

## Stakeholder Comment Form

### Rule 6.6 Review – Recommendation Paper

Date of Request for Comment: November 18, 2008  
Period of Consultation: October 30, 2008- November 18, 2008

Stakeholder: **Industrial Power Consumers Association of Alberta (IPCAA)**

Section of Paper	Description	Stakeholder Comments
<b>1. Introduction</b>		<ul style="list-style-type: none"><li>• This rule was established for generators, and should not apply to load supplying demand response (DR). If a dispatch rule is needed to ensure load responds appropriately, then the development of such rule should be concurrent with development of the DR dispatch rules.</li><li>• The intent of the rule appears to be a need to ensure price integrity, as such, the rule should be considered as an economic rule, not as a reliability rule. There does not appear to be any significant system reliability concerns that this rule is attempting to address.</li><li>• IPCAA agrees that AESO should continue to have an ability to exercise discretion and consider operational, logistical and environmental factors in determining compliance with the rule.</li></ul>
<b>2.1 Rule History</b>	A brief history of rule 6.6	<ul style="list-style-type: none"><li>• IPCAA believes the intent of the rule to promote FEOC is essential, and as such, IPCAA is proposing an enhancement that we believe compensates for any technical deficiencies and is capable of being implemented without major impacts on other AESO operating and system requirements.</li><li>• It should be noted that the dispatch tolerance in question applies only to dispatchable generators. IPCAA has a corresponding concern with respect to the dispatch of intermittent supply resources, such as wind generation; however, we anticipate there is an alternative venue established to discuss these concerns.</li></ul>

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<b>2.2. The Compliance Monitoring Process</b>	An overview of the current compliance monitoring process	<ul style="list-style-type: none"> <li>• IPCAA supports the AESO in the identification of non-compliance events and the transfer of such events to the MSA for consideration; however, we believe the AESO should add an offer price level criterion with respect to the discretionary aspects of monitoring the rule. This offer price level is significant because load is much more concerned with adherence to dispatch tolerances at higher prices than lower prices.</li> <li>• All incidences of non-compliance when the price level is in excess of \$200/MWh should be brought to the attention of the MSA.</li> </ul>
<b>2.3 Rationale for Changing the Rule</b>	The drivers and parameters behind the rule change	<ul style="list-style-type: none"> <li>• IPCAA does not believe the new legislation necessitates a change to the rule. It is possible for the monitoring and enforcing roles to change without the existing rule becoming technically deficient or unreasonable.</li> <li>• IPCAA agrees that the changes should preserve or improve a FEOC market and a reliable system and respect practical limitations of generating assets.</li> </ul>
<b>2.4 Issue Identification</b>	A summary of the issues that participants have raised as well as some identified by the AESO	<ul style="list-style-type: none"> <li>• IPCAA appreciates that generators have physical limitations and the operation of the electrical system is extremely complex. However, we also suggest there are three additional considerations that need to be incorporated into any rule changes: <ul style="list-style-type: none"> <li>○ (1) compliance with tolerances needs greater attention at higher price levels;</li> <li>○ (2) generators should not receive any financial benefit when they are operating over tolerance; and</li> <li>○ (3) load should not be at a disadvantage from a financial perspective when generators are below tolerance.</li> </ul> </li> <li>• Rule revision enhancements for these three principles are set out in the subsequent section.</li> </ul>

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<b>3 Rule Revision Recommendations</b>	Considerations for developing the rule	<ul style="list-style-type: none"> <li>• A fourth high level consideration should be included: <i>Dispatch tolerance compliance has financial consequences, and as such it should be addressed by financial means as well as technical means.</i></li> <li>• IPCAA is proposing that AESO consider three rule enhancements:               <ul style="list-style-type: none"> <li>○ (1) All instances of non-compliance with dispatch tolerances when the price level is in excess of \$200/MWh should be referred to the MSA. Note that this includes generators that are being dispatched as well as generators that are already operating.</li> <li>○ (2) To ensure that generators do not benefit financially from generating in excess of their offered volumes, they would be paid their offer price, not pool price, for any such volumes; and</li> <li>○ (3) To ensure that load is not disadvantaged by generators producing less than their offered volumes, such generators would need to acquire the difference at pool price.</li> </ul> </li> <li>• For example, when the pool price is \$80/MWh a generator offering 100 MW at \$30/MWh and operating at 103 MW would receive payments for 100 MW at \$80/MWh and 3 MW at \$30/MWh</li> <li>• Conversely, the same generator operating at 97 MW would need to buy 3 MW at \$80/MWh. For the first case, the generator would have a net against settlement of \$150 in that hour and in the second case, the generator would have a net against settlement of \$240.</li> <li>• The adjustments would be made at the end of the month as a separate settlement amount, so as not to interfere with the current settlement processes. These amounts would be credited back to load in the same manner as uplift charges are applied to load.</li> <li>• As stated previously, IPCAA recognizes that generators may be out of tolerance; <b>however, they should not benefit financially from being out of tolerance</b>, and should be held accountable for their offer</li> </ul>

