



Market Policy Framework

"Quick Hits"

Implementation Proposal

September 21, 2005

Introduction

On June 6th, 2005, the Alberta Department of Energy released a major electricity market policy paper entitled, “Alberta’s Electricity Policy Framework: Competitive – Reliable – Sustainable”. The paper was the result of over a year and a half of dialogue and discussions led by the DOE and involving stakeholders, the AESO and the other implementing agencies.

The Policy Framework makes numerous recommendations regarding refinements to the existing wholesale electricity market structure. The recommendations are grouped into the following three categories:

- 1) Short term adequacy (also referred to as STA)
- 2) Long term adequacy (also referred to as LTA)
- 3) Other inter-related market issues

On August 31, 2005, the DOE and the AESO released a timetable for implementation of the recommendations contained within the Policy Framework. This document describes the proposed implementation of the Stage 1 Rules or “Quick Hits” as outlined in the implementation timetable. We anticipate the Quick Hits recommendations will be implemented in late November or early December, 2005.

The release of this document marks the start of the formal consultation process regarding the implementation of the Quick Hits. The AESO will be having smaller group meetings with stakeholders during the remainder of September and two larger stakeholder meetings on October 5.

Please review the attached proposals. The AESO will be accepting written comments on the proposal until October 14th, 2005. Please submit your comments to Wes Green at wes.green@aeso.ca

This document is organized in three sections as follows:

1.0 Standard Definitions

The Standard Definitions are definitions that are used commonly and repeatedly throughout the Term Sheets. These Definitions are primarily derived from, or are intended to be consistent with, existing ISO rule language.

2.0 “Term Sheets”

The Term Sheets basically provide additional clarification and definition to each of the Policy Framework recommendations included within the Quick Hits package, and articulate how the AESO envisions the implementation of the recommendations. The following Term Sheets are included in this package:

- 2.1 Merit Order Stabilizers – Must Offer, Must Comply and Restatements
- 2.2 Treatment of Imports as Intra-Alberta Generators
- 2.3 Payments to Marginal Generators
- 2.4 Reconstitution of Pool Price for TMR Energy

There are several recommendations related to STA that are not included in the Quick Hits package. The AESO will continue to focus on proposals for the remaining recommendations and related initiatives through the remainder of 2005.

3.0 Frequently Asked Questions (“FAQs”)

A list of FAQs are included at the end of the package. The purpose of the FAQs is to provide additional clarity and insight as to both the development and the content of the information included in the Term Sheets.

1.0 STANDARD DEFINITIONS

Standard definitions are used throughout this document. For a comprehensive list of definitions please refer to the Pool Rules. The following is a list of the standardized terms that are used throughout this document:

“Acceptable Operational Reason” means with respect to an asset,

- i) a circumstance related to the operation of the asset which if it operated could reasonably be expected to affect the safety of the asset, the environment, staff or the public, or
- ii) re-positioning as Asset within the energy market due to the need to meet a Dispatch given to that Asset from the System Controller to serve the Ancillary Services market; or
- iii) re-positioning an Asset within the energy market to manage unanticipated physical or operational constraints associated with the Asset, or
- iv) and event caused by force majeure.

“Available Energy (AE)” ,

- i) for an intra-Alberta Source Asset means the maximum quantity of energy that the Asset is physically capable of providing during each Settlement Interval of the Trading Day including but not limited to, emergency capacity ratings, capacity constrained energy such as on a hydro system and alternate fuel energy such as gas firing on a coal unit.
- ii) for an import Source Asset means the maximum quantity of energy that the Importer is capable of providing during each Settlement Interval of the Trading Day up to the total amount of firm or non-firm transmission held by the Participant for those Settlement Intervals.

“Available Transfer Capability, (ATC)” means a measure of the transfer capability remaining in the physical transmission network for further commercial activity over and above already committed uses. Mathematically ATC is defined as the Total Transfer Capability less the Transmission Reliability Margin less the sum of existing transmission commitments.

