internal loads (loads not secured through DTS contracts with the AESO), and therefore has no obligation to continue to supply those loads during periods of supply shortfall. Note that this action may not be necessary if the AESO invokes the first one.

ENMAX acknowledges that the above proposal may not constitute a complete, ready-to-implement design, and we look forward to working with the AESO and other industry participants to work out such a design. ENMAX suggests, however, that any refinement of market rules should start at first principles, among which is the principle that market price is the primary determinant of supply and demand. Market rules that keep this principle in mind have the best chance of fostering a *fair, efficient, and openly competitive market*.

Yours truly,

*(original signed by)*

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