

Responses to Stakeholder Comments on Supply Surplus Recommendation Paper

Date: June 28, 2011
Prepared by: Hameed Zaman
Senior Analyst, Market Operations

Table of Contents

1.	Purpose and Background	1
2.	Short Term vs. Long Term Solution.....	1
2.1.	AESO Recommendation.....	1
2.2.	Stakeholder Feedback.....	1
2.3.	AESO Response.....	1
3.	No Exemption for Wind Generators	2
3.1.	AESO Recommendation.....	2
3.2.	Stakeholder Feedback.....	2
3.3.	AESO Response.....	2
4.	No Exemption for Co-generators	3
4.1.	AESO Recommendation.....	3
4.2.	Stakeholder Feedback.....	3
4.3.	AESO Response.....	4
5.	Voluntary Generator Curtailment Request (VGCR)	4
5.1.	AESO Recommendation.....	4
5.2.	Stakeholder Feedback.....	4
5.3.	AESO Response.....	5
6.	Exports Within T-2	5
6.1.	AESO Recommendation.....	5
6.2.	Stakeholder Feedback.....	5
6.3.	AESO Response.....	6
7.	Voluntary Generator Curtailment Program (VGCP).....	6
7.1.	AESO Recommendation.....	6
7.2.	Stakeholder Feedback.....	6
7.3.	AESO Response.....	7
8.	Rules and Procedures	8
8.1.	AESO Recommendation.....	8
8.2.	Stakeholder Feedback.....	8
8.3.	AESO Response.....	9

9.	Minimum Stable Generation (MSG) and Minimum Operating Level (MOL)	9
9.1.	AESO Recommendation.....	9
9.2.	Stakeholder Feedback.....	9
9.3.	AESO Response.....	10
10.	Reporting	10
10.1.	AESO Recommendation.....	10
10.2.	Stakeholder Feedback.....	10
10.3.	AESO Response.....	11
11.	Additional Comments	11
11.1.	Stakeholder Feedback.....	11
11.2.	AESO Response.....	11
12.	Next Steps	12

1. Purpose and Background

The purpose of this paper is to provide responses to stakeholder feedback on the Supply Surplus Recommendation Paper published December 2, 2010. Each section corresponds to a recommendation from the paper and includes a summary of the AESO recommendation and stakeholder feedback followed by the AESO response.

2. Short Term vs. Long Term Solution

2.1. AESO Recommendation

The AESO proposed developing short-term and compatible long-term solutions simultaneously for updating the supply surplus procedures to ensure a level playing field for all competitors and to effectively manage the potential increase in \$0 energy expected in the near future.

2.2. Stakeholder Feedback

1. ATCO Power questions the need for a short-term solution and suggests it does not level the playing field. ATCO Power suggests the existing supply surplus procedure can handle the potential increase in supply surplus events and a sustainable long-term solution should be the focus.
2. NextEra Energy Canada prefers market solutions to administrative ones but recognizes a short-term administrative solution may be required to ensure reliability until a longer-term market solution can be implemented.
3. TransAlta supports addressing the short-term and long-term solutions simultaneously.
4. TransCanada supports addressing the short-term and long-term solutions simultaneously.

2.3. AESO Response

The AESO is continually reviewing the market and looking for opportunities to increase fairness while maintaining system reliability. In particular, the current supply surplus protocol exempts wind and cogenerators from the procedure, which, in the AESO's view, is not fair. Updating the procedures is necessary to ensure a level playing field by not providing blanket exemptions for any particular type of generation, while accommodating the different characteristics of each generation type to the extent possible.

In addition, the generation landscape is expanding and evolving. With the potential for an increase in \$0 energy later this year, it is imperative that the AESO procedures reflect this evolution so the system can continue to be managed reliably and ensure all participants are treated fairly. As such, the AESO is addressing the supply surplus challenges expected in the near future. While the current recommendations are sustainable, the AESO will continue to monitor for effectiveness and evaluate the options when considering future enhancements.

3. No Exemption for Wind Generators

3.1. AESO Recommendation

The AESO recommended removing the current exemption for wind generators in the supply surplus procedures to ensure a level playing field for market participants.

