Appendix B
AESO Recommendation Paper - Operating Reserve Market Redesign
Stakeholder Comment Matrix
Industrial Power Consumers Association of Alberta (IPCAA)

Section	Subsection	Stakeholder Response
3.1 Market Framework	**3.1.1 Create a single trading platform to concentrate liquidity and establish more meaningful OR price indices**	• IPCAA concurs that all procurement should be on an open and transparent platform
	3.1.2 Minimize AESO influence - submit bid volume requirements in auction format	• IPCAA is concerned that the single pricing mechanism will be non-competitive during periods of potential supply shortfalls • IPCAA opposes the use of a single clearing price and recommends the use of a pay-as-offered mechanism • The single clearing price indexed to the hourly price provides a "free option" to suppliers at the cost to consumers – suppliers should pay for this optionality
	3.1.3 Minimize AESO influence - D-1 auctions	• Cornering of a mandatory product with transparent volumes is a major concern with respect to the pricing mechanism • There is nothing in the proposed design that suggests how this will be mitigated other than after-the-fact reviews by MSA. • MSA reviews will not be completed until long afterwards and policing will be too difficult • Competitive procurement should be ensured by the market design not by post transaction reviews

3.2 Market Products and Pricing	**3.2.1 Add to the suite of D-1 OR products**	• IPCAA agrees with the added products, although pricing mechanism is of concern
	3.2.2 Continue to use On/Off peak products instead of hourly products	• IPCAA opposes a move to T-2. This would provide suppliers with even greater optionality. • If pricing point moved to T-2, suppliers could release some OR to the energy market if it is not needed for OR. • The highest priced supply would be released first, resulting in a double benefit for suppliers and additional payments for load to make.
	3.2.3 OR indexed to pool price, marginal pricing for homogenous products and pay as offered for non-homogenous products	• IPCAA opposes the use of single clearing price. Suppliers should be made responsible for their offers. Competition is much more effective if supply is responsible for their offers. Why should suppliers receive a windfall benefit if they were prepared to sell at a lower price than the marginal offer? • Use of a single clearing price mechanism in the energy market is not a sufficient reason to use the same flawed mechanism in the OR market. Load inherently ends up paying more than is necessary under the single clearing price mechanism. • The primary justification given for use of a single clearing price in the energy market is that suppliers would all price at the same highest marginal offer if they knew the demand for each SMP interval, and the hourly mechanism operates in real-time; • However this is not the case with OR which is procured a day in advance and suppliers have adequate time to consider firm supply offers at which they are prepared to supply
	3.2.4 OR market price cap equal to energy market price cap	• IPCAA disagrees with the OR price limit being set at the price cap for energy, and with the use of index pricing. Suppliers should be required to take the risk between the OR and the energy market. It should not be the

		responsibility of loads to assume and pay for this risk – without some form of compensation
3.3 Procurement Process and Timing	**3.3.1 Apply selling logic for profile and non-standard offers**	• If this works here it should work for all OR supply
	3.3.2 A reasonable procurement schedule	• Schedule is fine
	3.3.3 Fix market closes and create price discovery	• Fixed market closes will limit competition and result in load paying more than necessary for OR. Random closes work extremely well in RRO auctions and would be effective in OR auctions as well. • The only valid downside that has been presented against the use of random closes is the time commitment involved. Traders have the option of modifying their offer during the random close period; however, if their offer is competitive, they will not need to do so. • There are only three active products being procured each day and five minute random closes would add only 15 minutes to the trade schedule – a small increment in time to get competitive activity • While IPCAA is in support of simplifying the procurement process, this should not be done by eliminating key competitive elements. Random closes work and should be used here.
3.4 Market Participation and Obligations	**3.4.1 No must offer requirement**	• IPCAA concurs that must-offer requirements are anti-competitive and should not be included.
	3.4.2 Remove virtual units	• This will reduce the ability to transact early; however D-1 procurement will also hamper this ability. Thus, D-1 procurement would not allow for virtual units.
	3.4.3 Standing offers facilitated by blind offers	• IPCAA vehemently disagrees with this proposal. Competition requires transparency. Blind offers is not a solution that will foster competition – if blind offers are

