

Stakeholder Comment Form

AESO Recommendation Paper - Transmission Regulation Section 18

Date of Request for Comment: December 19, 2007
 Period of Consultation: December 20, 2007 to January 16, 2008

Stakeholder: IPPSA

Topic	Description	Stakeholder Comments
1.0 Executive Summary	Outlines the four main topics as described in Section 18; Outage Coordination, Reliability Unit Commitment, Directives for Ancillary Services and Load Curtailment	<p>IPPSA recommends that these emergency services be prefaced by some principles guiding their use. These principles should communicate to loads and suppliers that the market remains paramount in meeting demand, and that these out-of-market steps will be used on an exception-only basis.</p> <p>Clearly their employment will have significant impact on price, costs and may even impact investment/contracting decisions. Any policy that has an impact on price should be carefully conditioned and bound by clear principles.</p> <p>We suggest the following principles be written into the rules:</p> <ol style="list-style-type: none"> 1. Any interference the AESO takes into its own market must be minimized. To this end, any use of these short-term adequacy services should minimize the impact to the market and minimize the cost to the individual participant affected by the AESO's decision. 2. Any use of these services should immediately result in restating the market price to the cap. By the use of these services, the AESO is second-guessing its own market participants' response to forecasted supply shortfall. This should not be taken lightly. Further, the AESO is justifying such action by claiming an imminent supply shortfall circumstance. As such, it should stand behind that decision by sending the appropriate price signal at the same time.

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		<p>These principles were drafted within the timeframe of a consultation process. We would welcome a debate on them with the AESO and load participants.</p> <p>In addition to the principles, IPPSA believes that the AESO must define exactly under what circumstances it will employ these tools. In other words, when does the AESO know that the market will not respond and that it has to intervene? We look forward to seeing clarity on the criteria for this decision before these tools are defined in AESO rules.</p>
2.0 Introduction	Reviews Section 18 and indicates that guidance is provided by the Electricity Policy Framework. ISO Rules are required by April 11, 2008.	No comment
3.0 Recommendation regarding Generator Coordination	Introduces the AESO's interpretation of the direction given in section 18.	No comment
3.1 Advanced Generator Outage Scheduling (18(1))	Describes the expectation of Section 18 that the AESO give direction to generators to operate under certain conditions. It is expected that with sufficient notice, generators will react to market signals and adjust their outage plans accordingly. If the market does not respond in a manner that alleviates a supply shortfall conditions, the AESO will invoke a pre-determined process.	<p>We have four recommendations on this Section:</p> <p>1) Rescheduling Horizon be Limited to 3 Months Consistent with our proposed principle "<i>Any interference the AESO takes into its own market must be minimized...</i>" we seek clarity on the horizon in which the AESO will seek to change outage schedules. While the AESO will have 24 months of outage schedules at its disposal, we believe that rescheduling should only take place within a 3 month window and not beyond that. Adequacy forecasts simply won't be accurate beyond 3 months.</p> <p>Outside the 3 months window, we would encourage the AESO to make participants aware of potential shortfall periods. This will allow them to use all available information in determining the best timing for their outage.</p>

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		<p>Furthermore, change to scheduled outages should only be for a one-week period. This will minimize equipment risk and costs.</p> <p>2) Set the Price at the Cap Consistent with our opening principles, we recommend that outage rescheduling be employed under OPP 801 conditions and the price be set at the cap for the hours that the AESO is concerned about. Again, the AESO should face a risk – in this case, load backlash - for second-guessing participant’s ability to respond to supply adequacy forecasts. Also, if the AESO is indeed concerned with a shortfall, it needs to communicate that concern to all participants, and stand by that concern by setting the price at the cap.</p> <p>Those units whose outage schedule has been affected should receive compensation for direct costs in addition to pool receipts. We acknowledge that such a compensation scheme is the most expensive of the S. 18 adequacy services, but the costs should be high in light of the impact to facilities of moving maintenance around.</p> <p>3) Evaluate Options and Minimize Impacts Before the AESO undertakes a direction, it needs to review the options it has available for direction. In so doing, the AESO should look to the unit that will be least disrupted by the change to its schedule.</p> <p>These factors include:</p> <ul style="list-style-type: none"> ▪ Has this participant been repeatedly affected by changes to its outage schedule? Should another party take the hit? ▪ What is the full cost of the outage (both direct and market costs)? ▪ What type of outage is being undertaken and what is the expected length of the planned outage? ▪ How easily can the outage be delayed or advanced? Are out-of-town experts lined up? Is equipment available, should an outage be advanced? ▪ How will the plant’s location on the grid help?