3.2. Stakeholder Feedback

1. ATCO Power states wind generators have a negative variable cost and is concerned that wind generators are disadvantaged by not being able to offer at cost. ATCO Power suggests removing the exemption is premature, would not level the playing field for wind and recommends negative pricing as the long term solution.
2. Capital Power supports the removal of the exemption for wind generators.
3. Mainstream is concerned that must offer, must forecast for wind has been dismissed and understands FEOC to mean there is no preferential treatment based on generation resource type, but states wind power generation should be viewed holistically. Mainstream believes that the removal of the exemption disadvantages wind power generation as wind's unique resource characteristics mean that it cannot be dispatched. Additionally, wind power can not dispatch incremental production during periods of higher pricing to achieve revenue targets unlike conventional power generation. Therefore, Mainstream believes wind power should not be required to comply with the same rules as conventional generators and the removal of the exemption of wind power is not in line with FEOC. Mainstream states that wind power provides compliance offsets for large final emitters and advocates that the AESO consider provincial policy to reduce emissions by 50% by 2050 in the supply surplus procedures.
4. NextEra Energy Canada argues wind is currently not on a level playing field with other types of generation because they are not allowed to participate in the market offer process. NextEra states that other types of generation must operate at its MSG level and therefore have less operational flexibility than wind generators and can generate revenue even in a surplus supply situation. NextEra recommends the AESO curtail wind generators to the same percent volume as fossil fuel units or use the approach in ERCOT's zonal market, which requires all market participants to make at least 15% of their scheduled online generation available for dispatch down. NextEra recommends a transition period for wind generators to allow for the installation of the appropriate curtailment capability.
5. TransCanada supports the removal of the exemption for wind generators.

3.3. AESO Response

In the AESO's view, providing blanket exemptions for any particular type of generation is not fair, but it is appropriate to accommodate the different characteristics of each generation type to the extent possible. Under supply surplus conditions, there is more supply than demand at a zero dollar price and

generation needs to be curtailed in order to maintain system reliability. To ensure fairness all generators must be subject to the supply surplus procedures to the extent possible while taking into account their unique operating characteristics. In this case, removing the exemption for wind generation removes the preferential treatment in the current procedures and is aligned with the principles of a fair, efficient and openly competitive market.

The AESO is committed to integrating as much wind energy as possible in a fair, efficient and openly competitive manner while operating the system safely and reliably. The current exemption for wind was granted when there was a relatively small amount of wind generation on the Alberta Interconnected Electric System and consequently a relatively low risk of supply surplus conditions occurring. However, it was identified as part of the [Implementation of Market & Operational Framework for Wind Integration in Alberta](#) and the supply surplus work group that all generation facilities should reduce their output during supply surplus and with increasing wind penetration on the AIES, that OPP 103 be revised to include wind generators. While wind is currently non-dispatchable, there is some indication that dispatch is technologically possible. The AESO has not dismissed any options for the integration of wind power and recognizes that wind generators are currently unable to offer into the market. As such, the AESO continues to consult with industry as part of the broader [Wind Power Integration](#) initiative.

Supply surplus is a rare event and while instances are anticipated to increase, it is still expected to remain infrequent. However, the AESO has a well-defined and specific mandate related to establishing rules and procedures for the energy market and needs to ensure that supply surplus procedures are fair, sustainable and able to effectively manage any increase in supply surplus events. While the AESO cannot ascertain all generator revenue streams under supply surplus conditions when pool prices are zero dollars, the AESO has considered the operational characteristics of the different generation types and believes they are appropriately reflected in the changes to the supply surplus procedures resulting from the removal of the exemptions for wind and co-generators.

4. No Exemption for Co-generators

4.1. AESO Recommendation

The AESO recommended removing the current exemption for cogenerators in the supply surplus procedures to ensure a level playing field for market participants.

4.2. Stakeholder Feedback

1. ATCO Power states cogenerators have a negative opportunity cost with steam as the major deliverable and electricity as a by-product and are unfairly disadvantaged by not being able to offer at cost. ATCO Power points out that a site disruption could decrease site consumption which would aggravate the supply surplus situation. ATCO Power suggests removing the exemption is premature and recommends negative pricing as the long term solution.
2. Capital Power supports the removal of the exemption for cogenerators.
3. ENMAX supports in principle that there should be no exemption based on generation type but believes it is not appropriate to curtail a cogenerator's heat production to keep particular types of

generators online. ENMAX suggests cogenerators' minimum operating levels should be set such that the heat required from their units continues to be provided.

