

Comments on November 24, 2005 “Revised Implementation Proposal of Imports

The AESO called for comments by November 30, 2005 regarding the above-captioned proposal. Due to the short time frame for replying, Luscar offers this document on a “no prejudice” basis and reserves the right to reformulate its position after reviewing the comments of other stakeholders.

While this new proposal removes many of the problems of the original formulation, it still has minor shortcomings. Luscar is not prepared to support that new alternative. However, the unofficial “Option #2” (Luscar’s term) presented by Kent McDuffie comes closer to the mark. It removes the need for bilateral DEC arrangements and creates an opportunity for any generator that has a legitimate opportunity to charge some scarcity rent, not to forego that by curtailing. If each person in the merit order is progressively given the opportunity to accept the curtailment or pass to the next person in the stack, eventually it would likely reach a generator who has not included any margin above their “indifference price” and who could accept the curtailment without damage to their margin.

It should, therefore, in many cases, yield the same pool price and dispatch as a DEC offer system would have (specifically the one proposed by Luscar in Attachment #1 of its “Quick Hits” comment paper dated October 7, 2005). However, the AESO has not clearly demonstrated what time and cost penalty would be associated with implementing the DEC-offer system in the first instance instead of the Option #2.. If it were about the same, Luscar would encourage the AESO to go directly to the DEC-offer system. If the full DEC method is significantly more money and more time, Luscar would likely support the Option #2 as a good compromise interim step. Luscar would prefer some assurances that the AESO would not simply stop there, but soon begin work on the full DEC-offer method. The same DEC-offer system would serve both the “Importer Setting Price” imitative and TMR reconstitution.

Luscar Ltd.

Allen Crowley

Prepared: November 28, 2005