

## AESO Discussion Paper – Supply Surplus

Response from: **Industrial Power Consumers Association of Alberta (IPCAA)**  
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<b>Stakeholder:</b>	<b>Stakeholder Comments</b>
<p data-bbox="252 446 367 479">IPCAA</p> <hr/> <p data-bbox="210 487 325 519"><b>Section</b></p>	<p data-bbox="840 470 1911 600">IPCAA’s perspective for resolving supply surplus conditions is similar to those expressed for wind integration and OR re-design: the AESO should always look to market options first, and only in the event that a market option is not available should the AESO consider an imposed or Rule-based solution.</p> <p data-bbox="840 641 1911 738">The AESO, in its review of supply surplus options continues to view the problem as a reliability issue. As such, negative or anti-FEOC solutions rather than positive or “let the market sort it out” solutions have been considered.</p> <p data-bbox="840 771 1911 901">It is difficult to imagine how a supply surplus condition can be considered as a reliability threat. Clearly too many generators are offering supply at \$0.00 because they need to run, the solution is to determine the price at which they would choose not to run.</p> <p data-bbox="840 941 1911 1071">This is the under-lying principle of the single-price merit order, but in reverse. Typically, the price is driven up the merit order to a level at which some loads choose not to consume. In supply surplus conditions, the price should be driven negative to a point at which some generators choose not to operate.</p> <p data-bbox="840 1112 1911 1242">In the absence of a negative price in the merit order, generators should be allowed to offer a price at which they will be dispatched off. Other generators who choose to operate should pay this cost. This would essentially be a form of negative uplift.</p>
<p data-bbox="210 1250 388 1282"><b>2.0 Purpose</b></p> <p data-bbox="210 1282 441 1315"><b>3.0 Introduction</b></p>	
<p data-bbox="210 1323 640 1356"><b>4.0 Supply Surplus Principles</b></p> <p data-bbox="210 1388 766 1421">Are there any principles that are missing,</p>	<p data-bbox="840 1323 1911 1421">The most relevant principle is the first listed: “a) Competitive outcomes are preferred over administrative outcomes” – the remaining principles are simply justifications for not choosing the market alternative.</p>

<p>that should be included? Please include reasons why.</p> <ul style="list-style-type: none"> <li>• Are there any principles listed that should not be included? Please include reasons why.</li> </ul>	<p>It is hard to contemplate that the AESO considers IT complexity as an excuse for not implementing a market solution. If the AESO with its massive IT budget cannot be responsive to market needs, then let some other entity provide the market solution. Market design is not complicated – and market implementation is not complex.</p> <p>Principle f) should not be a consideration. All types of generation are different in purpose and operating ability and the AESO needs to recognize this. This principle is a direct contradiction of what is being proposed for wind integration – and the carrying of extra reserves to support reliability impacts.</p>
<p><b>5.0 Supply Surplus Conditions – contributing factors</b></p> <p><b>5.1 Historical Analysis</b></p> <p><b>5.2 Upcoming Considerations</b></p> <ul style="list-style-type: none"> <li>• Are there any other factors that are not mentioned or considered in the paper that may contribute to or exacerbate supply surplus conditions? Please include reasons why</li> </ul>	<p>Letting wind on to the system in the absence of a requirement for firm offers will tend to exacerbate the potential for supply surplus conditions. If wind generators are made responsible for firm offers, then they can manage the supply shortfall risk by entering positive offers and accepting dispatch down risks.</p>
<p><b>6.0 Current Supply Surplus Rules</b></p> <p><b>6.1 Market Participation Rules</b></p> <ul style="list-style-type: none"> <li>• Please provide comments on the rule assessment.</li> </ul>	
<p><b>6.2 Operating Policies and Procedures</b></p> <ul style="list-style-type: none"> <li>• Please provide comments on the rule assessment.</li> </ul>	
<p><b>7.0 Supply Surplus Workgroup results</b></p>	
<p><b>8.0 Comments on MOF Recommendation paper for Wind</b></p>	
<p><b>8.1 Minimum Operating Level and Minimum Stable Generation</b></p>	

<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 possible modifications to the existing MSG definition and its' application.</li> </ul>	
<b>9.0 Supply Surplus Rule Options</b>	
<b>9.1 Long Term Options</b>	<p>The AESO should focus on the long-term solution.</p> <p>Even in the short-term, we need to establish fair principles. Temporary solutions have an uncanny way of becoming long-term solutions, and as such we should not settle for another market band-aid when it comes to supply surplus.</p>
<b>9.1.1 Market rules for wind generation</b>	
<b>9.1.2 Voluntary Generator Curtailment Program (VGCP)</b>	<p>This is an acceptable solution, with the exception that imports should not be forced to be curtailed first. Importers should be allowed to offer to not be curtailed, the same as other generation. This situation will be an issue if importers are paying for firm transmission from another jurisdiction.</p>
<b>9.1.3 Negative Prices</b>	<p><i>“As there are a number of issues related to negative pricing in other jurisdictions, in the AESO’s view, implementing a negative price floor is not a preferred option at this time. The IESO and ERCOT situations should continue to be monitored as wind is added in those jurisdictions.”</i></p> <p>One of the issues cited is that Alberta has a different generation mix than Ontario And ERCOT – isn’t this a contradiction with Principle f) above – wherein all generators are to be treated equally?</p> <p>Negative pricing is clearly the correct solution and should be implemented. In its absence then use the VGCP as described above.</p>
<b>9.2 Short Term Options</b> The paper provides an example of a supply surplus management procedure within this section. Please provide comments on	

suggested order of the procedure.	
<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>Adding wind without firm obligations enhances the potential for more frequent supply surplus situations. This problem can be resolved by having wind make firm offers.</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 within its assessment in Table 3?</li> </ul>	<p>All behind-the-fence generation that is serving an on-site load is exempted by virtue of the ISD designation. This generation should remain exempt because it is, by definition, net to the grid, and therefore not contributing to any supply surplus conditions.</p>
<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>This is a workable solution – not nearly as complex as set out in Table 3</p> <p>Any concerns for changes in offer behavior are simply adjustments that market participants would make in response to any rule change.</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><b>10.0 Reporting</b> Please provide comments on the report provisions</p>	

<b>11.0 Policy</b>	<p><i>“The EUA does not exempt Electric energy that is not produced and consumed solely on site, and therefore is subject to the ISO rules.”</i></p> <p>It should be made clear that this is the AESO’s interpretation of the Act – and clarification is requested from the Policy makers as to the accuracy of this statement.</p> <p>This interpretation would encourage future ISD developers to restrict generation to only that required for on-site consumption, which would be counter to the current policy position. With the new transmission build-out program that targets excess generation capacity as a potential source of low-cost energy, we should not be developing AESO rules that will discourage ISD developers from building excess generation to make use of our future transmission assets.</p>
<b>12.0 Next steps</b>	
<b>Additional Comments</b>	