4. IPCAA supports the removal of the exemption only if the definition of Minimum Stable Generation (MSG) can accommodate a cogenerator's electricity output level corresponding to the steam requirements for their industrial processes. IPCAA is concerned about introducing new business risks through the supply surplus procedures and highlights the willingness of cogenerators to sell their excess power at a loss in some instances and recommends negative pricing as a market option with less risk and system operator intervention.
5. MEG supports revising the definition of MSG to reflect the operational limitations of generators and suggests permitting market participants to manage MSG and any necessary curtailments on a portfolio basis.
6. NextEra Energy Canada supports the removal of the exemption for cogenerators if the exemption for wind is removed to ensure fairness.
7. Suncor supports the removal of the exemption only if the MSG framework and associated rules facilitate the inherently dynamic nature of oil production and large industrial complexes and are flexible enough to allow for real time adjustments to MSG amounts without penalty.
8. TransCanada supports the inclusion of cogeneration facilities in supply surplus procedures only if the revised definition of MSG respects on site industrial processes and steam commitments.

4.3. AESO Response

As stated previously, it is the AESO's view that providing blanket exemptions for any particular generation type is not fair and all generators must be subject to the AESO's supply surplus procedures to allow the system to be managed safely, reliably and in a fair manner for all participants. The AESO agrees that to be fair it is necessary to accommodate, to the extent possible, the different characteristics of each generation type.

Through the consultation conducted by the AESO, there is an understanding that updating the definition of MSG along with providing market participants with the ability to manage MSG in real time will provide an option for cogenerators to manage their operational limitations.

5. Voluntary Generator Curtailment Request (VGCR)

5.1. AESO Recommendation

The AESO recommended the system controller send a voluntary generator curtailment request to the market where generators can assess their situation and curtail supply if they are able.

5.2. Stakeholder Feedback

1. ATCO Power is not opposed to this recommendation but believes alternative options should be pursued. ATCO Power is concerned about the availability of generation for voluntary curtailment, the interaction with T-2 and any curtailment obligations.
2. Capital Power supports soliciting VGCR.
3. ENMAX has no objection to VGCR, but notes there are challenges to implementing it.
4. IPCAA has no concerns with using VGCR but questions its effectiveness.
5. NextEra Energy Canada supports VGCR as it will provide system flexibility.
6. TransCanada questions the incremental value of VGCR given market signals provided by the supply surplus report on the AESO website.

5.3. AESO Response

VGCR is consistent with supply shortfall practices and is simple to implement. Given there is generation at zero dollars in the merit order greater than the cumulative MSG, VGCR may result in enough energy curtailment to avoid having to curtail generators that may be more significantly impacted. The AESO anticipates generators can assess their situation and decide whether they are able to respond to the VGCR.

The AESO agrees that the supply surplus report will be effective in facilitating a market response. The two solutions, the supply surplus report and VGCR, are compatible.

6. Exports Within T-2

6.1. AESO Recommendation

The AESO recommended maximizing the export Available Transfer Capability (ATC) and allowing exports within T-2 during supply surplus to help alleviate the problem.

6.2. Stakeholder Feedback

1. ATCO Power is not opposed to this recommendation but feels alternative options should be pursued. ATCO Power is concerned about the availability of additional export ATC, timeline constraints for the market to respond and the interaction with T-2.
2. Capital Power supports allowing exports within T-2.
3. ENMAX supports the concept of allowing increased exports during supply surplus events provided loads are not required to pay any more for transmission wires or ancillary services as a result.
4. IPCAA has no objection to this recommendation.

5. The MSA would be concerned if exports scheduled within T-2 resulted in an end to the supply surplus event. The MSA believes this would be a case where an administrative procedure interferes with market prices.
6. NextEra Energy Canada supports allowing exports within T-2 as part of the supply surplus procedures provided imports are also curtailed.
7. Suncor supports this recommendation and suggests that relieving intertie congestion should be a priority for the AESO as increasing all export capacities would help alleviate supply surplus conditions.
8. TransAlta believes export rule changes should be discussed in the intertie framework paper and allowing exports within T-2 would only be an ad hoc solution to the problem.
9. TransCanada has no concern with this recommendation.

6.3. AESO Response

The reason for allowing exports within T-2 is to consider all practical steps to manage a supply surplus event before curtailing generation. Maximizing export ATC within T-2 is similar to comparable procedures during supply shortfall where import ATC is maximized and all viable options are considered before load curtailment. The AESO anticipates there might be participants who may be able to schedule exports within T-2 and will allow the exports to be scheduled during the current hour only under supply surplus conditions. The recommendation concentrates on the supply surplus procedures to allow exports within T-2 under supply surplus conditions and does not contemplate making any changes to the existing export rules or introducing new transmission lines or ancillary services to increase exports. The AESO is continuing to work to relieve intertie congestion as part of the [Intertie Framework](#) and [Intertie Restoration](#) initiatives. Through these efforts, the Alberta-Saskatchewan intertie has increased in export capacity from 61 MW to 153 MW in 2010.

