

**AESO Discussion Paper – Intertie Framework
Stakeholder Comment Matrix**

Response of NaturEner USA, LLC/NaturEner Energy Canada Inc. – May 28, 2010

Section	Feedback Requested	Stakeholder Response
4.0 Policy Coherence	The AESO is interested in feedback on the principles for alignment of interties into the Alberta market and larger interconnected marketplace. The AESO is also interested in the order priority that should be given to the principles given there would be likely tradeoffs between principles.	<p>NaturEner supports the AESO's efforts to develop an overall framework for Interties but emphasizes that this effort must address operating (AB-BC and AB-SK), permitted and pending (MATL) and future possible interties. NaturEner encourages the AESO to pursue and implement solutions in an expeditious manner, including through the use of expedited rule making authority.</p> <p>With respect to the overall principles, the obligations in section 16 of the EUA to promote a fair, efficient and openly competitive market for electricity and to provide for the safe, reliable and economic operation of the system should be the first priority principles guiding the AESO's efforts. Beyond that, it is difficult to comment in general on the appropriate resolution of competing or conflicting law, regulation or policy without specific circumstances, as such an exercise necessarily involves a fact-based balancing of the applicable principles.</p>
5.0 Intertie Framework	The AESO is interested in feedback on the intertie framework and the decisions identified.	

<p>5.1 Real-Time Dispatch/ Scheduling</p>	<p>The AESO is interested in stakeholder comment to the following questions:</p> <ul style="list-style-type: none"> • Should the AESO adopt real-time dispatch and scheduling on the interties and what are the impacts to market participants? • If yes, should the AESO do so through dynamic schedules, intra-hour scheduling every 5 minutes or by using the existing scheduling process in real-time? • Should the AESO again explore a dispatch up/down service or system market product on the interties as a substitute to real time dispatch and what are the suggested designs? • Do stakeholders interpret policy to permit for a bi-lateral market? 	<p>As a general principle, the AESO should align its dispatch and scheduling procedures and capabilities to be consistent with other systems within the Western Interconnect in order to minimize the impact of “seams” issues on market participants. Once aligned, the AESO should continue to monitor scheduling and e-tag practices of such systems to ensure that it maintains this cohesion.</p> <p>For as long as there is a discrepancy (particularly with respect to curtailment of import/export ATC after the WECC scheduling cutoff), market participants will continue to bear significant exposure, including jeopardizing relationships with counterparties. This is unacceptable. To this end, intra-hour and dynamic scheduling should be developed and implemented by the AESO.</p> <p>As noted in the Paper, dynamic scheduling would facilitate commercialization of intermittent energy such as wind energy, which would be consistent with the PES direction cited in principle 2 of the Paper, that interties should “facilitate development of additional wind generation”.</p> <p>NaturEner does not read current legislation and policy as prohibiting market participants from entering into bi-lateral agreements. The EUA requires the AESO to “carry out financial settlements for all electric energy exchanged through the power pool” (s. 17(d)) and to “manage and recover cost for the provision of ancillary services” (s. 17(f)). The legislation requires AESO to handle financial settlement and to manage and recover cost for ancillary services; it does not require that AESO itself procure dispatch down services, nor does it prevent other parties from entering into arrangements to do so.</p>
<p>5.2 Transmission Rights - Policy</p>	<p>The AESO is interested in stakeholder comment as to whether current policy permits the assignment of transmission rights to ATC and whether interties should be treated by the same rules as internal generators and loads.</p>	<p>NaturEner agrees that Alberta legislation does not provide for priority access of incumbent lines to the commercial rights of system ATC, nor does it provide for priority access of incumbent lines to any incremental increases in system ATC created by the development of LSSI/GRAS or similar products. In addition to the comments submitted by NaturEner in response to the AESO’s Intertie Restoration Initiative Paper, NaturEner</p>

