

Stakeholder Comment Form

TCM: Rule 9.4 AUC Re-Filing Proposal Paper

Date of Request for Comment: December 3, 2009
 Period of Consultation: December 3, 2009- January 22, 2010

Stakeholder: _____ IPPSA _____

Section of Paper	Description	Stakeholder Comments
1 Executive Summary	An overview of the key discussion points and proposals contained in the paper.	IPPSA remains opposed to the AESO’s approach to congestion management. We believe the AESO’s approach is not consistent with policy, or the goals of a FEOC market. We believe that a TMR/DDS approach would be far preferable.
2 Introduction	A brief history of Quick Hits rule development and reason for the paper.	No comments
3 Purpose		No comments
4 Background	A brief history of TCM Rule 9.4 development and reason for the paper.	No comments.
5 Recap of Commission Findings in the TCM Decision	A review Commission FEOC and public interest findings.	No comments.
5.1 i) Economic Dispatch	AESO use of merit order for dispatch is discussed.	The AESO cites the Commission decision in stating, “The Commission ruling on this item clearly permits the use of reverse merit order to dispatch upstream generation as consistent with and permitted under regulation.” We trust this statement does not obviate our understanding of the

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		<p>AESO’s approach in real time, which is to employ Reverse Merit Order (RMO) within the T-2 period, but then to manage upstream congestion by a pro-rata mechanism after that. We believe this understanding needs to be clearly communicated within any revised rule, as it is in the existing rule.</p> <p>It is also our understanding that the rule will only lead to upstream curtailment after the TMR and DDS steps (step 9.4.4. a) vi) are employed. We believe dispatching TMR in the constrained region and employing DDS in the unconstrained region will effectively resolve all constraints issues, in a matter not at all disruptive to market prices.</p>
5.1 ii) Pool Price Impact	Transmission constraint impact on market is discussed	<p>The AESO states, “the AESO notes the Commission recognized that the TCM Rule use of the energy market merit order to constrain downstream generation impacts the market price and such impact is expected and is acceptable so long as the AESO strives to minimize this price impact.”</p> <p>How will the “AESO strive to minimize the price impact?” We are concerned about the market operator having a role in its own market; either to maximize or to minimize a price impact. Can the AESO please clarify what this means?</p>
5.1 iii) Compensation	A review of the requirement for compensation for being constrained down	<p>The AESO states, “the AESO interprets the above compensation statements to mean that constrained down payments are not required or even contemplated under regulation.”</p> <p>We trust this statement does not mean that the AESO is reconsidering Dispatch Down Service (DDS), which can be considered a constrained down payment? DDS has been agreed upon by stakeholders as a means to achieve price integrity within the Quick Hits market solutions.</p>

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		<p>DDS is employed to offset the volumes of directed TMR and to restore the market price to where it would have been. Can the AESO please clarify how it will interpret the Commission’s language when it comes to DDS?</p>
<p>5.1 iv) Transmission “rights”</p>	<p>Generator’s “right” to access the AIES is discussed</p>	<p>The AESO has not commented on, or sought to define, the injection and withdrawal rights described in policy.</p> <p>The Transmission Development Policy states at page 8, in its completeness, <i>“The open access transmission structure in Alberta consists of an implicit system of injection and withdrawal rights for generators and loads. There are no explicit transmission rights. Given this structure, the transmission system must be relatively congestion free or the underlying market model will not function effectively.”</i></p> <p>It may be beyond the AESO’s mandate to define what an injection and withdrawal right is, but the AESO should acknowledge that these rights are conferred in policy, even if not conferred in legislation.</p> <p>It may be worthwhile for the AESO and stakeholders to work with policy-makers to ensure a complete understanding of transmission rights in Alberta. And to design a congestion management regime that best meets the intent of policy and legislation.</p> <p>Our interpretation of an injection right is that when a unit is in merit, it has a right to be compensated for the volume of energy it is offering at the price it is offering it, bound only by any RAS scheme it has</p>

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		accepted, or any transmission emergencies defined in T-Reg S. 15(1)e)ii). ¹
5.1 v) Use of TMR/DDS	AESO use of TMR/DDS is discussed.	We continue to believe that a TMR/DDS approach is preferable to the AESO’s approach. It is less disruptive to the market and is consistent with policy and our market design.
5.2 i) Long term investment impact	TCM impact on long term investment decisions is reviewed.	No comments.
5.2 ii) Use of business practices	AESO use of business practices for constraint management is discussed	No comments.
6 Discussion of Commission Directions in the TCM Decision	This section introduces the discussion of and the AESO proposals regarding each of the Commission directions.	No comments.
6.1 Clarify the Scope of the TCM Rule	A proposal on whether the TCM rule should be limited to real time or expanded to include planning stage elements is presented.	We support the AESO’s recommendation to confine its TCM rule to real time congestion circumstances. We also support the AESO’s recommendation to ‘create an information document or flowchart that outlines the AESO’s comprehensive approach to TCM both in the planning stage and in real time.’”
6.2 Clarify the TCM/TMR Rule relationship	A review of how the AESO would move from the use of the TCM Rule to the use of TMR is presented.	The AESO’s proposal pertaining to use of directed TMR is not clear. The AESO states, “Directed TMR is used only after a risk assessment is undertaken, either in the near term or in real time, and it is determined that there is an unacceptable risk to load or a risk of cascading.” We would appreciate answers to the following questions of

¹ Section 15(1)(e) states, “the ISO must, taking into consideration the characteristics and expected availability of generating units, plan a transmission system that i) is sufficiently robust so that 100% of the time, transmission of all anticipated in-merit electric energy referred to in section 17(c) of the Act can occur when all transmission facilities are in service, and ii) is adequate so that, on an annual basis, and at least 95% of the time, transmission of all anticipated in-merit electric energy referred to in section 17 (c) of the Act can occur when operating under abnormal operating conditions.”.