"Energy Consumption" means for all pool participants

- not exporting from the AIES through use of an interconnection, the metered MWh value for the Settlement Interval representing the deemed electric energy received by the pool participant as recorded in the ISO data base.
- exporting from the AIES through use of an interconnection, the energy market dispatch MW volume to be transferred across that interconnection during the Settlement Interval and as recorded in the dispatch log.

“Energy Production” means for all pool participants

- not importing to the AIES through use of an interconnection, the metered MWh value for the settlement interval representing the actual electric energy supplied by the pool participant as recorded in the ISO data base.
- importing to the AIES through use of an interconnection, the energy market dispatch MW volume to be transferred across that interconnection during the Settlement Interval and as recorded in the dispatch log.

“Energy Market Merit Order” means the list of all valid offers and bids for a settlement interval sorted in order of offer and bid price blocks.

“Energy Market Dispatch” means a direction given by the System Controller to a Pool Participant to cause a specified amount of electric energy to be provided to or taken off the AIES based on the Energy Market Merit Order and includes an instruction to synchronize, desynchronize, increase or decrease electrical output.

“Energy Trading System” means the Internet-based system used to manage electricity market transactions.

“Equivalent Operating Block” means an operating block of an in-merit intra-Alberta generating unit that is available to be dispatched in place of the import Operating Block.

“Operating Block” means the discrete MW level as defined within an Offer or Bid and is the basis by which an Asset receives an Energy Market Dispatch.

“Policy Framework” means the document entitled “Alberta’s Electricity Policy Framework: Competitive – Reliable – Sustainable” as prepared and released by the DOE on June 6, 2005.

“Source Asset” means an Asset used to represent a supply source, and may include an Asset with Energy Production or an Asset with Net Settlement Instruction MWh Volumes sold to a purchaser to be settled in the Power Pool.

“Settlement Interval” means a period beginning on the hour and ending 60 minutes later and is the time increment that the MWh amounts are settled financially by the ISO.

“System Controller” means the ISO scheme to carry out the ISO duty to direct the safe, reliable and economic operation of the AIES, pursuant to the Act and includes the Dispatching of the Energy Market Merit Order and the Ancillary Services Merit Order.

“Total Transfer Capability (TTC) means the amount of electric power that can be transferred over the interconnected transmission network in a reliable manner while meeting all of a specific set of defined pre- and post-contingency system conditions.

“Trading Day” means the Day to which an Offer or Bid relates and for which the prices in an Offer or Bid are binding, starting with Hour Ending 1 and ending with Hour Ending 24.

“Transmission Must Run” (TMR) means a generator is constrained on to operate at a minimum specified MW output level in order to maintain system security

“Virtual TMR Operating Block” means an Operating Block that is equivalent in size (MW) to the TMR Ancillary Services Dispatch for an asset dispatched for TMR .

2.0 TERM SHEETS

The Term Sheets provide additional clarification and definition for each of the Policy Framework recommendations included within the Quick Hits package, and articulate how we envision the implementation of the recommendations. The following Term Sheets are included in the package:

- 2.1 Merit Order Stabilizers – Must Offer, Must Comply and Restatements
- 2.2 Treatment of Imports as Intra-Alberta Generators
- 2.3 Payments to Marginal Generators
- 2.4 Reconstitution of Pool Price for TMR Energy

The Policy Framework also contains the following recommendations with respect to short term adequacy:

- Mismatch of dispatch price and settlement price (page 22*)
- Reliability unit commitment (RUC) (page 22*)
- Loads not bidding in (page 24*)
- Greater demand response (page 24*)
- Improved price forecast (page 24*)
- Outage coordination (page 25*)
- Impact of intermittent resources (page 25*)

These recommendations are not specifically addressed in the Quick Hits package. However, the AESO will continue to focus on these remaining recommendations and related initiatives through the remainder of 2005.

* Alberta Department of Energy, Alberta's Market Policy Framework: Competitive - Reliable - Sustainable. June 6, 2005.

