



Market Suspension Discussion Paper

July 29, 2010

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1.0 Executive Summary

ISO Rule 6.9, Energy Market Suspension (“the Rule”) outlines the conditions under which the energy market may be suspended, the process used by the system controller to suspend the energy market, and the methodology for determining system marginal price during such time.

The Rule, in its present form is still applicable within the current market structure; however, the Rule may benefit from updates and clarifications.

The AESO drafted a Market Suspension Issue Identification Paper (“Issue Paper”), which was published for stakeholder comment in July 2009. The Issue Paper outlined areas of the rule that may require an update, and included consideration for new market conditions that may warrant broader applicability of the Rule.

This paper reviews the options for consideration for managing outages to market management tools such as the dispatch tool and options for updating the pricing methodology. Other markets are reviewed as part of the option assessment. A set of principles to be used to evaluate market suspension initiatives is also provided.

The options for consideration during outages to market management tools include:

- Limited Market Operation - Energy market operates using the last merit order available. Generators operating in the Ancillary Service (AS) market continue to operate at the level of their last dispatch. The Dispatch Down Service (DDS) market is suspended. If an interchange tool used in intertie scheduling experiences an outage, a combination of fax and verbal approval is accepted for e-tags.
- Market Suspension - all markets would be suspended during some planned and unplanned market management tool outages.

The options for updating the pricing methodology include:

- Similar day patterns– The Pool Price would be set at an administrative price, which compares demand patterns using historical data.
- 30 day rolling average – The Pool Price would be set equal to the 30 day rolling average price.
- Reference price – The Pool Price would be set equal to the TMR Reference price
- Status Quo - This option represents no change to the market suspension pricing methodology from today.
- Same day of the week – the Pool Price would be set at an administrative price, using historical data, which averages the Pool Price from the four most recent same day and same settlement interval.
- Combined approach - The methodology under the combined approach considers market conditions to the extent possible.

Section 6.2 of the paper considers that the decision to suspend the market should be made by the Chief Executive Officer of the AESO or his designee, with the exception of a blackout. The system controller will retain the authority to suspend market operation in the event of a blackout.

Section 9 discusses suspension of the market for reliability reasons. Due to the wide variety of reliability related situations that could develop, it is proposed that each one is managed on its own merits.

Section 10 of the paper discusses market suspension during non-competitive outcomes. The AESO recognizes that there are other ISO Rules in place to manage conditions such as supply surplus and supply shortfall, and questions the need to suspend the market for these situations. ISO Rules for non-competitive outcomes due to an AIES system failure are not required as other mechanisms are in place such as the MSA's authority under the AUC Act, Section 39(2)(a)(ii).

Section 11 pertains to importing during a market suspension. If a market suspension is declared, there is no real-time visible market price. Importers respond to SMP, and may not be willing to sell into Alberta without a visible SMP. This section of the paper describes the existing mechanisms for importing under specific emergency conditions and seeks feedback on whether these are sufficient during a market suspension.

2.0 Purpose

The purpose of this discussion paper is to outline the options for updating the Market Suspension Rule (the Rule) given the changes that have occurred to the electricity markets since the Rule was first approved.

As the wholesale energy markets in Alberta evolve, it is the AESO's responsibility to ensure that the market rules continue to be relevant and current within the market structure and operational requirements. While still applicable, the Rule may benefit from updates and clarifications.

To date, the energy market has not been suspended. It is the AESO's view that market suspension should only occur under extraordinary circumstances and used as a last resort. It is not intended that market suspension becomes routine in the markets.

3.0 Introduction

The Alberta wholesale market has had a market suspension rule in place since 1999. At present the Rule outlines the conditions under which the energy market may be suspended, the process to be used by the system controller to suspend the energy market and the pre-determined system marginal price during such time.

As part of the Rule review, the AESO has drafted an Issue Identification Paper¹, identifying the reasons for changing the Rule, and to consider new market conditions that may warrant broader applicability of the Rule.

Stakeholder feedback on the Issue Paper and research from other markets were used as an input to the options presented in this discussion paper.

¹ Issue Paper dated July 30, 2009:
http://www.aeso.ca/downloads/Market_Suspension_Issue_Identification_Paper_-_Final_-_July_30_2009_-_for_web_posting.pdf

The AESO intends to follow the normal stakeholder consultation process to ultimately revise the rules for market suspension.

4.0 Market Suspension Policy and Principles

The AESO's mandate is set out in government legislation, regulation and policy. At the highest level, the AESO has two overarching duties: operate the market in a manner that promotes the fair, efficient and openly competitive (FEOC) exchange of electricity, and provide for the safe, reliable and economic operation of the interconnected electric system.

4.1 Electric Utilities Act (EUA) and Policy documents

It is the AESO's responsibility to operate the Power Pool and facilitate the operations of markets for electricity while at the same time providing for safe reliable and economic operation of the interconnected electric system:

EUA, Section 16 - The Independent System Operator must exercise its powers and carry out its duties, responsibilities and functions in a timely manner that is fair and responsible to provide for the safe, reliable and economic operation of the interconnected electric system and to promote a fair, efficient and openly competitive market for electricity.

