

LTA Working Group

**Meeting Summary – May 4, 2006
1:30 to 3:30 pm – AESO Offices**

Attendance:

Carrie Haynes	ADC (Valeo)	Judith Athaide	EnCana (Cogent)
Colleen Fairhead	AESO	Terry Dumonceau	EnCana
Gordon Nadeau	AESO	Chris Joy	ENMAX
Kevin Willerton	AESO - Chair	Daniel Jurijew	EPCOR
Lynn Meyer	Altagas	Evan Bahry	IPPSA
Hao Liu	Altalink	Allen Crowley	Luscar
Carl Fuchshuber	ATCO	Mike Nozdryn-Plotnicki	MSA
Norman Mills	BP	Howie Thomas	Nexen
Bruce Roberts	Constellation	Cheryl Terry	TCE
Chad Painchaud	Direct Energy	Ron Henderson	UCA
Peter Leier	DOE		

Out of Market Solutions

This purpose of this meeting was to discuss potential “out of market” solutions that could be included in the AESO’s toolbox should a threshold be breached.

The format was deliberately unstructured to promote idea generation and thoughtful comment.

Two stakeholders provided presentations. Carl Fuchshuber made an argument for including a Load Shed Service in the toolbox. There was general agreement that a Load Shed Service is an appropriate tool. That was the only potential tool discussed that has support from most stakeholders.

Allen Crowley presented a model/template on how solutions could be split into two buckets or at least ranked against two ends of a spectrum (Market Friendly vs. Market Unfriendly)

The AESO handed out a matrix that commented on whether potential solutions should be considered as in market or out of market. The AESO suggested one way to determine if a solution is in market, or out of market is to judge the solution against “fair, efficient and openly competitive”.

The conversation at the meeting suggests that there remains considerable differences of opinion about how in market and out of market should be defined.

Summary of Action Items:

None

Meeting Documents

- [AESO Discussion Paper – In Market and Out of Market Solutions](#)
- [Allen Crowley Discussion Paper – Spectrum of Adequacy Remedies](#)
- [ATCO Discussion Paper – Logjam Threatens Adequacy](#)

Log-jam Threatens Adequacy

Presentation to LTA
Committee – May 2006

Carl Fuchshuber, ATCO Power



The Adequacy Problem

- *The market may not build sufficient capacity to meet the “load’s” reliability requirements*
 - There is “missing money” because scarcity pricing is constrained + other market imperfections
 - There are no explicit capacity contracts so will “load” ever really get comfortable?
- If the market can’t get “load” happy, we need an out-of-market solution

The LTA Problem

1. If many stakeholders perceive an out-of-market solution to be a threat, they will try to obfuscate or otherwise avoid the issue resulting in endless, painful meetings for yours truly
2. If suppliers perceive an out-of-market solution as a threat, they will be reluctant to invest, exacerbating the underlying concern and ultimately threatening the viability of the market

Should we feel threatened?

*“The strongest voices supporting the existing energy only market have come from both **generators and representatives of large loads**. Recognizing that these groups have been the principle beneficiaries of restructuring so far, **it is appropriate that they bear the principle risks associated with any market failure.**”*

June Policy Report (pg 33)

A Principled Approach

- We should be looking to build a reliability backstop to the market – not to undermine the market

Give first priority to solutions which would cause the least distortion to the spot price.

Fair Dinkum

“(g) When contracting for the provision of *reserves*, or *market network services* to make *reserves* available where required, **NEMMCO must give first priority to facilities which, if called upon, would result in the least distortion of the spot price.**”

(Aussie) National Electricity Rules – 3.12.1 Reliability Safety Net

Interruptible Load Contracts

- Purchase the right to interrupt loads when the market fails to clear
 - A contractually firm commitment
 - No incremental distortion of the spot price
 - Flexible - targeted to periods of concern
 - A “load-side” solution to a “load-side” problem (no perverse incentives to the supply side)

*“The thing that hath been, it is that which shall be; and that which is done is that which shall be done: and **there is no new thing under the sun.**”*

Ecclesiastes 1:9

How much could we afford to pay?

- Missing money calculation:
 - Assume a one hour 200MW supply shortfall
 - AIS generation = 10,000MW
 - Market would have cleared at \$3,000/MWh
 - Missing money = 10,000MW x \$2,000/MWh = \$20M
 - You could afford to pay \$100k/MWh of interruption!!

Caveat: Of course this just looks at short term economics – in the long term, it would be cheaper to pay the missing money and let the market build for less than the cost of interruption