2.1 Merit Order Stabilizers – Must Offer, Must Comply and Restatements

The Policy Framework recommends that “market participants with supply must submit their energy price quantity pairs for the energy market before gate closure on the day before the delivery day. All available volume must be offered and the total volume may not be restated except for physical operational reasons. In addition, dispatch issued by the ISO must be complied with.” (page 25*). The Policy Framework also recommends “that intra-Alberta generators have the ability to restate the price of their offered energy (consistent with current locking restatement format) until two hours before the start of the delivery hour.” (page 24*). The purpose of this Term Sheet is to clearly define the key terms and conditions associated with these recommendations as follows:

- Must Offer:** Before noon on the day before the next Trading Day, a Market Participant with a Source Asset must submit price quantity pairs to the Energy Trading System. A Market Participant must also provide the physical characteristics of their Source Asset and/or Operating Block including, but not limited to, start-up times and ramp times.
- All Available Energy must be offered and may only be restated for an Acceptable Operational Reason.
- Energy Restatement:** An Energy Restatement is a restatement of Available Energy. Available Energy may be restated at any time and may only be restated for an Acceptable Operational Reason.
- Price Restatements:** A Price Restatement is the restatement of price and/or redistribution of energy between Operating Blocks. A Participant may restate the prices associated with the Source Asset’s Operating Blocks at any time prior to two hours before the start of any Settlement Interval.
- A Market Participant may redistribute energy between Operating Blocks at any time prior to two hours before the start of any Settlement Interval.
- Price Restatements will not be allowed within two hours of the start of any Settlement Interval.
- Merit Order:** The System Controller will establish the Energy Market Merit Order approximately two hours prior to the start of each Settlement Interval.
- Must Comply:** The System Controller will use the Energy Market Merit Order to provide Market Participants with their Energy Market Dispatch instructions within each Settlement Interval.
- A Market Participant with a Source Asset must comply with an Energy Market Dispatch of the Source Asset’s Operating Blocks.

* Alberta Department of Energy, Alberta's Market Policy Framework: Competitive - Reliable - Sustainable. June 6, 2005.

2.2 Treatment of Imports as Intra-Alberta Generators

The Policy Framework recommends “To the extent possible, imports are to be treated the same as intra-Alberta generators” (page 39*). The purpose of this Term Sheet is to clearly define the key terms and conditions associated with this recommendation as follows:

Operating Blocks: An import Source Asset will consist of seven Operating Blocks.

Non-Zero Price Offers: An import Operating Block will be eligible to submit a non-zero price offer, and therefore be eligible to set the System Marginal Price, if the Source Asset is deemed to be able to accept an Energy Market Dispatch.

An import Operating Block will be deemed to be able to accept an Energy Market Dispatch if the Importer has established an agreement with an approved in-merit intra-Alberta Generating Unit to dispatch down an Equivalent Operating Block in the event that the import Operating Block becomes out-of-merit during the Settlement Interval.

An Importer must continue to submit a \$0 / MWh price offer for the import Operating Blocks that are deemed to be non-dispatchable.

An Importer may elect to submit a \$0 / MWh price offer for import Operating Blocks that are deemed to be dispatchable.

Must Offer: An Importer holding firm transmission into Alberta must submit price quantity pairs to the Energy Trading System before noon on the day before the next Trading Day. All Available Energy must be submitted and may only be restated for an Acceptable Operational Reason.

The Available Energy submitted by an Importer holding firm transmission will be considered to be an existing transmission commitment for the purposes of determining the Available Transfer Capability.

The difference, if any, between the quantity of firm transmission held by the Importer less the Available Energy submitted by the Importer will be deemed to be released by the holder of the firm transmission and deemed to be available for the purposes of determining the Available Transfer Capability.

An Importer holding non-firm transmission into Alberta must submit price quantity pairs for the Source Asset’s Operating Blocks to the Energy Trading System at least two hours before the start of any Settlement Interval. All Available Energy must be offered and may only be restated for an Acceptable Operational Reason.

* Alberta Department of Energy, Alberta's Market Policy Framework: Competitive - Reliable - Sustainable. June 6, 2005.

Energy Restatement: An Energy Restatement is a restatement of Available Energy. Available Energy may be restated at any time and may only be restated for an Acceptable Operational Reason.