In general, the AESO procedures are not intended to interfere with market prices but manage situations that occur outside of normal operations. Similar to the supply shortfall procedures, the AESO would step through the supply surplus procedures and then back out of the procedure as the supply surplus event subsides. The intent in both cases of supply surplus and supply shortfall is not to cause a change in the system marginal price, but to ensure the safe and reliable operation of the system.

7. Voluntary Generator Curtailment Program (VGCP)

7.1. AESO Recommendation

The AESO recommended the implementation of a voluntary generator curtailment program as a long-term market based solution whereby generators that are less willing to curtail would pay other generators to curtail on their behalf. The AESO also recommended that VGCP need not be implemented at this time as the proposed changes to the procedures are anticipated to be sufficient in addressing future supply surplus events.

7.2. Stakeholder Feedback

1. ATCO Power agrees with not implementing a VGCP.
2. Capital Power views VGCP as constrained down payments paid by one generator to another and believes it favors dispatchable generation over less flexible generation. Capital Power states that generators that do remain online may face VGCP costs that are not reflective of their willingness to curtail and that generators to whom VGCP costs are allocated, such as long lead time units, may be precluded from participating or have limited ability to influence VGCP costs through competition. Capital Power is also concerned that VGCP may provide participants a perverse incentive not to respond to supply surplus signals because they are compensated when VGCP is activated. Capital Power does not support VGCP and agrees with not implementing it at this time. Capital Power recommends negative pricing as a long-term option accompanied by an increase in price cap.
3. ENMAX supports market-based solutions wherever possible but agrees that VGCP not be implemented at this time. ENMAX recommends VGCP and other options be revisited if the proposed solutions are ineffective.
4. IPCAA urges the AESO to monitor the supply surplus situation and revisit VGCP if the recommended solution is ineffective.
5. The MSA considers VGCP as an administrative solution to replace prorata allocation and views it as a poor option as significant resources will be required to create and maintain it. The MSA is also concerned about perverse incentives to generators and would object to any mechanism that encourages administrative procedures to be activated in preference to normal market operations. The MSA supports the implementation of negative pricing as the long term option.
6. NextEra Energy Canada supports VGCP as it will provide generators with flexibility and compensation for providing "down balance service" at competitive market prices. NextEra believes that negative prices have an unfavorable impact on forward energy prices and is supportive of the \$0 floor. NextEra also recommends the implementation of a competitive ancillary service market that pays a generator for its ability to down balance.
7. Suncor recommends gaining operational experience with the new supply surplus rules before determining if VGCP is needed.
8. TransCanada does not support implementing VGCP at this time.

7.3. AESO Response

The AESO does not view VGCP as constrained down payments but rather as generators compensating other generators for a service to curtail, as opposed to loads paying generators. The AESO also does not view VGCP as an administrative procedure but rather a market mechanism. The conceptual design of VGCP is that when there is more supply than demand at zero dollars, there are generators who are less willing to be curtailed and would compensate other generators to curtail on their behalf. VGCP allows generators to indicate whether they prefer to pay other generators to take a supply surplus directive on their behalf or curtail on behalf of other generators. VGCP does not favor one type of generation over another but distinguishes generators with the least willingness to curtail and allows the

generators most able to efficiently provide the curtailment service the ability to do so and be compensated for it through competitive market offers.

Concerns regarding any perverse incentives can be managed in the design of VGCP by accepting offers on a time-ahead basis and by activating it in the procedures after imports are curtailed. Intra-hour exports would be allowed and VGCR would be sent out but before the flexible blocks and wind generators would be dispatched down on a pro rata basis.

The AESO agrees with not implementing VGCP at this time and will monitor the implementation of the recommendations for effectiveness. The AESO notes the support for negative pricing as an alternative to VGCP, but believes negative pricing needs to be evaluated in conjunction with all options when considering a long-term solution.