EUA, Section 17 - The Independent System Operator has the following duties:

- (a) to operate the power pool in a manner that promotes the fair, efficient and openly competitive exchange of electric energy;
- (b) to facilitate the operation of markets for electric energy in a manner that is fair and open and that gives all market participants wishing to participate in those markets and to exchange electric energy a reasonable opportunity to do so;

Inherent in the AESO's market and reliability mandate is the requirement for appropriate back up systems and procedures to be used in the rare occasions when normal processes break down, such as in the case of a market failure. The AESO must continue to carry out financial settlement and ensure that electric energy is exchanged:

EUA, Section 17(d) to carry out financial settlement for all electric energy exchanged through the power pool at the pool price unless this Act or the regulations made by the Minister under section 41 provide otherwise

The AESO must also ensure ancillary service costs are managed and recovered, even when the normal processes are not in place:

EUA, Section 17(f) to manage and recover the costs for the provision of ancillary services

This includes ensuring appropriate rules are in place and determining appropriate emergency measures:

EUA, Section 17(m) to perform any other function or engage in any activity the Independent System Operator considers necessary or advisable to exercise its powers and carry out its duties, responsibilities and functions under this Act and regulations.

It is of the utmost importance that the AESO should have minimal intervention. Market participants should decide market outcomes and the market signals should provide reliability where possible. Therefore, market suspension mitigation measures should consider options that promote minimal market interference.

Alberta's Electricity Policy Framework, Section 4.2 Short Term Adequacy, pg 20 of 51- During the wholesale market review process, the following design principles were established.....to ensure an efficient electricity market, the market structure should be stable enough to provide system reliability through market signals, with minimal market interference.

4.2 Market Suspension Principles

Any AESO initiative must adhere to the concept of a Fair, Efficient and Openly Competitive (FEOC) market and must support a reliable electric system, as per policy and legislation.

In the absence of a FEOC market, market suspension may be contemplated. While FEOC is not explicitly defined by policy or legislation in the context of market suspension, this paper will outline principles for market suspension initiatives that are consistent with the AESO's interpretation of FEOC design principles.

These principles (in no particular order) include:

a) Market suspension must be used as a last resort

The market should remain operational unless extreme conditions prevail. Whenever possible, market outcomes should be decided by the actions of market participants participating in the market.

b) The market should not be suspended for normal market activity

Market suspension should not be considered for normal market activity. Participants should respond to market conditions accordingly.

c) The market price should be visible and transparent to all competitors

The price and the methodology to determine price during market suspension should be visible and transparent to all competitors.

d) Level playing field for all competitors

Rules should be fair and reasonable for all market participants.

e) Market Suspension rule changes must balance design complexity and implementation simplicity.

Generally, as design complexity increases, implementation requirements increase. To ensure there is a balance between design complexity and implementation simplicity, factors such as assessment of cost, impact to IT systems, time required to implement, impact and accessibility to procedures and the process required to implement procedures will be considered.

5.0 Market Suspension Issue Identification Paper – Stakeholder comments

This section summarizes key concerns expressed by participants in response to the Market Suspension Issue Identification Paper. These concerns are listed below:

The majority of stakeholders:

- Agreed that market suspension should only be used as a last resort
- Indicated that the pricing mechanism during an energy market suspension needs to be updated
- Questioned the AUC's authority to suspend the market
- Indicated that DDS should not be suspended during DT outages
- Support market based solutions, where possible, and applicable.

Other comments received include:

- The AESO should not suspend the market due to transmission constraints
- The AESO should not suspend the market due to insufficient energy supply
- The AESO should not suspend the market due to supply surplus conditions
- Changes to the rule for the reasons outlined in the issue paper are sufficient, as long as the rules are clear and transparent
- Other than updating the pricing mechanism the current rules are sufficient, as there are other rules to deal with transmission constraints, supply surplus, and supply shortfall

6.0 Authority to suspend the market

6.1 Authority of AUC within the rule

The provision in ISO Rule 6.9 allowing the Commission to suspend market operations was created in 1999. At that time, it was deemed appropriate for the Commission (known as the EUB) to hold such jurisdiction within the ISO Rules as the Alberta wholesale market for electricity had only been operational for a short period of time.

Some participants have questioned the authority of the AUC to suspend market operations, and it may be appropriate to revisit this rule as the role of the Commission has changed over the past 10 years.

The AUC's authority is outlined in the AUC Act and as a result, the AESO proposes that the authority of the AUC to suspend market operations is removed from the rule language.

6.2 Authority of the System Controller to suspend market operation

The current rules provide the system controller authority to suspend market operation. As outlined within the principles in section 4 of this paper, market suspension should only be used as a last resort. To ensure that market suspension is only used as a last resort, all options must be assessed, and therefore the authorization to declare a market suspension will be escalated within the AESO. The rule should be updated to include rule language stating that a market suspension will not be declared by the AESO without the authorization of the Chief Executive Officer of the AESO or his designee. In the

event of a blackout, the system controller will retain the authority to suspend market operation, as the only option is to suspend market operation.

7.0 Options for consideration during the loss of market management tools

The operation of the wholesale market for electricity relies heavily on the operation of market management tools such as the Energy Trading System (ETS), Dispatch Tool (DT), Energy Management System (EMS), and Automated Dispatch and Messaging System (ADaMS).

Section 3.3.3 of the Issue Paper describes the current practice during the loss of critical tools for market operation and suggests that an update to the rule is necessary to provide further clarity to pool participants and the system controller by determining the threshold and actions during such outages.