Price Restatements: A Price Restatement is the restatement of price and/or redistribution of energy between Operating Blocks. An Importer may restate the prices associated with the Source Asset's Operating Blocks at any time prior to two hours before the start of any Settlement Interval.

An Importer may redistribute energy between Operating Blocks at any time prior to two hours before the start of any Settlement Interval.

Price Restatements will not be allowed within two hours of the start of any Settlement Interval.

Merit Order: The System Controller will establish the Energy Market Merit Order approximately two hours prior to the start of each Settlement Interval. The Energy Market Merit Order will include all the offers to import on firm transmission.

The Energy Market Merit Order will also include the lowest priced offers to import on non-firm transmission up to the Available Transfer Capability.

T- 60 Notification: Importers that are expected to be in-merit during any Settlement Interval will be notified approximately 60 minutes prior to the start of the Settlement Interval. Importers that are notified that they are expected to be in-merit will submit eTags to the System Controller at least 30 minutes prior to the start of the Settlement Interval.

Must Comply: The System Controller will use the Energy Market Merit Order to provide Importers with their Energy Market Dispatch instructions within each Settlement Interval.

In the event that an import Operating Block becomes Out-of-Merit during the Settlement Interval the System Controller will dispatch down the Equivalent Operating Block associated with the in-merit intra-Alberta Generating Unit.

An Importer must comply with an Energy Market Dispatch of the Source Asset's Operating Blocks. The associated in-merit intra-Alberta Generating Unit must also comply with an Energy Market Dispatch of the Equivalent Operating Block.

2.3 Payments to Marginal Generators

The Market Framework paper dated June 6, 2005 recommends “in the interim and as a possible alternative...intra-Alberta energy blocks that are dispatched within a settlement hour will receive the greater of pool price or their offer price for the dispatch period within the hour. Any uplift required to compensate generators...will be allocated to load.” (page 22*). The purpose of this Term Sheet is to clearly define the key terms and conditions associated with this recommendation as follows:

Pool Price: All Energy Production and Energy Consumption will be paid Pool Price, calculated as the 60 minute time weighted average of the System Marginal Prices for the Settlement Interval.

Eligibility: An Operating Block of any Source Asset is eligible to receive Uplift for a Settlement Interval in which both of the following conditions are met:

- a) The Operating Block receives an Energy Market Dispatch within the Settlement Interval.
- b) The offer price associated with the dispatched Operating Block is greater than the Pool Price for the same Settlement Interval.

Uplift: Eligible Operating Blocks will receive the difference between Pool Price and the Operating Block’s offer price for the incremental energy produced by the Operating Block in accordance with the Energy Market Dispatch.

Based on Energy Production and dispatch volumes of electric energy in a Settlement Interval:

- if the Source Asset has under produced, then no uplift will be paid;
- if the Source Asset has produced an expected range, then uplift will be based on the incremental Energy Production that contributed to the dispatch instruction
- if the Source Asset has over produced, then uplift will be based on the MW volume dispatched for the time it was dispatched.

Load Allocation: The uplift paid to Source Assets in each Settlement Interval will be prorated to the Energy Consumption in that Settlement Interval.

* Alberta Department of Energy, Alberta's Market Policy Framework: Competitive - Reliable - Sustainable. June 6, 2005.

2.4 Reconstitution of Pool Price for Transmission Must Run (TMR) Energy

The Market Framework paper dated June 6, 2005 “supports the concept of reconstituting the clearing price for all instances where TMR is employed on an interim or temporary basis.” (page 38*) However the Policy Framework does not recommend reconstituting the price “where TMR has taken on the role as a cost effective an appropriate long-term alternative to building transmission”. (page 38*) The purpose of this Term Sheet is to clearly define the key terms and conditions associated with these recommendations as follows:

Note: This proposed reconstitution methodology will require a change to the Transmission Regulation.

Components of TMR service and TMR compensation are currently in front of the AEUB as part of the Ancillary Services Amendment Application. Principles established through the AEUB process may affect this proposed methodology for TMR reconstitution.

TMR Categories: TMR generation required to relieve a constraint will be deemed to be interim or temporary in nature unless is specifically identified by the AESO as a long-term alternative to building transmission. TMR is currently used in the Rainbow Lake and Grande Prairie regions as well as the Edmonton and Calgary regions. All of the TMR currently in use is deemed to be temporary in nature.

