

**AESO Recommendation Paper – Intertie Framework**  
**Stakeholder Comment Matrix – The Office of Utilities Consumer Advocate**

Section	AESO Recommendation/Fee Feedback Requested	Stakeholder Response
<p><b>4.0 Policy Coherence</b></p>	<p>The AESO is interested feedback as to the AESO's policy interpretation.</p>	<p>In general, the UCA does not agree with the policy interpretation put forth by the AESO to support the treatment of interties as generators at the border regarding reinforcements to the Alberta transmission system. The AESO interpretation of current policy and legislation attempts to rationalize expenditures on system reinforcement that would have significant cost implications for load customers in Alberta.</p> <p>In reviewing the evolution of transmission development policy which led to the legislation and regulations that exist today, the UCA sees a marked difference in intent. Specifically, intra-Alberta generators are to receive reasonable access to the transmission system, with reasonable plans to accommodate all anticipated in-merit generation in an unconstrained basis. Load customers, through transmission tariffs, bear the cost of the transmission system reinforcements. The refundable generator system contribution payment, puts some additional onus on generation development to be prudent for the protection of load customers. Generator system contribution payments also send a locational signal through the carrying costs and potential withholding of associated refundable contributions. It is important to note that not every theoretically possible generation and load dispatch needs to be accommodated through unconstrained transmission access – just those that can be reasonably anticipated to be in merit.</p> <p>Merchant interties provide no such comfort that actual generation is being built to provide capacity that will be committed to the Alberta marketplace. Correspondingly, a different framework was put in place. Merchant intertie developers are obliged to auction capacity through some form of open access arrangement and bear the costs of their merchant venture. Further, the expectation has certainly been created over the years that if a merchant intertie developer sought firm capacity to import or export power, that a reasonable cost-of-service based rate would be applicable.</p> <p>Applying a refundable generator system contribution payment approach to merchant interties in effect turns the “further assurance” measure applied to generators to the “only assurance” for load customers that the system investment is money well-spent. Alberta generators have made a much more significant contribution to the long term viable electricity market by actually constructing plants inside the province.</p> <p>Further, it isn't clear how the AESO, in planning a transmission system to accommodate anticipated in-merit energy, would assess energy produced in other jurisdictions. The proxy put forth in the</p>

recommendation paper appears to be the “path rating” – which again provides little or no comfort to load customers that generation is available on the other side of the interconnection that can and will participate in the Alberta market.

In addition to these concerns with the fundamentals behind existing policy, the UCA is concerned with specific logic steps taken by the AESO in landing on its current policy interpretation:

The fourth paragraph of the Executive Summary states:

*“The AESO interprets that current governing Alberta legislation and policy does not permit for the recognition of a “first in” right for interties, but rather that there is an obligation to ensure system access service (SAS) to inject/withdraw at the border.”*

UCA disagrees that “rights” are not permitted by legislation and policy. Section 29 of the EUA does require that SAS be available to all market participants but SAS does not have any defined characteristics beyond its definition in EUA Section 1:

**Providing system access service**

**29** The Independent System Operator must provide system access service on the transmission system in a manner that gives all market participants wishing to exchange electric energy and ancillary services a reasonable opportunity to do so.

**1(1)(yy)** “system access service” means the service obtained by market participants through a connection to the transmission system, and includes access to exchange electric energy and ancillary services;

The injection/withdrawal or postage stamp characteristics related to SAS for intra-Alberta loads and generation are defined by the Rates and Terms and Conditions of Service in the AESO tariff. Rights for Import/Export capacity could be developed through the AESO Tariff.

In the Intertie Framework Discussion Paper - Section 5.2 Transmission Rights, AESO reflects on the difference between intra-Alberta service and intertie service:

“As the Alberta market model does not recognize transmission rights, this is a policy decision detailing whether interties will be treated as part of the AIES (like internal

generators and loads), or whether they will be considered as connecting to the AIES, and possibly treated differently. The AESO currently allocates ATC based on a scheduling process through the approval of e-tag volume. This may not be considered an allocated transmission right, rather an allocation for injection-withdrawal of energy like any other dispatch in the energy market merit order. However, when reviewing the injection/withdrawal method for internal energy dispatch, one of the underlying designs for this to work without transmission rights is a commitment to build an uncongested transmission system. This is not as feasible a commitment on the interties given the shared jurisdictional regulatory models. This factor may support an argument for different treatment of interties than internal generators and loads whereby rights are considered.”

The added underlining above describes intra-Alberta SAS as the “injection/withdrawal method” and accurately describes the AESO commitment to plan and build to alleviate congestion and goes on to describe why interties are different.