This section outlines the options for consideration during market management tool outages, which include limited market operation and consideration for the suspension of all markets. Limited market operation can only be considered if there is access to a merit order. In the absence of a merit order, the only option left is to suspend the market. It should be noted that to date, there has been no occurrences of DT outages where the SC has not had access to a merit order.

Under each option, it is assumed that the same action would be taken for planned and unplanned outages. Table 1 explores the pros and cons of the options listed within 7.1 and 7.2 below.

7.1 Limited Market Operation – market management tool outages

Under this option, the AESO looks to continue operating the market even though one or more of the market management tools that the AESO relies on to operate the market are unavailable.

The strategy is to continue with core functionality by maintaining operation of the energy market using the most recent merit order available. Generators operating in the AS market continue to operate. If additional AS volumes are required, then the system controller would direct assets to provide AS. The DDS market is suspended – meaning that the system controller will be dispatching assets off DDS, and releasing the MW back into the energy market.

The DDS market is suspended as it relies on automated systems which would not be functional. This means that price will not be reconstituted in real time or after the fact.

During market management tool outages, there may be a suspension of payments to suppliers on the margin² (PSM). PSM payments and charges are applied at settlement³ (previous months production period is settled in the current month), however, there are

² Also referred to as “Uplift”

³ 2010-2011 settlement dates: http://www.aeso.ca/downloads/2010_2011_Settlement_Dates.pdf

some risks associated with the accuracy of PSM settlement during such outages. These risks are identified under Table 1.

It should also be noted that when the dispatch tool or the energy trading system are out of service or not communicating with each other, restatements may not be recorded in the AESO's systems. However, participants are required to communicate with the system controller if a dispatch cannot be met⁴ due to an acceptable operational reason.

If an interchange tool used in intertie scheduling experiences an outage, the Western Electricity Coordinating Council (WECC) provides direction within a WECC Interchange tool backup guideline⁵. In such cases, using faxes and phone is accepted. The load serving entity will create the e-tag and fax the tag to all parties involved for approval using the WECC interchange tool back-up tag template. Verbal approval between balancing authorities is accepted. Once approval is received, the final tag is faxed to all parties involved to document the approved tag.

7.2 Suspend all markets

Under this option:

- all markets would be suspended during planned and unplanned market management tool outages,
- the price is set administratively instead of the SMP being set at the highest asset dispatched within the minute in the energy market and,
- the SC would not necessarily follow the merit order, but may direct generating units to meet the supply demand balance.

⁴ Rule 3.4 b)

⁵ WECC Interchange Tool Backup Guideline, effective July 8, 2009:

<http://www.wecc.biz/committees/StandingCommittees/OC/ISAS/Shared%20Documents/WIT%20Backup%20Guideline.pdf>

Table 1 – Options for consideration during market management tool outages

Option	Pro	Con
7.1	<p>-the energy market continues to operate.</p> <p>-the AS market continues to operate.</p> <p>- a merit order is available to operate the system or market by</p> <p>-a market price is available to use (using the last available merit order)</p> <p>-based on the comments submitted by stakeholders on the Issue Paper, the majority of stakeholders support operating the market in some form during market management tool outages</p>	<p>-changes to the energy market merit order may not be incorporated crossing from one hour to another, or from on peak, to off peak, or vice versa. Therefore, the SC may not be dispatching using the most up to date information</p> <p>-no price reconstitution for TMR volumes as the DDS market would be suspended.</p> <p>-PSM may be affected since settlement of PSM requires input of metered volumes and offer information (in ETS) as well as dispatch information (in DT)⁶. Therefore, it is unlikely that PSM will be applied due to it's reliance on automated systems that likely would not be available.</p> <p>-There may be an impact on AS payments if the outage continues from on peak to off peak hours or vice versa. For example, the cost of AS may increase if assets continue to operate as the time changes from off peak to on peak hours.</p>
7.2 Suspend all markets	<p>-no risk of sending out dispatches that may not be accurate because of outdated information, as the SC would only be balancing supply and demand, regardless of a merit order, or price determination.</p>	<p>-price would not be determined by market economics, but it would have to be set administratively</p> <p>-based on comments submitted by stakeholders on the Issue Paper, the majority of stakeholders support operating the market in some form during market management tool outages</p> <p>-market suspension should only be contemplated under extraordinary circumstances, and</p>

⁶Under normal operation, dispatches are sent to participants based on offer information. When the system controller uses the last available merit order, dispatches may not correspond with offer information. Since the PSM calculation relies on dispatch-offer correlation, the payment and corresponding charges may be inaccurate during the loss of market management tools such as the DT.

Option	Pro	Con
		<p>used as a last resort. A market management tool outage may not qualify as an extraordinary circumstance.</p> <p>-no price reconstitution for TMR volumes as the DDS market would be suspended</p> <p>-There may be an impact on AS costs if the outage continues from on peak to off peak hours or vice versa. For example, the cost of AS may increase if assets continue to operate as the time changes from off peak to on peak</p> <p>-payments to suppliers on the margin will not be applied due to its reliance on functioning systems.</p>

8.0 Pricing during an energy market suspension

This section explores pricing options for use under an energy market suspension.