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		<p>volume. Further, Load should not be financially disadvantaged from generators being out of tolerance.</p> <ul style="list-style-type: none"> <li>• These three Rule enhancements are referred to as the financial “no-benefit” rules in the following sections of this response</li> </ul>
<b>3.1 Pool participants are responsible for compliance with the ISO Rules.</b>	The AESO recommends the Pool Participant remains accountable for compliance	<ul style="list-style-type: none"> <li>• IPCAA agrees with the AESO position that the entity offering the volume from the asset is responsible for compliance.</li> </ul>
<b>3.2 The <math>\pm 5</math>MW allowable dispatch variance should be increased for units operating at their dispatch level.</b>	Recommendation is to change the allowable dispatch variance to 2.5%, minimum of $\pm 5$ MW, maximum of $\pm 10$ MW	<ul style="list-style-type: none"> <li>• IPCAA will defer to the expertise of the AESO on this issue provided that the financial “no-benefit” rules apply. IPCAA notes that the analysis undertaken by the AESO for meter volumes compared to dispatch levels for the period Nov. 1, 2007 through July 31, 2008 confirm that the financial “no benefit” rules could be implemented with the addition of the pool price and offer price in each of the hours over the study period.</li> <li>• On an additional note, IPCAA believes that the AESO concern that “increasing the tolerance level as recommended will result in generator operation closer to the increased tolerance level” will be a lesser issue with the financial “no benefit” rules in effect.</li> </ul>
<b>3.3 The Rule must take into account time required for communication and ramping of a unit in response to a dispatch.</b>	Recommendation is to allow 7 minutes to begin responding and the time to ramp at the ETS ramp rate $+40\%$	<ul style="list-style-type: none"> <li>• IPCAA will defer to the expertise of the AESO on this issue, provided that the financial “no benefit” rules apply.</li> </ul>
<b>3.4 The rule should allow for normal fluctuations in output from generating units.</b>	The new rule should consider momentary operational deviations from the dispatch level.	<ul style="list-style-type: none"> <li>• IPCAA concurs with the recommendation, provided that the financial “no benefit” rules apply.</li> </ul>
<b>3.5 Preparation to provide Operating Reserves must</b>	The 15 minutes allowed for positioning to provide AS	<ul style="list-style-type: none"> <li>• IPCAA concurs with the recommendation, provided that the financial “no benefit” rules apply.</li> </ul>

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<b>be considered</b>	will be considered in the rule.	
<b>3.6 There must be allowance for governor action during frequency excursions.</b>	Governor action in response to a frequency deviation will be considered in the rule.	<ul style="list-style-type: none"> <li>• IPCAA concurs with the recommendation, provided that the financial “no benefit” rules apply.</li> </ul>
<b>3.7 The Rule must recognize the operational challenges when ramping between 0 MW and minimum stable output.</b>	The rule will describe specific steps for operating below minimum stable generation level.	<ul style="list-style-type: none"> <li>• IPCAA has no concerns with the recommendation, with the following addition: any such non-compliance event is referred to the MSA when the price is in excess of \$200/MWh</li> </ul>
<b>3.8 Participants must comply with small offer block volumes</b>	More stringent rules for small offer blocks and small units.	<ul style="list-style-type: none"> <li>• IPCAA believes that a generation unit that is 10 MW or less in nameplate capacity should be considered a load asset and fall within Demand Response rules, once implemented.</li> </ul>
<b>4. Policy Adherence</b>		<ul style="list-style-type: none"> <li>• IPCAA concurs that the intent of the rule should remain unaltered.</li> <li>• 4.1 – IPCAA believes that with the addition of the financial “no benefit” rules, the recommendation would support FEOC.</li> <li>• 4.2 – IPCAA defers to the AESO as to the technical soundness of the recommendation</li> <li>• 4.3 – IPCAA believes that with the addition of the financial “no benefit” rules, the recommendations would be in the public interest.</li> </ul>
<b>5. Implementation Considerations</b>		<ul style="list-style-type: none"> <li>• IPCAA recommends that the AESO undertake a financial evaluation of the proposed financial “no benefit” rules with respect to the Nov. 1, 2007 to July 31, 2008 Study period referred to in the paper. This financial review should include the gross dollar value of variances from tolerances and the practicality of these post-period settlement calculations.</li> <li>• IPCAA is prepared to monitor the results of these calculations, under appropriate confidentiality conditions.</li> </ul>
<b>6. Summary of Recommendations</b>		

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<b>7. Next steps</b>	The AESO seeks specific input on the timeline and items that might affect the timeline	<ul style="list-style-type: none"> <li>• The financial “no benefit” rules analysis should be completed prior to the draft rule target of January 15<sup>th</sup></li> <li>• IPCAA is prepared to assist in drafting the financial “no benefit” rules.</li> </ul>