8. Rules and Procedures

8.1. AESO Recommendation

The AESO recommended the existing supply surplus procedures be updated as follows:

1. Curtail current hour import transactions as required.
2. Maximize the posted export ATC limit to allow for exports within the hour.
3. Send out a request to market participants to voluntarily reduce generator output (VGCR).
4. Dispatch flexible blocks of the \$0 offers for partial volumes on a pro-rata basis and direct wind generation on a pro-rata basis.
5. Direct assets with inflexible \$0 offers greater than their declared minimum stable generation levels to their declared minimum stable generation levels (MSG). Assets with the greatest difference will be directed first.
6. Assess if an asset, due to its operating characteristics, is running at a higher generation level than its minimum stable level because it is providing regulating reserve (RR), then determine if it should be dispatched off for RR. Consider whether another asset has offered and has not been dispatched for RR and will not require running at a generation level higher than its minimum stable level.

8.2. Stakeholder Feedback

1. ATCO Power views the recommended steps to be reasonable.
2. ENMAX recommends reviewing the definitions of flexible blocks and inflexible blocks in addition to MSG.
3. IPCAA believes consumers should not pay for mechanisms to enable additional exports and recommends reviewing the definitions of flexible and inflexible blocks.

4. Suncor supports the general principles of the supply surplus recommendations but believes operational experience is required to test effectiveness in protecting oil production and the rights of Industrial System Designations (ISD) under the EUA. Suncor believes that for the procedures to be effective a flexible MSG framework is required to allow ISDs to make real time adjustments to MSG without penalty and without impacts to oil production, safety, reliability and the environment.
5. TransAlta suggests that export rules be consulted as part of the intertie framework and that if exports are allowed within T-2 then it should occur after VGCR.
6. TransCanada is generally supportive of the recommendation but believes that the correct definition and application of MSG is crucial.

8.3. AESO Response

The AESO recommends allowing exports within T-2 as part of the procedures to assist in managing a supply surplus event. The AESO is not suggesting that new mechanisms for increasing exports be implemented as part of its recommendations for the supply surplus procedures.

Both imports and exports are opportunity services and the AESO recommends using these as the first steps in curtailing excess supply under supply surplus conditions prior to curtailing internal Alberta generation. Therefore, the AESO is of the view that the proposed order is appropriate.

9. Minimum Stable Generation (MSG) and Minimum Operating Level (MOL)

9.1. AESO Recommendation

The AESO recommended that definitions for minimum stable generation and minimum operating level are not required and that a working group be established to get more information on the operational limitations of generating units related to MSG.

9.2. Stakeholder Feedback

1. ATCO Power supports the creation of an MSG workgroup and believes generators should be able to reflect their operational characteristics in real time. ATCO Power recommends the definition of MSG should include site constraints such as steam production and that the exemption for cogenerators under supply surplus not be removed until the working group has concluded.
2. Capital Power supports revising the definition of MSG to ensure it is not being misused to manage economic limits.
3. ENMAX supports the creation of an MSG workgroup but believes the term “minimum operating level” is more appropriate than “minimum stable generation” in the context of cogenerator output levels required to maintain steam production. ENMAX does not object to the term “minimum stable generation” provided it appropriately reflects cogenerator requirements.

4. MEG supports revising the definition of MSG to reflect the operational limitations of generators and allowing participants to manage MSG and any curtailments on a portfolio basis.
5. NextEra Energy Canada supports the creation of an MSG workgroup to revise the definition and application of MSG.
6. Suncor supports the creation of an MSG workgroup to revise the definition and application of MSG.
7. TransAlta supports the creation of an MSG workgroup and believes that the revised definition of MSG needs to reflect the real time constraints on generating units. TransAlta believes that the MSG definition needs to be revised prior to the supply surplus rules being implemented.
8. TransCanada supports the creation of an MSG workgroup to revise the definition and application of MSG.

9.3. AESO Response

Based on the feedback received during the various stages of consultation, the AESO understands there are operational constraints that require the definition of MSG to be updated and that participants need the ability to state their MSG in real time to manage these constraints.

10. Reporting

10.1. AESO Recommendation

The AESO recommended publishing a supply surplus report to provide the market with an indication of potential supply surplus events prior to real time so that participants can respond to market signals and avoid AESO intervention.

10.2. Stakeholder Feedback

1. ATCO Power supports the implementation of the supply surplus report.
2. Capital Power is concerned about the price forecast methodology used for the supply surplus report and requests transparency of the price forecast methodology. Capital Power suggests that the AESO conduct broader stakeholder consultation on the price forecast methodology if longer term options such as negative pricing or VGCP are implemented.
3. The MSA supports the implementation of the supply surplus report but believes additional options to avoid supply surplus, including negative pricing, should be considered.
4. NextEra Energy Canada supports the implementation of the supply surplus report in real time but is concerned about the reliability of such forecasting.
5. TransAlta supports the implementation of the supply surplus report
6. TransCanada supports the implementation of the supply surplus report.