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		<ul style="list-style-type: none"> ▪ Will the directive force non-compliance with other provincial or federal regulation. For example, ABBSA requires boiler certification periodically. If these are not completed in the specified window, the unit cannot run in the longer- term. If the outage is delayed, participants may not be able to procure the necessary manpower until after boiler certification is due. As another example, the Department of Fisheries and Oceans has some strict environmental requirements for maintenance windows related to hydro facilities. If a hydro unit complies with a directive from the AESO, it may put the facilities offside the DFO's rules. Such implications should be considered. <p>4) Audit the Cost and Market Impact We recommend that the AESO audit each use of its maintenance coordination rules to determine both the full market cost and the full participant cost. This will require a potential 3rd party audit of claimed costs, but should lead to better decisions when moving outages. The results of the audit should remain confidential.</p>
a) Procedure	Describes the sequence of events that will be used to ensure sufficient generation is made available.	Does the AESO intend to include load maintenance scheduling in its outage scheduling rules? We advocate that load participate in this service also. Further the AESO should have to consider directives to Load Outages along with generation outages when reviewing options to deal with short fall situations. There may be industrial loads with upcoming outages that could be compensated for their direct costs.
b) Compensation to Generators	ISO Rules will be developed to keep the generator 'whole' for tangible costs associated with moving an outage.	It is unclear what is included in "tangible costs". If the AESO is conscripting a unit, all of the impacts of their demands, including risk and return should be covered.
		While conscripted, the generator (or PPA owner) has ceded ownership rights to the AESO for the benefit of the system. For this period the system has reverted to regulated operation where costs, risks and return on investment are guaranteed by ratepayers. This is the compensation we feel is fair.

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		<p>An example of a risk that should not be covered is for safety of personnel or catastrophic equipment failure. The owner has the right and obligation to remove the unit from service, even if this involves declining a directive, for these risks. Risks that should be covered are those for which the owner is not allowed to decline a Directive. These include economic impacts of a forced outage occurring while a unit awaits a deferred (by directive) maintenance outage.</p> <p>A common example to illustrate the point is that Units often exhibit increased unreliability from boiler leaks in the period leading up to planned outages when boilers are refurbished. Putting more time before the outage will likely result in more forced outages than would be expected in the same running time after the Planned outage. Owners consider the likely impact (lost opportunity, penalties, start up etc.) and probability of additional forced outages, together with other factors and constraints, when determining outage schedules. Owners should not have to accept sub-optimal business results as a result of directives the AESO makes for system reasons that are out of the generator operator's control.</p> <p>Advancing an outage also has a tangible impact. If an outage is advanced the unit will need a longer duration before the subsequent outage (with unreliability toward the end of the duration) to get back on its normal schedule or, alternatively, if the duration between outages is kept constant, the result will be to advance major maintenance capital (for the immediate outage and all future outages). Even the decommissioning of the unit is likely to be advanced in this scenario.</p> <p>A directed unit should be kept whole for all costs involved but the examples above make it clear that determining those impacts would be cumbersome. A simpler approach, and the one proposed by the AESO is to only include a portion of the costs. This is expedient but unfair.</p> <p>Alternatively the AESO could consider a rule that allows it to determine the</p>