Reference Price: A Generating Asset providing TMR service will require a TMR Reference Price to be used in the calculation of the reconstituted System Marginal Price.

The specific methodology for determining the TMR Reference Price will be consistent with the principles regarding appropriate compensation for TMR service that will be established through the AEUB process.

Reconstitution: The System Marginal Price will be reconstituted for all instances where a Generating Asset supplying TMR on an interim or temporary basis is dispatched pursuant to a TMR Dispatch.

The following steps will be invoked when a Generating Asset supplying TMR on an interim or temporary basis is dispatched pursuant to a TMR Dispatch:

- 1) A Virtual TMR Operating Block will be inserted into the Energy Market Merit Order. The offer price associated with the Virtual TMR Operating Block will be the TMR Reference Price. The quantity (in MW) associated with the Virtual TMR Operating Block will be equivalent to the quantity (in MW) of TMR dispatched pursuant to the TMR Dispatch.
- 2) The Energy Market Merit Order will be re-established to include the Virtual TMR Operating Block.

* Alberta Department of Energy, Alberta's Market Policy Framework: Competitive - Reliable - Sustainable. June 6, 2005.

- 3) In real time, the System Marginal Price will be reconstituted as the price of the highest priced Operating Block that would have been required to meet the AIES Demand.
- 4) The Pool Price will be calculated as the average of the 60 one minute reconstituted System Marginal Price values determined for each minute of the Settlement Interval.

Settlement: Financial settlement will continue to be based on metered volumes in accordance with ISO Rule 8 – Power Pool Financial Settlement.

3.1 Merit Order Stabilizers – Must Offer, Must Comply and Restatements

Q1: Can offer price and MW volume be revised prior to T-2? If so, how frequently?

A1: Yes, both MW volumes equal to the Available Energy and offer prices can be restated an unlimited number of times up to 2 hours prior to the start of the Settlement Interval. The proposed definition of price restatement reflects a substantial change from the current locking restatement practice.

Q2: With the T-2 limitation on restatements, will the provision of market information change?

A2: No, market information will continue to be published on the AESO website.

Q3: Can an Energy Market Dispatch be declined? What if I have an Acceptable Operational Reason?

A3: No, participants must comply with all Energy Market Dispatches. A participant must restate their Available Energy immediately when they are aware of a change resulting from an Acceptable Operational Reason.

Q4: Can Available Energy be restated for economic reasons?

A4: No, all Available Energy must be offered and may only be restated for an Acceptable Operational Reason.

Q5: Will energy constrained capacity (e.g. Emergency Capacity Ratings, hydro) be reflected in Available Energy?

A5: Yes, Available Energy must be current, including energy constrained capacity; operating constraints will be identified with the generating asset.

Q6: How does a generating asset offer its Available Energy if it returns unexpectedly from turnaround within T-2?

A6: Participants are required to provide accurate and timely estimates of Available Energy. However, a process will be established to permit a generating asset to offer their energy if it returns unexpectedly from turnaround.

Q7: Does the changing physical requirements of a steam host or thermal host at a cogeneration site constitute an “Acceptable Operational Reason”?

A7: Yes, the definition of Acceptable Operational Reason includes re-positioning the Asset to manage unanticipated physical or operational constraints associated with the Asset.

Q8: Will run of river generation be required to provide any Must Offer information such as expected generation volumes on a day ahead basis?

A8: Yes, however MW volumes may be restated for an Acceptable Operational Reason.

Q9: Will wind generation be required to provide any Must Offer information such as expected generation volumes on a day ahead basis?

A9: Given the nature and characteristics of wind generation, rules and technical requirements related to wind generation continue be developed. Various initiatives are looking at the variability of wind and integrating wind generation into the market structure is ongoing. In the interim, wind will continue to participate in the market as a price-taker.

Q10: Will a generating asset receive an Energy Market Dispatch two hours ahead of time?

