



# Industrial Power Consumers Association of Alberta

Suite 1810, 205 - 5th Avenue S.W., Calgary, Alberta, T2P 2V7

TELEPHONE: (403) 266-3180  
TELECOPIER: (403) 237-0487  
E-MAIL: [dmacnamara@shaw.ca](mailto:dmacnamara@shaw.ca)

## VIA EMAIL

April 9, 2007

Alberta Electric System Operator  
#2500, 330 5<sup>th</sup> Ave SW  
Calgary, Alberta T2P 0L4

Attention: Kent McDuffie, Senior Vice President, AESO

Dear Sir:

RE: **AESO Market and Operational Framework For Wind Integration in Alberta**

IPCAA is pleased to provide its comments on the abovementioned. It is generally supportive of the proposed AESO approach, in that the framework fairly balances the interests and cost burden of load and generation customers. IPCAA believes all generation should be treated in a similar fashion by the AESO and the AESO has achieved that in this case, while recognizing the additional costs being imposed on load customers. The framework is also consistent with the overall market framework and operative legislative and regulatory environment in Alberta.

While IPCAA recognizes load customers must pay for additional ancillary services costs, pursuant to the Transmission Development Policy, it is important that the AESO, and others, recognize the magnitude of these costs as new wind generation is added to the system. The AESO's estimate is that an additional \$60 million per year for ancillary services is required, if wind generation reaches the 200 MW level (\$1 mwhr), which amounts to a 30% increase in ancillary services costs. This is a significant cost increase for load customers. We submit the additional costs in this area should not be left open-ended, and the AESO should formulate some recommendations or policies in the event wind generation exceeds 2000 MW.

We also support the AESO position that the wind generators should pay for the additional forecasting costs, power management costs and wind power diversity costs, as these are very specific to wind generation. This is, in our view, not discriminatory to wind generation. The AESO framework is supportable because wind cannot meet the “must comply” requirements of the AESO, and as such, additional forecasting costs are incurred by the AESO. Such additional costs should be borne by the generator causing these costs.

The Transmission Development Policy passed by the government of Alberta a couple of years ago puts the AESO into a difficult position of balancing the economic interests of generators and load. In separating the interests of generation and load, by requiring load pay all AESO costs and generators none, there is little economic incentive for generators to ensure costs are minimized. Accordingly, the AESO must provide its judgment regarding such costs. Load is also put into a difficult position as it tries also to find a fair position for all, where economic and financial signals regarding AESO costs, have been eliminated. We believe the AESO has reached a fair balance.

Finally, as the AESO purchases additional energy for ancillary services, that energy is removed from the energy market. This will cause a commensurate increase in pool price as energy supply is reduced accordingly. This is not to suggest the framework should be any different, but stakeholders should be aware of all cost impacts on load customers.

Yours truly,

Dan Macnamara

DBM/adh

cc Laura Letourneau, AESO