

Stakeholder Comment Form

TCM: Rule 9.4 AUC Re-Filing Proposal Paper

Date of Request for Comment: December 3, 2009
Period of Consultation: December 3, 2009- January 22, 2010

Stakeholder: MEG Energy Corp. (“MEG”)

Section of Paper	Description	Stakeholder Comments
1 Executive Summary	An overview of the key discussion points and proposals contained in the paper.	<p>MEG has reviewed the AUC Decision 2009 – 042 – “Objections to ISO Rule 9.4 Transmission Constraints Management” and is of the view that the AUC directed the AESO to:</p> <ul style="list-style-type: none">• Identify, use, and fully define fundamental concepts and terms that would impart a common understanding of the application of the TCM rule;• Clarify the process steps that will be followed to manage congestion; specifically to clarify the use of TMR to manage TCM, address what appears to be a missing step under subsection 9.4.4(a) with respect to re-dispatching DDS and add clarity to when a system controller may exercise discretion under subsection 9.4.4 (b) of the TCM rule.• Clarify the scope of the rule; specifically to advise whether the TCM rule is applicable to the planning stage elements related to congestion and to real time congestion or just the latter.• If the scope of the TCM rule includes the planning stage elements, provide a description of how the RAS will be administered within the TCM rule.• Clarify, at a high level, when in real time, the AESO would move from the use of the TCM rule to the use of TMR.

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		<ul style="list-style-type: none"> • Explore the merits of the ENMAX pay-as-bid protocol. <p>Furthermore, the AUC advised that it is of the view that:</p> <ul style="list-style-type: none"> • The use of EMMO dispatch and RMO curtailment does not offend subsections 17(b) and 17(c) of the EUA when the TCM rule is applied for unforeseen congestion that is infrequent and of short duration. However if real time congestion overly distorts market prices or allows the undue exercise of market power, the AUC supports the use of TMR. • The TCM rule, by impacting the pool price through economic dispatch and perverse incentives, by failing to provide compensation to constrained down generators, failing to recognize transmission “rights” for generators and failing to use a TMR/DDS only approach, does not offend the FEOC operation of the market. • The MPOs did not demonstrate that the TCM rule is not in the public interest. <p>The AESO’s proposal will provide additional clarity through definition of terms used in the TCM rule, will continue the current practice of TMR procurement and usage, will make no modifications with respect to DDS dispatch and will provide additional clarity surrounding the conditions under which the SC will exercise discretion in deviating from the protocol in an area. Furthermore, the AESO will revise the TCM rule to clarify that the rule applies only to congestion in real time. The AESO has considered the ENMAX proposal to employ a pay-as-bid protocol and does not recommend such.</p> <p>MEG notes that TCM is essentially supply surplus on a regional basis</p>

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		and encourages the AESO to ensure consistency of both definitions, and of principles for management, under TCM and supply surplus.
2 Introduction	A brief history of Quick Hits rule development and reason for the paper.	MEG has no comment on this section.
3 Background	A brief history of TCM Rule 9.4 development and reason for the paper.	MEG would find it useful to understand the AESO's target date for filing the TCM rule revision with the AUC.
4 Recap of Commission Findings in the TCM Decision	A review Commission FEOC and public interest findings.	MEG has no comment on this section.
4.1 i) Economic Dispatch	AESO use of merit order for dispatch is discussed.	MEG seeks confirmation that Economic Dispatch will form the basis for curtailment under relevant OPPs post approval of the TCM Rule.
4.1 ii) Pool Price Impact	Transmission constraint impact on market is discussed	<p>MEG accepts that the AUC found that the use of RMO to constrain upstream generation and the use of EMMO to dispatch downstream generation acceptable on the provision that the AESO strives to minimize the pool price impact. MEG seeks AESO direction as to the metrics to measure the minimization of the pool price impact.</p> <p>MEG suggests that an RMO directive should not cause a participant to be in violation of its environmental permits (e.g. NOx permit) nor cause a material adverse impact on its processes (e.g loss of bitumen production). MEG requests that the AESO confirm these principles in the dispatch of RMO and confirm that these same principles will form the basis of addressing supply surplus.</p>
4.1 iii) Compensation	A review of the requirement for	MEG has no comment on this section.

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	compensation for being constrained down	
4.1 iv) Transmission “rights”	Generator’s “right” to access the AIES is discussed	MEG has no comment on this section.
4.1 v) Use of TMR/DDS	AESO use of TMR/DDS is discussed.	MEG has no comment on this section.
4.2 i) Long term investment impact	TCM impact on long term investment decisions is reviewed.	<p>MEG notes that the AESO Proposal erroneously references the AUC findings as paragraph 187; the correct reference is paragraph 186.</p> <p>MEG would find it helpful if the AESO provided information on the frequency and duration that the AESO has utilized EMMO/RMO within the TCM rule in the past three years. This information would help validate the AESO’s assertion that the use of such is expected to be infrequent and of short duration.</p> <p>MEG seeks clarification as to whether the AESO currently has all the tools required to dispatch based on EMMO/RMO for the management of TCM.</p>
4.2 ii) Use of business practices	AESO use of business practices for constraint management is discussed	<p>MEG notes that the AESO Proposal erroneously references the AUC findings as paragraph 188; the correct reference is paragraph 187.</p> <p>MEG is of the view that the Commission did not find the use of business practices to be contrary to the public interest, but did reiterate its support for the AESO undertaking the same consultation process for business practices as it does for the AESO rules. MEG requests the AESO confirm its intent to employ the same consultation processes for the development of an ISO rule as for a ISO business practice.</p>

