

AESO Recommendation Paper – Intertie Restoration Stakeholder Comment Matrix

Section	AESO Recommendation/Feedback Requested	Stakeholder Response
3.0 Policy Coherence	<p>The AESO is interested feedback as to the AESO's policy interpretation on:</p> <ol style="list-style-type: none"> 1. Obligation to restore intertie capacity 2. Cost allocation for restoration initiatives 	<p>The statement that building interties will lead to generation development in Alberta cannot be shown to be either true or false in the absence of a great deal of other information.</p> <p>It is obvious that building export capacity for oil and gas has brought enormous economic benefit to this province. Electricity generation in Alberta, however, does not enjoy the same advantages over electricity generation in adjacent markets that Alberta oil and gas have historically enjoyed. At a recent AESO-sponsored meeting, it was correctly observed that it costs about the same to build generation in the US Pacific Northwest as it does in Alberta. Since it is not reasonable to expect that parties there will willingly pay an extra cost—the cost of transmission from Alberta—over that of locally-generated electricity, it is not at all clear that export markets will exist to facilitate generation development here. There are many other export-related risks, too, including BC's desire to be energy self-sufficient and a "green energy powerhouse", market and currency fluctuations, and rules—such as energy portfolio standards that specify in-state renewable energy sources—that could limit access to other markets. It is also unreasonable to expect Alberta consumers to pay the export-related transmission costs, thereby subsidizing consumers in other jurisdictions.</p> <p>EEC notes that the suggestion of some parties that additional intertie capacity will result in generation development in Alberta is not congruent with the worry expressed by those same parties about increased competition from regulated-monopoly generators in adjacent jurisdictions. How could there be sufficient export opportunities to justify generation development if external parties are already able to sell electricity for less? EEC also notes that the basic law of supply and demand says that Alberta consumers will pay more for electricity as the volume of exports rises. The question of whether export-facilitated generation development will more than offset that first-order effect is indeterminable at this time and, in any case, will ultimately be decided by the market (as it should be).</p> <p style="text-align: center;">For these reasons and others, intertie capacity is best</p>

		<p>constructed by market participants that are prepared to take the associated risks in return for the potential rewards. Where the AESO is required to facilitate increased intertie capacity, it should at least allocate the costs to the beneficiaries (consumers in the case of imports and suppliers in the case of exports) in accordance with fundamental economic principles. If that's not possible (and EEC believes it is), then at a minimum there should be a detailed cost/benefit assessment by the AESO that demonstrates an overall benefit to Alberta.</p> <p>EEC notes that, if one is going to apply the "principle" that loads should directly pay the full cost of delivery from generators, one must allocate export-related costs to exporters. To do otherwise results in consumers outside Alberta not paying the delivery cost, in direct conflict with the "principle."</p> <p>Finally, EEC notes that the AESO's statement (p.8) that the incremental variable costs associated with the use of services or infrastructure should not flow to the users thereof appears contrary to basic economic principles.</p>
<p>4.1 Import Restoration</p>	<ol style="list-style-type: none"> 1. The AESO recommends implementing a dispatchable LSS service with the characteristics noted. 2. The AESO recommends that the revised LSS service will be a system service and will not be associated with import rights. 3. The AESO recommends that the revised LSS program should not be technology specific. 4. The AESO recommends that further options to restore import capacity should be explored. 	<p>EEC supports implementing an LSSi service paid for by users.</p>
<p>4.2 Export Restoration</p>	<ol style="list-style-type: none"> 1. The AESO recommends that a wider range of export restoration options (beyond GRAS) should be explored. 2. The AESO recommends a process to solicit proposals for export restoration should be initiated. 	<p>EEC agrees with the AESO's recommendation to solicit proposals for export restoration. However, EEC disagrees with the decision to not pursue export must-run service. Although section 16(2) of the Transmission Regulation says that the AESO must plan to restore interties to their path ratings without the <u>mandatory</u> operation of generating units, there is no preclusion of the voluntary operation of</p>

	<p>3. The AESO recommends that solutions that require generation to operate outside of the energy market merit order (such as export must run service) should not be pursued.</p> <p>4. The AESO does not recommend that splitting the ancillary services market should be considered as a means to increase export ATC.</p>	<p>generating units, and export must-run provided voluntarily by generators is likely to be among the most economically efficient options for increasing export capacity. Such a preclusion would also lead to the rather bizarre rule that <i>forecasts</i> of highly variable wind generation could increase export ATC, but the availability of dispatchable gas-fired generation would not. The idea that the possibility of engaging in economically sensible transactions should <u>not</u> influence offer behaviour is not rational.</p>
<p>5.0 Next Steps</p>	<p>The AESO is interested in stakeholder comment on the AESO's next steps.</p>	<p>ENMAX requests that the AESO solicit and evaluate all proposals as part of their next steps, and that it reconsider the decision not to allocate export-related costs to exporters.</p>