Pricing mechanisms used in other markets during market suspension are also considered within some of the options presented as part of this section. Pricing of energy during an energy market suspension is different in each jurisdiction, as are the rules, conditions, policies, procedures. One of the considerations when reviewing other markets for pricing is whether a pricing mechanism in another jurisdiction is appropriate and could fit within the market structure in Alberta.

Graphs are included within this section as a visual representation of the options presented. Table 2 is included to present the advantages and disadvantages of each option. Some analysis of the graph results may also be included in Table 2.

8.1 Similar day demand patterns

Ontario uses Administrative pricing during periods of market suspension, which compares demand patterns from similar days, taking into account 'conservation efforts'. This method of determining price under such conditions may be relevant in the Alberta market, however, not in the same form.

Under this option, the Pool Price would be set at an Administrative price, which compares demand patterns using historical data.

The administrative price is then calculated by comparing the current hourly load to historical hourly load from the past 60 days (1,440 hours) within a range of +/- 200 MW and taking the average price of these hours.

For example:

Current hourly load = 8000 MW:

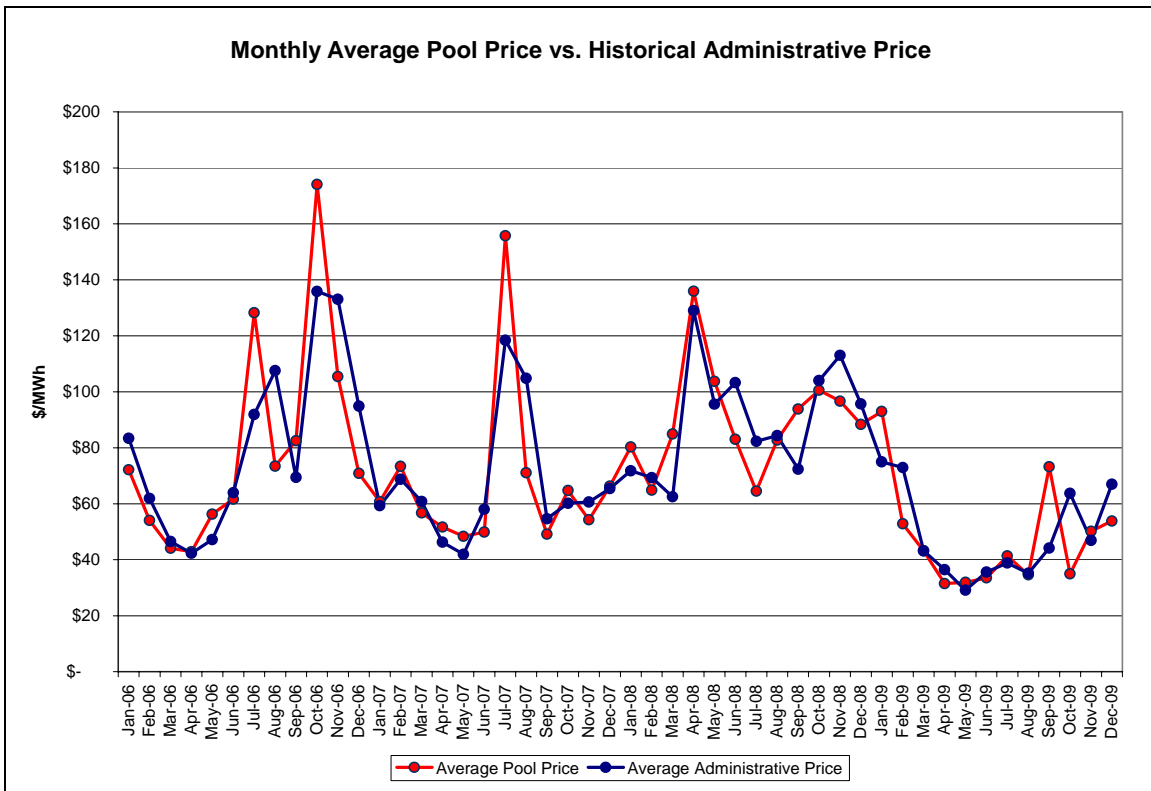
Within the past 60 days, the following historical hourly loads were observed within the range of +/-200 MW:

7900 MW	\$50/MWh
8100 MW	\$49/MWh
8050 MW	\$60/MWh

Therefore, the current hour price = $(50+49+60)/3 = \$53/\text{MWh}$

Figure 1 provides further information regarding this option, using historical AESO data.