The link between the “injection/withdrawal method” and intertie SAS, is, in the UCA’s view, a misinterpretation and so too is the extension of AESO obligations to the planning of an uncongested transmission system for intertie constraints. This misinterpretation arises in the next two sentences of the fourth paragraph of the Recommendation Paper:

“SAS to inject/withdraw on the interties implies applying the policy and AESO obligation to plan an uncongested transmission system to 100% of anticipated in-merit generation. This is supported in sections 15 and 16 of the Transmission Regulation and 17(c) of the Electric Utilities Act.”

UCA does not agree that characterizing intertie SAS as “inject/withdrawal” makes Section 15 of the Transmission Regulation applicable to intertie services. Section 16 of the Transmission Regulation is being addressed by Intertie Restoration and EUA Section 17 below was drafted to address duties related to dispatch not congestion. EUA Section 17 even clarifies that the ISO duty to determine the order of dispatch is focussed on meeting “the requirements for electricity in Alberta.” Clearly this would not contemplate export energy.

The last two sentences in the same paragraph say:

“The AESO interprets that imports and exports up to the path rating of each intertie are anticipated in-merit electric energy. As such, the AESO recommends that it plan the transmission system so that each intertie can transfer up to its path rating simultaneously.”

		<p>The UCA does not consider this interpretive leap to be sound. The interpretation in these sentences again attempts to draw a connection between Section 15 and intertie SAS.</p> <p>The UCA recommends the AESO reassess its recommendations to recognize the differences between imports/exports and intra-Alberta load/generation.</p>
<p><b>5.1 Real-Time Dispatch/ Scheduling</b></p>	<p>The AESO recommends implementing dynamic scheduling to enable real-time dispatch and to permit the submission of priced/bids and offers.</p>	<p>The UCA is encouraged by the AESO participation with other jurisdictions in the assessment of intra-hour scheduling and the potential for dynamic scheduling.</p> <p>The UCA looks forward to hearing the update of the intra-hour strike team.</p> <p>The description of AESO participation in the strike team pursuing dynamic scheduling suggests the DSS hub may be the appropriate direction for Alberta. AESO identifies the opportunity to evaluate this further with the ability to join sometime in 2011. This appears to be a rational approach and the AESO mentions a few potential benefits from this association. The AESO is positioned now to evaluate dynamic scheduling in a regional context and determine its contribution to the management of priced bids and offers for intertie participants and assess costs and benefits. The UCA believes these steps must be taken and the results brought back to stakeholders before any commitment can be made.</p> <p>With this information and positive results the AESO should be able to receive support for the implementation of dynamic scheduling but the UCA cannot support implementation with the information to date.</p>
<p><b>5.2 Transmission Rights - Policy</b></p>	<p>The AESO recommends that it plan the transmission system so that each intertie can transfer up to its path rating simultaneously.</p>	<p>Consistent with the policy comments in section 4.0, the UCA does not agree with the AESO interpretation of current legislation. Section 5.2.2 concludes that the only long term solution to alleviate intertie constraints is to have Albertans invest in intra-Alberta transmission facilities. The policy support for this solution is tenuous at best and the recommendation fails on the test of “public interest” due to the misalignment of the costs of the investment to the parties receiving the benefits.</p> <p>Additional efforts are required by the AESO and stakeholders to analyze the merits of firm transmission service and the appropriate rate structure for such service.</p>

<p><b>5.3 Transmission Products</b></p>	<p>The AESO recommends that a merchant transmission service (MTS) be added to the AESO tariff, offered to the merchant transmission asset owner, which appropriately reflects system access service to inject/withdraw at the border.</p>	<p>See responses to section 4.0 and 5.2. The recommended MTS service requires more consideration as its premise that interties are generators at the border is based on a miss-interpretation of policy.</p>
<p><b>5.4 ATC Allocation</b></p>	<p>The AESO recommends when there is congestion on the interties, an ATC allocation rule be implemented that arbitrates by energy price and then pro-rata between remaining same priced schedule requests.</p> <p>The AESO is interested in feedback as to what the best timing (xx:yy) for ATC curtailments to be made if not xx:45.</p>	<p>Several respondents to the AESO Discussion Paper pointed to market based solutions to ATC allocation. Whether pricing includes firm rights or pricing is based on successive auctions, UCA agrees that the value of ATC will be more accurately reflected in bids and offers if based on open market principles.</p>
<p><b>5.5 Next Steps</b></p>	<p>The AESO is interested in stakeholder comment on the AESO's next steps.</p>	<p>The UCA recommends the AESO reassess its recommendations to recognize the differences between imports/exports and intra-Alberta load/generation. More evaluation of stakeholder responses and more effort to design solutions that serve the needs of Alberta consumers is required.</p>