10.3. AESO Response

The AESO activated and posted the [Supply Surplus report](#) on December 8, 2010 with the purpose of providing the market with an indication of potential supply surplus events prior to real time so that participants can respond to market signals. The AESO published the [Pool Price Forecast Calculation Methodology](#) on its website to provide stakeholders with more information on the pool price forecast. This methodology is extended to six hours ahead and presented in the supply surplus report to indicate whether a pool price of \$0/MWh is forecast. The AESO continually monitors the pool price forecast and will update the methodology as the market evolves, if required.

11. Additional Comments

11.1. Stakeholder Feedback

1. ATCO Power questions the guidance the supply shortfall procedures provide because the market has cleared to the best of its abilities and prices have exceeded the threshold for all price sensitive loads and generators by the time the procedures are triggered. ATCO Power states this is not the case during supply surplus. ATCO Power recommends putting the short-term supply surplus proposal on hold and continuing the long term discussion around negative pricing given IT changes required for MSG changes might provide time to directly implement long-term solution.
2. Capital Power recommends conducting a broader review of the T-2 restatement period to determine if the intended benefits of supply visibility and pool price stability outweigh the loss to market responsiveness and efficiency. Capital Power notes that allowing exports within T-2 reintroduces market responsiveness in a specific supply surplus situation but there may be other issues that could be avoided or mitigated by a shorter restatement window. In addition, Capital Power suggests revisiting supply shortfall procedures to ensure there is symmetry with the supply surplus rule.
3. The MSA believes that supply surplus solutions should focus more on the avoidance of supply surplus instead of administrative procedures once supply surplus has occurred. The MSA accepts such procedures may be required and only comments that the administrative procedures should not interfere with market prices or increase the probability of supply surplus conditions. The MSA supports negative pricing as it is common in other markets and provides the correct market signal in both the short term and long term. The MSA does not believe implementation of negative pricing will require a review of the price cap and such review should only be driven by a concern that supply shortfall events were likely to result in the market not clearing.

11.2. AESO Response

The supply shortfall procedures are used as a guide for the supply surplus recommendations as there are comparable steps between the two. Examples of such steps under supply shortfall procedures include the curtailment of exports within T-2, the system controller request for additional generation and the requirement for loads to curtail. The AESO has endeavored to ensure symmetry with the supply shortfall procedures in its recommendations for the supply surplus procedures as both apply when market limits are reached. Since there are no concerns regarding the effectiveness of the supply shortfall procedures, the AESO will not be revisiting the supply shortfall procedures at this time.

The T-2 rules were implemented as part of Quick Hits and the AESO has completed a review of the implementation. Information related to Quick Hits, including the Quick Hits six month review may be found on the AESO's website by following the path: www.aeso.ca > Market > Market Policy Implementation > Quick Hits. While shortening the T-2 window is not within the scope of the supply surplus recommendations as it impacts several different aspects of the market, it needs to be evaluated holistically and consulted on from a broader market perspective to ensure the AESO is able to facilitate a fair, efficient and openly competitive market while operating the system in a safe reliable and economic manner.

Similarly, the practical application of negative pricing also needs to be evaluated from a broader market perspective than supply surplus. Several participants have suggested that a floor review can only proceed if the cap is reviewed. The AESO believes this is reasonable and a review of price limits should be comprehensive and not focus only on the price floor. Furthermore, other discussions that need to happen from this broader market perspective include long-term adequacy, the impacts of out of market incentives, the impacts of the pricing structure for wind and interties, existing investments made based on current market assumptions, as well as any potential reliability or operational implications of the subsequent changes in market behavior.

The AESO prefers to use market mechanisms whenever possible and the [Supply Surplus Report](#) was introduced to allow market responsiveness. With the recommendations proposed, the AESO intends to address the supply surplus challenges expected in the near future, and while the current recommendations are sustainable, the AESO will continue to monitor for effectiveness and evaluate the options when considering future enhancements.

12. Next Steps

The AESO concluded working group sessions with market participants on MSG and based on the recommendations from these sessions, the AESO will revise the definition of MSG and update its application to accommodate the operational, but not economic, limitations of generators. The draft MSG definition and supply surplus rules are targeted for stakeholder consultation in Q3 of 2011 and will follow the [ISO Rules Consultation Process](#). Implementation of the system changes is anticipated to take eight months to complete.