Figure 1 - Monthly Average Pool Price vs. Historical Administrative Price

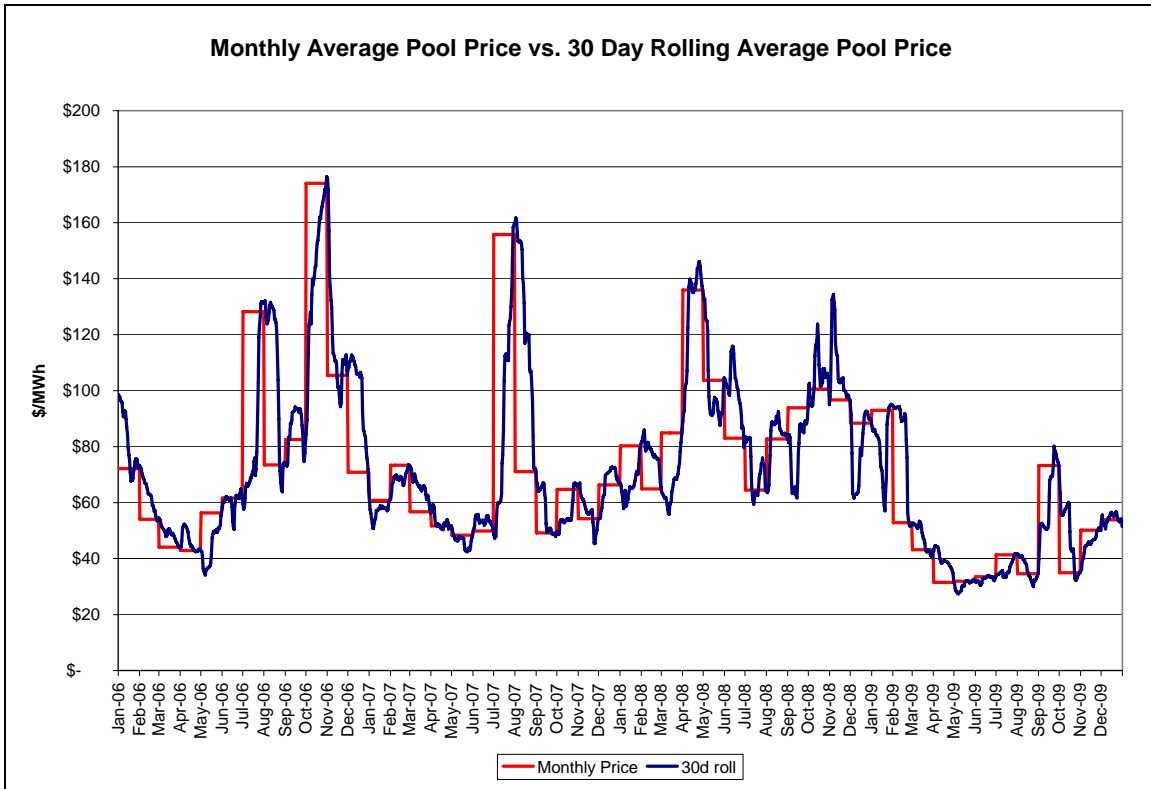


8.2 30 Day Rolling Average

Under this option, the Pool Price would be set equal to the 30 day rolling average price.

Please see Figure 2 below, which compares the monthly average pool price vs. the 30 day rolling average pool price, using AESO data.

Figure 2 - Monthly Average Pool Price vs. 30 Day Rolling Average Pool Price



8.3 Reference Price

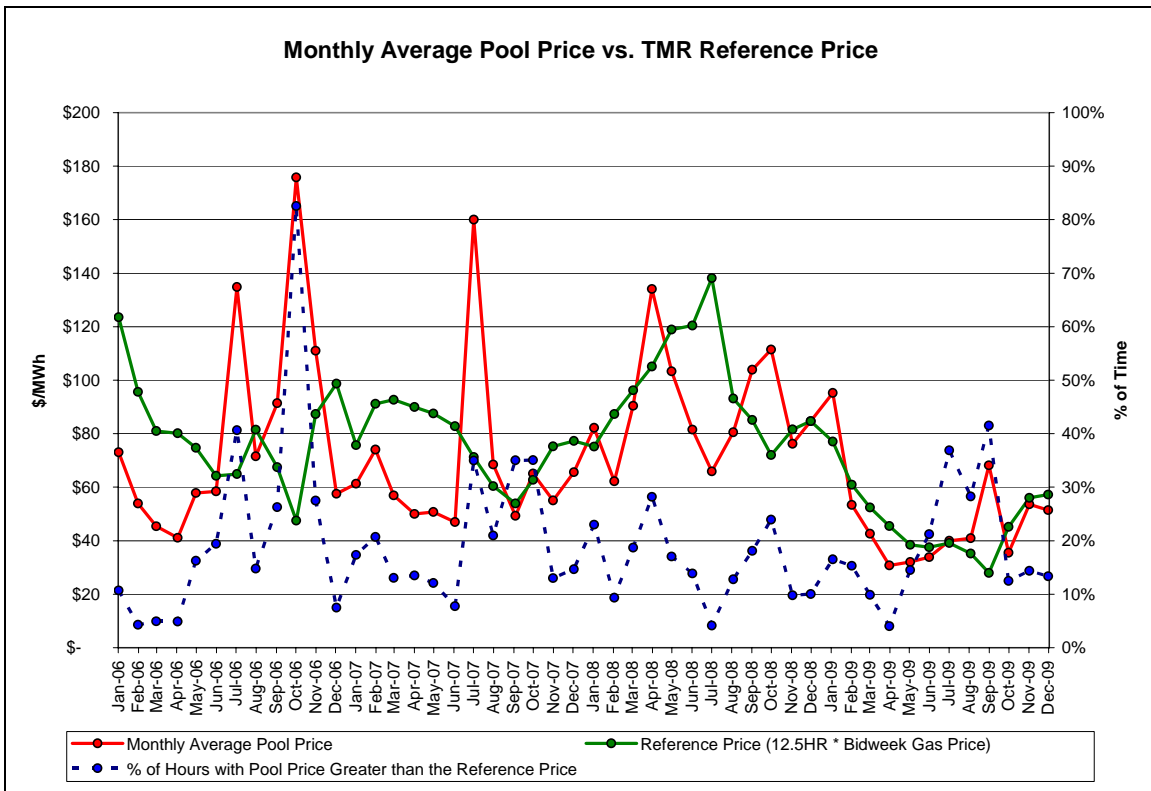
Other considerations when reviewing options for pricing of energy during an energy market suspension includes a review of currently reported data that could accurately represent market conditions during a market suspension, such as the reference price.