		<p>notes that the direction in the TReg for the AESO to “prepare a plan and make arrangements to...restore to, or near to, its path rating” is being met by, among other things, the build out and reinforcement of the transmission system. Enabling restoration of path rating is an independent obligation of the AESO that does not translate into assignment of priority transmission access to the Alberta system for incumbent interties. There is absolutely no direction in the legislation or regulation to support that result. Moreover, priority access of incumbent lines to ATC in an energy-only market with no “transmission rights” offends the statutory duty of AESO to facilitate the operation of markets “in a manner that is fair and open and that gives all market participants wishing to participate in those markets a reasonable opportunity to do so”.</p> <p>In addition, the creation of significant barriers to entry for new market participants is wholly inconsistent with the FEOC principle enshrined in the EUA. MATL has received permits from the National Energy Board and, pursuant to a delegation of authority under the <i>National Energy Board Act</i>, the Alberta Energy and Utilities Board, to construct and operate a 300 MW international power line. The commercialization of such a line is necessarily dependent upon the sale of long-term firm transmission rights in volumes adequate to support the cost of construction and operation. Not allowing MATL to access any of the ATC (and instead reserving it all for incumbent interties) means that MATL cannot enter the market, as we understand its viability to be dependent on the ability to deliver on its commitment to provide firm transmission rights. It would not only be a “significant barrier” to market entry, it would render impossible the addition of new interties. It is simply untenable to allocate all of the available ATC to incumbent interties.</p> <p>Alberta government policy seeks to encourage the development of interties and the regulations specifically contemplate the development of merchant interties. However, it is evident that Alberta will not be able to attract development of merchant interties if these interties would be subject to unfair advantages compared to incumbent government-owned participants. One of the stated purposes of the EUA is to provide for market design in which neither the market nor the industry in Alberta</p>
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		<p>is distorted by “unfair advantages of <i>government-owned participants</i> or any other participant”. Creating an environment where only government-owned utilities (including government-regulated, rate-base funded utilities as in Alberta) are able to finance and construct intertie transmission, whereas merchant developers (financed on the basis of customer commitments, with no recourse to or funding from rate-base) strikes against one of the fundamental purposes of the EUA. NaturEner requests that at the very minimum, the AESO give equal weight to the rights of MATL to access the ATC.</p>
<p>5.3 Product Priority</p>	<p>The AESO is interested to stakeholder comment to the following questions:</p> <ul style="list-style-type: none"> • What would be objectives of a new product on top of an opportunity transmission product to import and export customers? • What would be the design options of a new product (see appendix A for assistance)? • Should ATC priority be assigned by tariff/commercial product? • Would an auction to different products be preferred and what would be the design of that auction methodology? 	<p>NaturEner does not support the creation by AESO of differentiated products as a means to address the allocation of ATC among the interties. Priority access should be determined by the sale of firm, “conditional firm” or non-firm transmission rights on the interties in a manner consistent with the FERC OATTs to which the interties are subject. The AESO should not attempt to create a commercial solution to what is supposed to be a temporary technical constraint; rather, it (proposal #4) should leave the commercial solutions to the interties.</p> <p>Instead, the AESO should remain focused on alleviating ATC constraints and, in the interim, determining how to allocate ATC among the interties.</p> <p>On a related note, if, as a means of facilitating the development of additional wind generation (as directed in the PES), the AESO adopts a policy to accept imports of non-firm/intermittent energy, NaturEner would support the development of a lower-priority tariff (i.e. dispatched only when the posted ATC is not “fully subscribed”) for such energy.</p>
<p>5.4 ATC Allocation Tiebreaker</p>	<p>The AESO is interested in stakeholder comment to the following questions:</p> <ul style="list-style-type: none"> • Should the AESO adopt a pro-rata solution instead of LIFO as a tie breaker? 	<p>As a shipper with 300 MW of firm transmission rights (MT-AB) on MATL, NaturEner is not supportive of an approach that results in less than 300 MW of ATC available for MATL. However, given the reality of the constrained system, of the options presented, NaturEner prefers the</p>

