



24 November 2008

Mr. Cliff Monar  
Vice President, Market Services  
Alberta Electric System Operator  
2500 – 333 – 5<sup>th</sup> Ave SW  
Calgary, AB T2P 0L4

## **RE: Preliminary Recommendations for Improving Rules Development**

Dear Mr. Monar:

The Independent Power Producers Society of Alberta (IPPSA) offers a number of preliminary recommendations for improving the rules development process. We would welcome a continuing dialogue on these recommendations so that the Alberta Electric System Operator (AESO) and market participants can improve rules development in an effort to minimize the issues we bring before the Alberta Utilities Commission (AUC) for adjudication. Our preliminary recommendations are provided in the groupings of content and process:

### **1.0 Content Recommendations**

- 1) **Develop an Agreed Understanding of Our Market's Principles**  
In the recent hearings before the AUC, it became apparent that there remain divergent perspectives on some fundamental principles that govern our market. We should strive to develop an agreed understanding on some of our market's undefined concepts, such as injection rights and transmission rights. This may require breathing life into, or highlighting the gaps in, existing legislation, regulation and policy. Securing such an understanding should occur well before parties get into the hearing room. Perhaps the AESO's Market Advisory Committee can be used to begin such discussions. If views remain at odds, perhaps these views need to be reconciled by regulation, or left to be adjudicated before the AUC.
- 2) **Use Discussion Papers to Define the Technical/Legislative/Policy Parameters of an Issue**  
Discussion papers could be used to raise the understanding of participants' knowledge of a given issue, rather than contemplate solutions. For example, in the recent ILRAS and Demand Response Work Group consultations AESO Operations staff provided valuable technical briefings which set the stage for dialogue. In addition to highlighting technical matters, Discussion Papers could also be used to frame the policy or legislative parameters of an issue. A transparently framed issue will improve participant understanding and may aid in achieving a successfully negotiated rule.
- 3) **Ensure a Clear Understanding of Rules Language**  
Many of the issues raised during the recent AUC hearings have been addressed amicably through improved alignment between language and intent. This is a lesson for both the AESO and market participants to ensure that the language and concepts contained in rules are clearly understood.
- 4) **When Possible, Rules With One Corresponding OPP Should be Developed in Tandem**  
IPPSA recognizes that the AESO's Long Lead Time Energy Rule (LLTE) and Outage Coordination Rule (OC) were driven by a deadline set in the Transmission Regulation. In that case, it was likely

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not possible for the AESO to produce the revised corresponding Operating Practice and Procedures (OPP) at the same time. Normally, it would be beneficial to have the rule and corresponding OPP prepared in tandem. This would give investors the opportunity to understand the details of how the given rule will work as it affects their assets. We recognize the difficulty when a rule may require a host of OPPs, such as in Congestion Management. It may not be easy to prepare the OPPs at the same time. However, there is obviously a pitfall in preparing them separately; that being the risk that the OPP development process highlights a shortcoming with the just-approved rule.

## 2.0 Process Recommendations

### 1) Begin with Open-Ended Discussions

The AESO has achieved success with its stakeholders in collaboratively developing controversial rules such its recent Long-Term Adequacy (LTA) rules. The LTA Rule was recently filed with the AUC as a final rule, without participant objection. One factor in the success of this particular rule was that it began with an open-ended discussion, before recommendations were provided. An open ended discussion would begin with “what is the goal we are trying to achieve?”, and “what are the principles and legislation that guide us?”

### 2) Consider Expert Facilitation

Few market participants have training as facilitators. We appreciate the challenge the AESO faces as both a facilitator and the proponent of a rule recommendation. For complex or contentious rules, perhaps expert facilitators can be brought in to lead discussions and distill the issues that divide parties. Or perhaps the AESO and participants can sponsor a workshop where we can all benefit from learning tools of facilitation.

### 3) Consider Access to the Executive Rules Committee as a Step Before the Rule is Filed

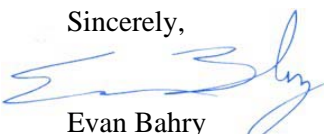
Access to the ERC would allow a last step before the rule is filed to the AUC. This mechanism could see the market participant (or associations) present their objections before the ERC. We envision this as an ‘on the record’ meeting, with a transcript produced. The sponsoring AESO department would be there to speak in support of the rule and to debate it with the market participants. We would not see this as a formal process, e.g. representation by counsel, but rather a frank exchange on the merits of the rule. This may lead to an improvement on rule language or even a refined list of issues for adjudication. It would also force participants to think through their objection and to refine their ‘asks’, which is one benefit that the hearing process provides.

### 4) Consider Expediting Rules Reviews Should the Rule Prove Unworkable

Should an existing rule prove ‘unworkable’, perhaps there is a means to expedite the review. The example here is Rule 6.6, which the AESO has recognized needs revision. The fact that penalties can be levied for an infraction of a rule, when the AESO itself recognizes that its rule is not working, strikes us as dysfunctional. To help expedite this process, perhaps the onus here should shift to participants to bring forward their recommended changes to the rule.

We hope these recommendations can spur some discussions on how to improve the rules development process. We would appreciate your response, and any ideas for how to go forward with them.

Sincerely,



Evan Bahry  
Executive Director