Under the Reference price option, the Pool Price would be set equal to the TMR Reference price: 12.5 heat rate multiplied by the Gas Price for the current month, beginning at midnight on the second business day of the same month⁷

Figure 3, below, compares the monthly average pool price vs. the TMR reference price.

⁷ Refer to ISO Rule 3.10 for further details on Reference Price

Figure 3 - Monthly Average Pool Price vs. TMR Reference Price



8.4 Status Quo

Currently, the price during energy market suspension can be determined by the following:

- a) The system marginal price will be set at \$50/MWh in the event of a blackout or
- b) The system marginal price will be set at the price of the last block receiving an energy market dispatch that was eligible to set pool price using the last available energy market merit order prior to the energy market suspension

This option represents no change to the market suspension pricing methodology from today.

8.5 Same day of the week

The Philippines market determines the administered price during a market suspension using an average of the four most recent same day (i.e. Monday to Sunday, Holiday) same hour trading intervals.⁸

Figure 4 compares the actual monthly average hourly price to the monthly average of historical same day hourly prices for the past 4, 8, & 12 same days. In other words, the

⁸ Market Suspension Issue Identification Paper, July 30 2009, Appendix 1, Table 3, page 16

averages of each hourly price calculated for the past 4, 8, & 12 same days was averaged over the month and this is shown graphically as showing each calculation individually is not practical for trending purposes.

In general, it appears that all three time frames give a similar shape as the actual monthly average hourly price. Figure 5 illustrates the monthly average differences between the same day price and the actual price. Overall, the past 4 same days gives the closest approximation of the actual price.

How the methodology works under this option, is as follows:

Look at the last four same day of week prices for the specific hour. For example, if the market is suspended on Wednesday Jan 20, 2010 for HE 9, the average of last four Wednesday, HE 9 prices⁹ will be current hour price.

Wed Jan 13 HE9 = \$34.57/MWh

Wed Jan 6 HE 9= \$57.79/MWh

Wed Dec 30 HE 9= \$47.29/MWh

Wed Dec 23 HE 9= \$53.39/MWh

Therefore, the price for Wed Jan 20, 2010 HE 9 would have been \$48.26/MWh using this methodology. The actual price observed during that time was \$52.80/MWh. The actual price is only included for comparison purposes. During a market suspension, there would not be an actual price.

⁹ Historical pricing information for the example is from Historical Pool Price report: www.aeso.ca > Market and System Reporting > Current and Historical Market Reports > Historical > Pool Price

Figure 4 - Monthly Average Pool Price vs. Monthly Average of Historical Same Day Prices