		implemented, loads will end up paying more for OR than they should have to.
	3.4.4 5MW minimum blocks	• No comment
	3.4.5 No limitations around price/quantity pairs	• No comment
	3.4.6 Allow for flexible and inflexible offers in most cases	• IPCAA disagrees with this proposal, particularly if a single clearing price mechanism is used. If a lower priced unit is not selected due to an inflexible volume, and the rules require a higher priced flexible volume to be selected, then all supply would benefit from one supplier's inflexibility. This is inherently uncompetitive.
	3.4.7 Inter-ties participation unaffected	• Further clarification is required on this issue. It is vital for market participants to understand the implications of LSR, and whether this increases or allows for inter-tie participation.
	3.4.8 Dealing with conflicting ancillary service obligations	• IPCAA agrees partially with this concept. This will also need to apply to future DR suppliers that may want to participate in both low probability DR and in OR.
3.5 Dispatching and Technical Terms	**3.5.1 All active OR providers dispatched. Standby providers dispatched as needed**	• This should consider a potential release of higher priced OR at T-2 if it is not needed. • Generators will be able to offer into the energy market, and if they are selected to run, should not receive compensation for OR.
	3.5.2 Technical Standards process unchanged	• Need to consider loads for spinning reserves as per FERC guidelines (Order 890). This is already being implemented in other jurisdictions.
	3.5.3 Testing	• IPCAA agrees
3.6 Multiple Buyers	**3.6.1 Facilitate Self Supply by financial arrangements**	• The key factor for self-supply as a financial hedge will be the degree of convergence of the financial products to the single clearing price model proposed through the tariff adjustments suggested – IPCAA welcomes the opportunity

		to participate in these discussions
	3.6.2 AESO facilitate third party asset substitution	• It would appear that making the D-1 transactions firm would encourage these types of transactions and should be considered by the AESO rather than allowing sellers the option to not supply if they are on a forced outage
3.7 Out of Market Actions	**3.7.1 Exhaust market solutions prior to conscripting OR providers**	• IPCAA agrees with use of in-market solutions in preference to conscription; however, OR suppliers should not be able to benefit from such actions. The failure to participate in the OR market may be encouraged if suppliers receive greater compensation from being conscripted than from the market
	3.7.2 Process required for conscripting OR providers	• A published queue for conscripting suppliers with the top of queue the next to be conscripted may encourage greater market participation if the supplier is better off with an in-market solution
	3.7.3 Consult on market suspension process and rule	• IPCAA welcomes opportunity to participate
3.8 Compliance and Market Integrity	**3.8.1 Remove perverse incentives, provide clarity around acceptable/unacceptable behaviour and potential consequences**	• IPCAA agrees. The penalty for non-compliance must always exceed the benefits of performing as contracted.
	3.8.2 Continue to use force majeure definition in NGX Agreement	• IPCAA agrees
	3.8.3 Improve transparency of OR providers	• IPCAA agrees – transparency of market information enhances pricing efficiency
3.9 OR Market in ISO Rules and Contractual Items	**3.9.1 Documentation of OR Rules**	• IPCAA does not wholly support this recommendation – the AESO is a market participant and as such may be perceived to be in a conflict situation if it is also the Rule maker. • If trading remains on the NGX system then rules with respect to price discovery and pricing integrity should remain with NGX.

		• Rules with respect to the technical requirements for supply of the OR products should be AESO Rules
	3.9.2 Amendments to the NGX and Over the Counter (OTC) Agreement	• IPCAA agrees with the alignment of the OTC agreement with NGX. • It should be clarified why and where the OTC will be required in the future
	3.9.3 OTC Agreement	• IPCAA does not see the need for any OTC arrangements under this proposal. Supply will either trade on NGX or be conscripted.
4.0 Policy Coherence		• The re-design proposed for a single D-1 auction procurement with a single clearing price and no random close period may not be FEOC consistent if suppliers regularly withhold supply to influence prices or otherwise game the system with "offer jamming" at the close. • Suggesting that this market redesign proposal is compatible with the 2005 policy paper ignores several of the issues raised with respect to self-supply and multiple buyers.
5.0 Consultation and Implementation Process	**5.1 Implementation of Administrative Improvements to NGX**	• IPCAA agrees with the need for administrative simplicity

6.0 Post Implementation Process	**6.1 Post implementation review**	• IPCAA welcomes the opportunity to participate in the Phase I process and would encourage the AESO to model the potential impacts of these changes on overall OR costs to ensure that the market design, albeit it simpler, is not more costly to DTS payers
	6.2 Phase II	• IPCAA remains very skeptical of the re-design for a T-2 alignment with the energy market. It is time that electricity and OR providers took price responsibility for their offers instead of having cost-less options at the expense of ratepayers. • The AESO has already introduced several so-called price efficiency measures (Quick Hits), which have yet to have any discernible positive impacts on consumer costs of electricity.