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		<p>impact. This risks unfairness and some sort of complicated dispute process if agreement can't be reached.</p> <p>Past practices that have seen maintenance schedules altered and reduced during shortfalls in order to capture market opportunities will continue. With that expectation we propose the following:</p> <ol style="list-style-type: none"> 1. Direct outage schedule changes only as a last resort. 2. Rely upon LTA processes for long term adequacy (anything beyond 3 months). 3. Initiate a market announcement not sooner than 3 months before the delivery window (as currently proposed). 4. Compensation should include that unit's direct costs, plus pool receipts as the price is reset at the cap. There is no question that of the S. 18 services, rescheduling maintenance bears the greatest risk to equipment and owners, and should therefore have the highest costs.
<p>3.2 Reliability Unit Commitment (RUC)</p>	<p>RUC is a mechanism for the AESO to direct a generator to operate that is otherwise not scheduled near to the delivery hour but may be available to the market, or in other words has the ability to 'commit' their unit. The current ISO Rules (e.g. Must Offer Must Comply, T-2, Payments to Suppliers on the Margin) will assist to facilitate the requirements to implement RUC.</p>	<p>Units that run when there is a legitimate shortfall (price is at the market cap) are likely adequately rewarded during those periods. The difficulty comes if: the forecast of shortfall is invalid; the shortfall is prevented by the actions taken; and in the times leading up to and following the shortfall. During these times the entire market is harmed. As such, the AESO should simply invoke RUC as part of its OPP 801 steps and allow the market to respond.</p>

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a) Advance Dispatch Limitations	The generators view of the market may differ from that of the System Controller resulting in an advance dispatch ...	We do not agree with the AESO that an 'advanced dispatch is in merit...and prices will reflect market conditions.' (pg 8). Quite the opposite. Prices will be distorted by the addition of the long-lead time unit's ramping volumes. This will have the effect of displacing units on the margin. These units should be compensated.
b) Compensation Option 1	A status quo approach would be used whereby a dispatched generator would receive no additional incentives for an advance dispatch.	Consistent with our earlier principles, we believe that dispatching any RUC volumes should entail pricing the market at its cap. Again, by invoking RUC, the AESO is second-guessing the market's ability to respond, has declared an emergency, and therefore needs to back that decision up with its system emergency signal: the price cap.
c) Compensation Option 2	A 'keep whole' approach would be used to ensure dispatched generators are not operating at a financial loss as a result of an advance dispatch.	Those units displaced by the ramping RUC volumes should be compensated at the price cap for the duration of the RUC unit's run, and their volumes reintroduced to the market, as needed, should a shortfall occur.
3.3 Directives for Ancillary Services (18(1)(a))	The AESO is given the authority to direct units during abnormal conditions for the provision of ancillary services as reflected in the current ISO Rules. ISO Tariff Article 11 negotiations addressed compensation issues. A separate process will address outstanding issues.	We agree with the AESO that a separate process around compensation for non-TMR AS is required.
4.0 Load Curtailment Priority Plan	The AESO will undertake to consult with certain non-residential load customers to develop a plan to curtail industrial and large commercial loads in line with the direction set out in the Electricity Policy Framework.	We are disappointed that there is no proposal for a load curtailment plan; simply a reference to the start of consultation. As the AESO is aware, rules affecting supply assets are to be set by April. Yet no corresponding timeframe has been set for rules impacting consumer assets. This is asymmetrical. Also, we would also take this opportunity to challenge the policy logic that sees industrial loads curtail before residential, farm and commercial

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		customers. If consumers were required to price their bids in the market, the AESO would immediately see a differentiation in the value of electricity by these consumers and could make an informed and rational decision about an order of curtailment.
5.0 Policy Coherence	The AESO has ensured that the recommendations of the Paper are consistent with the requirements of Section 18 (1) of the Transmission Regulation AR 86/2007, the Electricity Policy Framework and the Electric Utilities Act.	
6.0 Implementation	The AESO has worked with the DOE to ensure that the recommendations in the paper are accurate and reasonable and it welcomes all stakeholder feedback.	