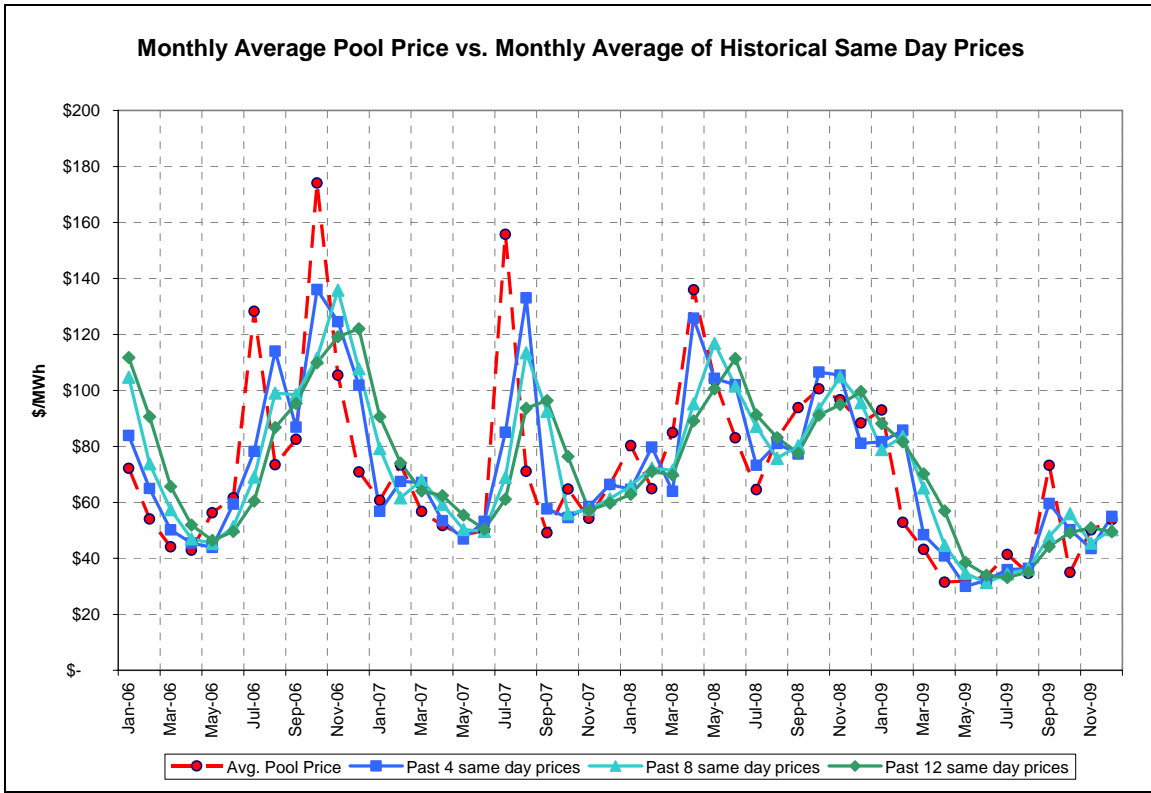
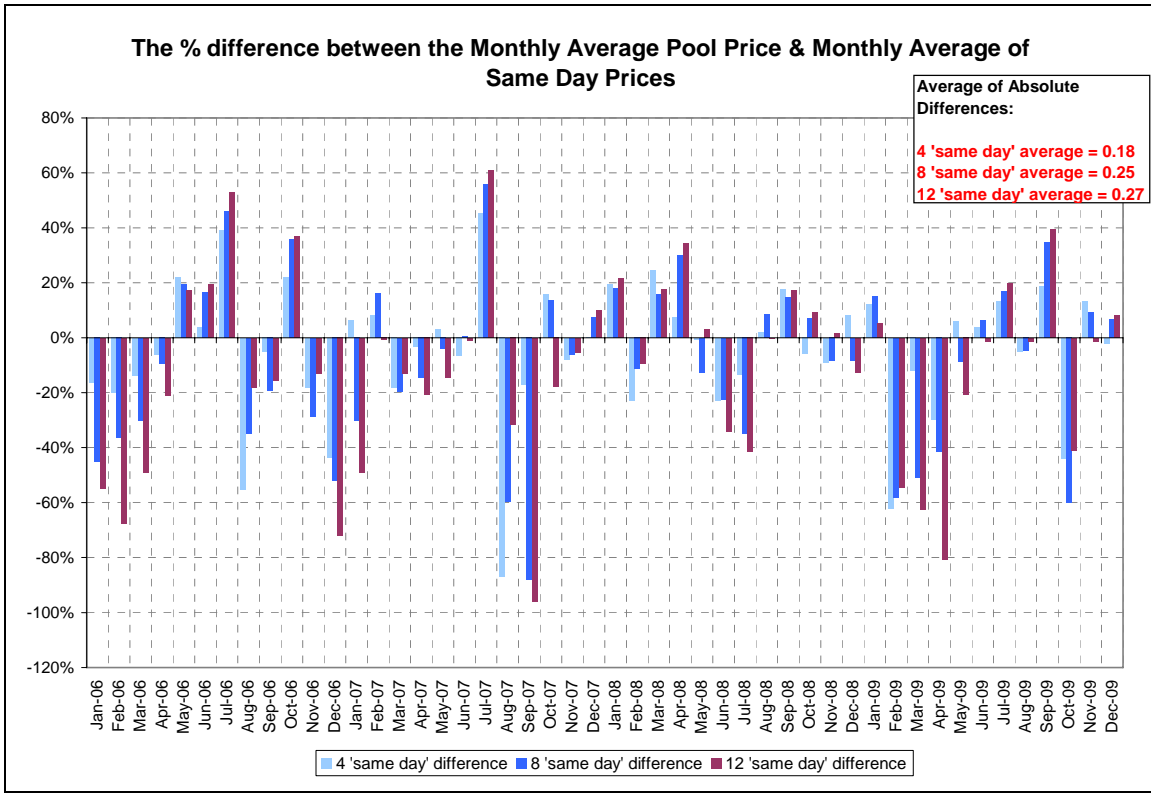


Figure 5 - The % difference between the Monthly Average Pool Price & Monthly Average of Same Day Prices



8.6 Combined approach

The methodology under the combined approach considers market conditions to the extent possible. Under this option, price during a market suspension would be determined as follows:

- a) When all available MW are dispatched in the energy market merit order, the SMP is \$999.99;
- b) The SMP will be set at \$999.99 in the event of a blackout; and
- c) In all other circumstances, the SMP is determined by using one of the proposed methodologies in sections 8.1-8.6 of this paper (the recommended option, determined through this consultation).

Table 2 – Description of Options for pricing of energy during energy market suspension

Option	Advantages	Disadvantages	Other considerations
Determine price using similar day demand patterns as described under section 8.1	<p>The information in Graph 1 suggests that there is a strong correlation to the market.</p> <p>Using a like day would mean that there may be similar conditions, such as the amount of wind.</p>	Demand levels and associated prices on a “normal operation” day may not accurately reflect demand levels and associated prices on a supply shortfall or a supply surplus day. It is therefore important to determine the amount of historical data to incorporate.	<p>Add some consideration for outages, similar to Ontario’s “conservation efforts” as described in section 8.1 of this paper.</p> <p>An IT tool, of some form is required for determining price, so that price can be determined in real time.</p>
30 Day rolling average as described under section 8.2	<p>This option is more appropriate than status quo (\$50/MWh SMP in the case of a blackout), as it is derived from actual prices over a specific time period.</p> <p>Easy to implement.</p>	Price anomalies within the 30 days will affect the 30 day rolling average, and may not accurately reflect the current price conditions.	Power Purchase Agreements (PPA’s) use a similar methodology for RAPP
Reference price as described under section 8.3	Captures the variable gas price on a monthly basis, and a heat rate that is approved through the ISO rules process.	May not accurately represent current market conditions at all times.	
Status Quo as described under section 8.4	No changes to systems or rules required	<p>The \$50/MWh SMP in the event of a blackout does not accurately represent the current market structure.</p> <p>Setting the SMP at the price of the last block prior to the energy market suspension may be appropriate for a period of time, until the information is no longer</p>	