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		<p>clarification:</p> <ul style="list-style-type: none"> i) What does the AESO mean by “risk to load” and “risk of cascading”? ii) What are the variables that the AESO needs to consider in making this calculation? iii) How is it possible for the AESO to make this calculation in real time? iv) Surely IPPSA’s proposal - of directing-on a unit for TMR in the constrained region and directing off a DDS unit in the unconstrained region - is far simpler and far less risky than taking the time to evaluate whether the AESO’s own methodology will work in a given circumstance, and then, if it doesn’t, to go about directing TMR and DDS? <p>The time and subjectivity associated with assessing whether the AESO’s own methodology would work in a given circumstance raises further questions of the workability of the AESO’s methodology. We would suggest that the AESO’s rule needs to be clear to participants about what will happen during congestion in real time and be free of real time decisions and “risk assessments.”</p>
<p>6.3 Consider ENMAX Pay as Bid Approach</p>	<p>The merit of using the ENMAX pay as bid proposal within the TCM protocol is discussed</p>	<p>We do not support the AESO’s view that “the energy market design depends upon a single clearing price which reflects market conditions including supply and demand on the entire system, supply scarcity and <i>congestion.</i>” (italics added)</p> <p>Where is this view of the market defined for the AESO in legislation or even policy?</p>

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		<p>Quite the opposite, the TDP states on page 15, <i>“In principle, real-time congestion or constraints should not alter or distort market prices.”</i></p> <p>The AESO further states, “The Transmission Development Policy recognizes that a congestion free transmission system is a necessary part of the current market design. However, policy also recognizes that congestion will occur and that a congestion management plan is necessary...” To be fair to stakeholders, the AESO should also communicate that the TDP warns against creating a congestion management scheme like the one the AESO has proposed.</p> <p>We draw the attention of the AESO and other stakeholders to the appendix of the TDP, which states, “...congestion costs are not (to be) reflected in the system marginal price.” (bolding and parentheses added.) And, as noted above, <i>“In principle, real-time congestion or constraints should not alter or distort market prices.”</i></p> <p>While the AESO makes repeated references to the TDP in justifying its methodology, the AESO does not communicate to stakeholders that the TDP endorses the pay-as-bid model. At page 15, the TDP states, <i>“The distortion in the system marginal price may be avoided if generators dispatched out of merit are paid their offer price less the system marginal price to relieve the congestion. The system marginal price therefore remains at a level it would have been at without congestion and generators dispatched out of merit are “kept whole” and are provided their offer price less the Pool Price for the energy provided.”</i></p> <p>In its “case for the proposed TCM protocol”, the AESO states, “The proposed TCM protocol manages constraints seamlessly within the current market framework. Any solution must work within the current</p>

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		<p>framework of a single clearing price for the market and common transmission price for the province.” And that “The proposed TCM protocol is aligned with policy.” This is simply untrue as noted by the quotes provided from the TDP above.</p> <p>In its “Issues with the TCM protocol” the AESO states, “In the unlikely event that a market distortion occurs such that the price is not reflective of market fundamentals such a distortion is not a constraint management issue and will need to be dealt with appropriately through other means.” Can the AESO please clarify what this means?</p> <p>Contrast this statement to the AESO’s plan in section 6.2 of this discussion paper as noted above. In section 6.2, the AESO confirms that it will only proceed with its methodology after an internal, real time risk assessment. However, if participants act in a manner consistent with the AESO’s rule, it seems entirely inappropriate for participants to face “other means”, should the AESO’s rule lead to ‘market distortions’. And who determines these distortions?</p>
<p>6.4 Define Key TCM Rule Terms</p>	<p>A proposal regarding specific TCM rule key terms is presented</p>	<p>On the definition of “foreseen and unforeseen”, for clarity we would suggest the following: “The AESO considers foreseeable TMR to be TMR that is required to meet forecast reliability criteria <i>in the period beyond the delivery hour and</i> two years in the future under expected operating conditions and planned transmission outages in the area.”</p> <p>The AESO continues, “The AESO uses directed TMR in unforeseeable circumstances, that is, the need for TMR is not planned for within the two year planning criteria.” Just to be clear, we believe the AESO is able to direct TMR in real time. We’re not sure if the above language communicates that. The AESO could also contract for TMR on short</p>

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6.5 Clarify TCM Rule Process Steps	Specific TCM rule process steps are discussed together with proposals to provide additional clarity where appropriate.	<p>notice (hours), or for longer notice (days) via the TMR procurement protocol. Failing either approach, it can direct TMR via its tariff.</p> <p>We appreciate the clarification that DDS will be employed whenever TMR is employed.</p> <p>We would suggest that as the AESO curtails downstream DDS, it should dispatch off upstream DDS to ensure price integrity. In other words, as the AESO cancels one DDS dispatch, prices will fall due to the presence of \$0 TMR volumes. So the AESO will need to Dispatch Down some volumes elsewhere to ensure price integrity.</p> <p>Also, we want to be sure that when the AESO directs TMR on in the downstream, it is dispatching down a unit upstream to ensure price integrity. We're not sure if these steps are clear in the second bullet of "Missing DDS Step"</p>
7 Next Steps	Stakeholder feedback on the TCM paper discussion and proposals is requested.	We hope the AESO can provide some further clarity and answers to the questions we have posed. Thank you for the opportunity to comment.