A10: No. An Energy Market Dispatch will be issued in real time consistent with current ISO procedures. Interties will receive a pre-dispatch notification at approximately T-60 minutes and an advance Energy Market Dispatch to ramp near to the hour. Interties may receive an Energy Market Dispatch down during the Settlement Interval, similar to intra-Alberta generators.

3.2 Treatment of Imports as Intra-Alberta Generators

Q1: Will interties receive any preferential information by receiving T-60 notification?

A1: No. All participants will receive a forecast pool price, as they do today. Both the forecast pool price and the notification will be provided 60 minutes prior to the start of the Settlement Interval.

Q2: Why do interties require advance notification?

A2: Interties are managed through predetermined interchange schedules. Importers require advance notice in order to submit their interchange schedules prior to the start of the Settlement Interval.

Q3: Is it necessary to notify an importer if their schedule is in-merit prior to the start of the Interval?

A3: Our current belief is that it is most economically efficient for all participants that import be notified in advance that they are expected to be in merit. This methodology is consistent with scheduling practices typically used between adjacent Control Areas in bilateral markets. However, within the Working Group, an observation has been made that importers may not require advance notification. This alternative would schedule all imports up to the ATC and then require them to dispatch down their intra-Alberta generator if they are out of merit. The Working Group is evaluating the merits of this alternative.

Q4: Can a firm transmission holder on the intertie offer less than their total firm capacity day ahead?

A4: Yes. A holder of firm transmission may offer up to the amount of the firm transmission capacity that they hold. This amount becomes the importer's Available Energy, which can only be restated for Acceptable Operational Reasons.

Q5: What happens to the firm transmission capacity if it is not offered day ahead?

A5: The firm transmission not offered day ahead is determined to be uncommitted and is included in the ATC calculation. This firm transmission on the intertie is effectively released to the market.

Q6: How is the import schedule determined?

A6: All firm day-ahead import offers forecasted to be in-merit will receive an Energy Market Dispatch. All other in-merit import offers will be prioritized from lowest price to highest priced and will receive an Energy Market Dispatch, totaling up to the ATC. If there are more equal priced offers than ATC, priority will be determined by the neighbouring jurisdiction's transmission tariffs.

Q7: Can an importer use a price restatement within T-2 if market conditions change so that imports become uneconomic?

A7: No. Importers must comply with an Energy Market Dispatch; changing market conditions is not an Acceptable Operational Reason.

Q8: For an importer to offer price, must they be capable of receiving an Energy Market Dispatch up during the hour?

A8: No. An import will not receive an Energy Market Dispatch up during the hour if it was not scheduled for the Settlement Interval. However, if an importer has received an Energy Market Dispatch down during the Settlement Interval, they must respond to an Energy Market Dispatch up to the original level during the same Settlement Interval.

Q9: How will the System Controller determine whether an import is in-merit?

A9: At T-60, the System Controller will determine if an import is in merit using the Energy Market Merit Order and the lowest forecasted load for the Settlement Interval.

Q10: Is an importer eligible for “offer uplift”?

A10: Yes. Imports that receive an Energy Market Dispatch on and subsequently receive a dispatch off during the Settlement Interval will receive the greater of their offer price or pool price for the incremental volume was dispatched for and over the time the Energy Market Dispatch was in effect.

Q11: What if an importer offers energy and does not have the required transmission product at T-2, but expects to acquire transmission as it becomes available within the T-2 timeline? Is that acceptable?

A11: No, failure to acquire transmission after T-2 is not an Acceptable Operational Reason.

Q12: How will imports be dispatched if, within T-60, conditions change and the system is predicted to be in offer shortfall?

A12: The AESO will use OPP 801 procedures to dispatch imports. First, imports that at T-60 were predicted to be out of merit will have an opportunity to supply offered MW volumes. Then, if the intertie is not fully utilized, the AESO will make a request to other jurisdictions as it does in shortfall procedures today.

Q13: How will market power issues be dealt with on the intertie?

A13: Any issues of market power abuse, including but not limited to hoarding of transmission along the intertie, will be investigated.

Q14: Will there be seams created by the introduction of changes to the import procedures?