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5 Discussion of Commission Directions in the TCM Decision	This section introduces the discussion of and the AESO proposals regarding each of the Commission directions.	MEG has no comment on this section.
5.1 Clarify the Scope of the TCM Rule	A proposal on whether the TCM rule should be limited to real time or expanded to include planning stage elements is presented.	<p>MEG supports AESO’s proposal to revise the TCM Rule to clarify that it applies to congestion in real time and as such to formulate separate RAS rules and guidelines and to create an information document or flowchart that outlines the AESO’s comprehensive approach to TCM both in the planning stage and in real time.</p> <p>MEG requests the AESO clarify at which point in the planning stage interconnecting participants will be advised that RAS is a prerequisite of interconnection or that the interconnecting participant will be included in OPPs. MEG believes the AESO has an obligation to provide such notification to interconnecting participants in a timely manner. Notification should be provided such that the requirement for RAS, or the requirement to participate in an OPP, can be incorporated into the interconnecting participant’s investment decision process.</p> <p>MEG seeks clarification if there is a reasonable time period for which a generator (load) that has accepted interconnection RAS will no longer have its interconnection RAS activated prior to the use of the 10 sequential steps listed in section 9.4.4 Given the AESO’s planning horizon, would it be reasonable to expect interconnection RAS will no longer be activated prior to the 10 sequential steps listed in 9.4.4 after a period of 5 years, or 7 years?</p> <p>MEG seeks clarification on the use of generation and load RAS in real time. If a generator (load) accepts RAS in the planning stage and installs RAS prior to interconnection, how is RAS on either of a</p>

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		<p>generator or load activated relative to the 10 steps towards transmission constraint mitigation listed in section 9.4.4? Has the RAS on the generator (load) been activated thereby reducing MWs prior to ISO mitigating the transmission constraint?</p> <p>MEG seeks clarification on how many of the more than 70 RAS schemes currently in place are expected to be resolved through wires solutions in the next 5 years?</p> <p>MEG suggests that the AESO’s proposed information document or flowchart also incorporate the interrelationships, and consistency, between TCM and supply surplus. TCM is a subset of supply surplus on a regional basis.</p>
5.2 Clarify the TCM/TMR Rule relationship	A review of how the AESO would move from the use of the TCM Rule to the use of TMR is presented.	<p>MEG requests the AESO:</p> <ul style="list-style-type: none"> • Clarify the definition of foreseeable TMR. Is it applicable to only those constraints that can be forecast in the period between one and two years away? Does it apply to a forecast period 3 years in the future? Are all TMR requirements forecast within the next 12 months defined as unforeseeable TMR? The AESO’s reference for foreseeable is not consistent with that provided in 6.4 – Define Key TCM Rule Terms. • Provide information on the frequency and duration of unforeseeable congestion in the past 3 years as well as the steps taken to mitigate each occurrence and the financial impact on the market. • Identify the local load pockets within Alberta for which TMR has been procured.
5.3 Consider ENMAX Pay as Bid Approach	The merit of using the ENMAX pay as bid proposal within the	MEG supports the AESO’s recommendation not to implement the pay-as-bid protocol as it is an administrative, non-transparent and “out-of-

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	TCM protocol is discussed	<p>market” solution.</p> <p>When a similar approach was employed during the period December 2000 to December 2001 (Pool Price Deficiency Regulation), it provided perverse incentives for import supply to “race to the top”.</p>
5.4 Define Key TCM Rule Terms	A proposal regarding specific TCM rule key terms is presented	<p>MEG offers the following comments:</p> <ul style="list-style-type: none"> • Real-time – The AESO suggests that real time is measured in minutes or at most several hours. Clarification is required regarding the maximum period that would be considered real-time. • Foreseeable – Clarification is required regarding the applicable time period. Does the AESO intend foreseeable to refer to the period beginning at two years in the future and extending indefinitely beyond? • Local load pocket – Clarification would be aided by a list of regions currently deemed to be a local load pocket. • Effective – MEG has no comment on this definition • Planned – the AESO has not defined this term.
5.5 Clarify TCM Rule Process Steps	Specific TCM rule process steps are discussed together with proposals to provide additional clarity where appropriate.	<p>MEG offers the following comments:</p> <ul style="list-style-type: none"> • Use of TMR – MEG has no comments on this section. • Missing DDS Step – Rule 9.4.4.iii addresses DDS providers downstream of the constraint receiving a DDS dispatched off direction, the Proposal suggests that DDS providers downstream of the constraint will receive a DDS dispatch on; as such the first bullet in this section in the Proposal is unclear. • MEG suggests that it would facilitate clarification to provide an information document or flowchart that outlines the approach to TCM as embodied in the rules/OPPs relating to TCM, supply surplus, TMR, RAS and DDS.

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		<ul style="list-style-type: none"> System Controller discretion – MEG reiterates its earlier comments that consistency among definitions, and principles, used in both the TCM context and the supply surplus context must be achieved. In particular, the definition, and application, of “Minimum Stable Generation” must be the same for both protocols and in this regard MEG continues to urge the AESO to consider such factors as violation of environmental permits and disproportionate economic hardship in terms of impact on the primary business of bitumen production resulting from curtailment of a cogeneration unit in defining “Minimum Stable Generation”.
6 Next Steps	Stakeholder feedback on the TCM paper discussion and proposals is requested.	MEG requests the AESO to advise a target date for filing the TCM rule revision with the AUC.