		reflective of market conditions.	
Determine price using values from the same day of the week as described under section 8.5	May provide an objective guide to current market conditions that existed prior to the market suspension event.	Using the same day of the week and not considering other factors such as demand patterns, and outages may not accurately represent market activity, and ultimately, the appropriate price. The only similarity is the same hour, and the same day of the week.	Similar to the Philippines method described in the Issue Paper ¹⁰
Combined approach as described under 8.6	<p>Takes into consideration market conditions, for example, this option proposes that the price when all MW are dispatched in the energy market merit order (EMMO) is 999.99, which is the price under normal operation when all available MW are dispatched in the EMMO.</p> <p>When all MW are dispatched in the EMMO, additional generation may be required to meet system demand. The 999.99 price provides an incentive to importers to sell their MW into Alberta, if tie line capability is available. This may avoid load curtailment.</p> <p>The proposed blackstart price of 999.99 provides an incentive to generators to provide required MW to the AIES as soon as possible.</p>	<p>Administrative for the SC as they will need to keep track of when all MW are dispatched in the EMMO</p> <p>Manual process for settlement purposes</p>	It should be noted that the SC is not obligated to follow the EMMO during a market suspension. However, the SC will be using the EMMO as a starting point, and for visibility on asset availability during a market suspension.

¹⁰ Market Suspension Issue Identification Paper, July 30, Appendix 1, Page 16

9.0 Market Suspension for reliability issues

Feedback received through consultation on the Issue Paper generally supported current market suspension rules related to reliability (i.e. Blackout, SC forced to abandon the workplace, AIES breaks up into two or more electrical islands).

However, as noted in section 5.0 of this paper, most stakeholders and the AESO agree that the pricing mechanism requires an update as the current pricing mechanism for blackout conditions is no longer relevant or reflective of current market economics.

Some participants requested further clarity on determining the thresholds regarding conditions where the AIES breaks up into two or more electrical islands. Electrical islanding is considered in the context of Market Suspension.

A category D event, as described in Alberta Reliability Standard TPL-002-AB-0¹¹ is an extreme event resulting in two or more (multiple) elements removed or cascading out of service. Depending on which elements are removed out of service, electrical islanding may be an example of an extreme condition where market suspension is required. Extreme system conditions that may result in a market suspension should continue to be handled on a case by case basis. As previously stated, market suspension should only be used as a last resort. It is the AESO's intent to maintain market operation where possible.

10.0 Market Suspension for market issues

The Issue paper contemplates market suspension at times when there may be a non-competitive outcome due to market conditions such as insufficient energy supply or supply surplus over an extended period of time. The AESO recognizes that there are other rules such as OPP 801, Supply Shortfall, and OPP 103, Dispatching Multiple \$0 Offers to manage such conditions and does not support suspending the market for those situations.

ISO Rules for non-competitive outcomes due to an AIES system failure are not required as other mechanisms are in place, specifically, the powers of the Market Surveillance Administrator (MSA). The MSA's mandate under the AUC Act with respect to the electricity market includes surveillance and, where applicable, investigation and enforcement in respect of "the structure and performance of the electricity market¹²" and "conduct that does not support the fair, efficient, and openly competitive operation of the electricity market¹³."

The AESO seeks stakeholder feedback on market suspension in the context of non-competitive outcomes for the conditions outlined above.

11.0 Importing during a market suspension

If a market suspension is declared, there is no real-time visible market price. Importers respond to SMP, and may not be willing to sell into Alberta. During a market

¹¹ Alberta Reliability Standards (ARS), http://www.aeso.ca/downloads/ARS_Complete_Standards.pdf, Appendix 1, page 96 of 109 – referenced from Jan 22, 2010 ARS

¹² AUC Act, Section 39(2)(a)(ii)

¹³ AUC Act, Section 39(1)(b)(ii)

suspension, it may not be appropriate to curtail load if tie line capability is available that could supply the energy to avoid load curtailment.

Currently, there are no specific rules enabling the AESO to import under a market suspension condition. However, there are existing mechanisms for enabling the AESO to import under specific emergency conditions under OPP 807 and OPP 803, which enable the AESO to request emergency energy from BCTC and SaskPower for a 1 hour period, with any energy received or delivered paid back to the supplying entity with energy in kind. Under a system blackout, the AESO also has ancillary service contracts to provide energy on the tie lines.

The AESO seeks feedback on whether the existing mechanisms under OPP 807 and OPP 803 are sufficient during a market suspension.

12.0 Next Steps

The AESO is interested on feedback on this discussion paper.

- Stakeholder comments are due by **August 31, 2010** as per the normal consultation process. Please submit the comments to Ruppa Minhas at ruppa.minhas@aeso.ca.
- Ultimately, ISO Rules will be developed, following the normal rules consultation process, based on stakeholder input.