A14: Imports will continue to receive Energy Market Dispatches during the same timeline and using the current tagging process. It is expected that these rules will not significantly impact current seams issues with other jurisdictions.

Q15: What if an importer cannot make an arrangement with an intra-Alberta generator to accept an Energy Market Dispatch in the event that the import is marginal and falls out of merit?

A15: An importer is only deemed to be dispatchable and therefore only eligible to offer a non-zero price to the extent that the importer has an arrangement with an intra-Alberta generator to accept an Energy Market Dispatch.

Q16: Will the provider of an Equivalent Operating Block be notified when they receive an Energy Market Dispatch as a result of an importer becoming out-of-merit?

A16: Yes, the intra-Alberta generator will receive a dispatch instruction from the System Controller.

Q17: Will exports be expected to follow the same procedures as imports?

A17: The current practices and procedures for exports are not being changed as a result of the quick hits package.

3.3 Payments to Marginal Generators

Q1: Will payments to marginal generators affect how the pool price is calculated?

A1: No, the current methodology for calculating pool price will remain unchanged. However, pool statements will include an additional payment to generators or a charge to load for Settlement Intervals when uplift occurs.

Q2: Will a supplier receive an uplift payment for the entire output of their unit?

A2: No, a supplier will not receive an uplift payment for the entire output of their unit, unless all of the prices of a generating asset's blocks that received an Energy Market Dispatch are above the pool price for the hour. Offer blocks for a Source Asset that received an Energy Market Dispatch that are equal to or below pool price will receive pool price. Offer blocks for the same Source Asset that are greater than pool price will receive pool price and also qualify to receive an uplift payment.

Q3: If I have hedged my load or if I self-supply, will I pay uplift?

A3: Yes, uplift will be prorated to all load (hedged and unhedged) as determined by the meter volumes provided to the AESO.

Q4: How much uplift should a load expect to pay?

A4: The amount paid by load will depend greatly on price volatility, and will change hour by hour and year by year. 2004 data, which is not necessarily reflective of future market conditions, suggested that than an average of \$0.04/MWh would have been paid by load.

Q5: Why is the supplier paid the higher of offer price or pool price, instead of the average SMP over the period it received an Energy Market Dispatch?

A5: The Policy Framework proposes payments to the marginal generator as an alternative to aligning the settlement and dispatch periods. Within the working group, the observation has been made that generators would receive the average of SMP, not the offer price, if dispatch and Settlement Interval periods were aligned. This issue will be revisited when evaluating the business case for aligning the dispatch and Settlement Interval.

3.4 Reconstitution of the Pool Price for TMR

Q1: Will a generating asset who is constrained down to facilitate a TMR dispatch receive compensation?

A1: No. Financial settlement will continue to be based on metered volumes in accordance with Rule 8 – Power Pool Financial Settlement.

Q2: When a generating asset receives a TMR dispatch, can its energy offers be restated for the balance of its Available Energy?

A2: Yes. However, like all other generators, they will not be able to do a Price Restatement of their original offers within the T-2 time frame.

Q3: For purposes of TMR pool price reconstitution, why are reference prices required for generating assets?

A3: The Policy Framework recommends that “the TMR processes, practices and rules should be simple, transparent and reasonable resulting in energy price signal fidelity, fair compensation for TMR service providers and protection for consumers from overpayment for TMR services” and that ISO will “create processes, practices and rules to address the...mitigation of market power for TMR units.” The reference price is intended to represent the price of a generating unit that would not be receiving additional compensation pursuant to a TMR agreement. The reference price is used to effectively reinsert the TMR energy block into the Energy Market Merit Order for the purposes of determining the unconstrained price.

Q4: How will the TMR Reference Price be determined?

A4: Numerous options for determining the reference price are being considered, however at this time the Working Group has not settled on a specific methodology.

Q5: Will there be more than one price published, an SMP with TMR price reconstitution and one without?

A5: No. The SMP will be reconstituted in real time. Only one pool price will be published.

Q6: Will the Reference Price and actual TMR dispatch volume be made available to market participants?

A6: Yes, the Reference Price and TMR dispatch volume will be included, but not specifically identified within the historical trading report.