	<ul style="list-style-type: none"> • If pro-rata is used, how should it be calculated? • If LIFO is used, should the AESO use LIFO at xx:yy or only approve up to the system ATC? • What time xx:yy should be used in curtailment to maximize utilization of the ATC and provide maximum flexibility to participants and transmission operators? • What differences in application may be required for import as opposed to export transactions? • What other design options are there for considering ATC allocation tiebreakers? 	<p>pro-rata allocation among interties (proposal #4) as the appropriate interim solution for allocating ATC of same priced, same quality power.</p> <p>In an unconstrained scenario, shippers would have access to “firm” ATC on the interties equivalent to the contract quantity of their “firm” transmission rights. As it is clear that there is insufficient ATC and that the AESO does not expect this to change significantly in the short-term; in this environment, the next best thing is to provide shippers with an ongoing degree of certainty for the amount of power that they will be able to ship into Alberta by allocating ATC among interties on a pro rata basis. (It is a matter between shippers and transmission facility owners to develop a commercial solution where ATC available to firm shippers is lower than the contract quantity; this is not the AESO’s issue.)</p> <p>The pro rata among interties approach is also the only one that could enable the development of an additional intertie, a goal of the PES. Interties need to know how many MW shippers will actually be able to flow to determine the extent to which they can sell “firm” transmission rights against the path. Without some certainty around these numbers, it will be difficult, if not impossible, for additional interties to be constructed.</p> <p>Related to the above, while we do not agree with the characterization and interpretation by the AESO of the decision of the BC Utilities Commission in <i>Re A Complaint by TransCanada Energy Ltd. (September 10, 2009)</i>, we do believe that this decision provides further support for the use of a pro rata allocation by line. This mechanism is the only result that allows interties to determine the amount of long-term firm rights that can be sold taking into account constraints of the Alberta system.</p> <p>Pro-rata allocation among shippers (proposal #3) does not provide shippers with visibility on the likely outcome of their schedule. An uncertain result each time will degrade the character of shippers’ contracts to the point where they are no longer “firm”.</p> <p>The LIFO mechanisms (proposals #1 and #2) suffer the same shortcoming as the pro-rata by shipper proposal in that they provide no</p>
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<p>7.0 Next Steps</p>	<p>The AESO is interested in stakeholder comment on the AESO’s next steps.</p>	<p>NaturEner encourages the AESO to move as quickly as possible to develop certainty for all market participants on these issues, including through the use of expedited rule filing powers.</p> <p>NaturEner strongly objects to the inference in the Paper (and clarified by the AESO at the Market Services Stakeholder Session on May 26, 2010) that the ATC allocation tiebreaker rule (which is, in fact, proposed to include only OPP changes) to be filed in August 2010 will only address the short-term issue of the export ATC tie-breaker for the AB-BC and AB-SK lines. As MATL has already been permitted by the EUB and the NEB (among others) and has announced that it has given notice to proceed to its contractor, the AESO should consider this to be an “existing” intertie for the purposes of developing market rules and OPPs.</p> <p>Instead of the proposed next step, the AESO should develop a market rule addressing a tie-breaker mechanism for all interties (in import and export situations), supported by the development of and changes to OPPs.. Attempting to address the lack of a tie-breaker mechanism by amending OPPs or by ignoring MATL is not an appropriate or sufficient path forward.</p>

		<p>This is imperative as given the timeline of recent rule-making initiatives, there is little chance that the implementation of the broader intertie framework will be effected by the time MATL has indicated that it expects to complete construction (i.e. Q2 2011). (To put this into its proper context, the time from submission of the proposed rule to the AUC to implementation date on recent rules has exceeded two years.)</p> <p>Does the AESO intend that MATL and its shippers wait until after the line has been fully financed and constructed before they know how much/if any power can flow over the line into Alberta?</p>
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The following table can be used as a guide to proposing tariff product design. Please fill out the suggested design detail as per the characteristic. You may suggest new characteristics.

Characteristic	Proposed Product Design
I1 Legislated Requirements	
I1a Planning	
I1b Recovery of connection costs	
I1c Recovery of system costs	
I1d Losses	
I2 Currently-Approved Tariff Provisions	
I2a Bulk system charge	
I2b Local system charge	
I2c Point of Delivery (POD) charge	
I2d Operating reserve charge	
I2e Loss charges	

Characteristic	Proposed Product Design
I2f Voltage control (TMR) charge	
I2g Other system support charge	
I2h Take or pay provisions	
I2i Transaction fees	
I2j Construction contribution/ Interconnection Costs	
I2k Generator system contribution	
I2l Contract term	
I3 Other Considerations	
I3a Conceptual basis	
I3b Market access	
I3c System planned to accommodate	
I3d Curtailment for capacity limitations	
I3e Price offers/bids	
I3f Supply surplus/shortfall conditions	
I3g Market Obligations	