AESO Recommendation Paper – Supply Surplus
Stakeholder Comment Matrix

Comment Due Date: January 14, 2011
Stakeholder: ATCO Power

Section	AESO Recommendation/Feedback Requested	Stakeholder Response
2.0 Purpose **3.0 Introduction/ Background**		The AESO states in section 3 that the supply shortfall procedures found in OPP 801 have been used as a guide for supply surplus recommendations. ATCO Power would like to point out that there is a significant difference between the two. By the time OPP 801 is triggered prices have exceeded the threshold for all price sensitive loads and generators. In that regard the market has cleared to the best of its abilities. At the current price level where supply surplus rules would be triggered this is not the case. Until this issue is addressed we question the guidance OPP 801 can provide.
4.1.1 Short Term vs. Long Term Solution	The AESO is working on the short term and long term solutions simultaneously.	The AESO cites a need for a short term solution but given the short term solutions that are proposed ATCO Power is questioning their necessity. There is currently a supply surplus protocol in place that can handle a potentially increased number of supply surplus events. Additionally we are not convinced that the proposed changes are actually leveling the playing field. As such we would like to see the AESO focus on a sustainable long term solution.
4.2.1 No Exemption for Wind Generators	The AESO recommends that wind generators are not exempt from supply surplus procedures	ATCO Power has stated in the past that equal treatment does not necessary imply fair treatment. It is our understanding that wind generators have actually a negative variable cost. As such they are already unfairly disadvantaged by not being able to offer at cost. It is unclear whether including wind generation in the supply surplus procedures would actually level the playing field or whether it skews it further. As such we view this change as premature but instead recommend looking for an efficient long term solution, e.g. negative pricing.

4.2.2 No Exemption for Co-generators	The AESO recommends no exemption for co-generators in supply surplus procedures.	ATCO Power has stated in the past that equal treatment does not necessary imply fair treatment. Co-generators often have steam as their major deliverable and view electricity as a by product. As such they have at least a negative opportunity cost if not variable cost. As such they are already unfairly disadvantaged by not being able to offer at cost. Depending on the definition of MSG, the curtailment of co-generators could have significant economic consequences for the associated site which would then negatively effect future investment in the province. Additionally the site disruption could decrease the site consumption which would actually aggravate the supply surplus scenario. It is unclear whether including co-generation in the supply surplus procedures would actually level the playing field, would skew it further, or would even be effective. As such we view this change as premature but instead recommend looking for an efficient long term solution, e.g. negative pricing.
4.2.3 Voluntary Generator Curtailment Request (VGCR)	The AESO recommends the implementation of VGCR.	Generally ATCO Power is not opposed to this recommendation but we wonder whether the expected benefit would justify the effort. The following items need to be considered: • Why would there be any generation available for voluntary curtailment and why isn't there any visibility of this? • Is it possible to identify the same generation in a different way? For example as the difference between MSG and the $0 offer? • How does this interact with T-2? • Is there an obligation on the duration of the curtailment? Overall we feel that it might be better to pursue alternative solutions.
4.2.4 Exports Within T-2	The AESO recommends the inclusion of allowing exports within T-2 as part of supply surplus procedures.	Similar to our concerns around the VGCR ATCO Power questions the effort required for the questionable benefit this might bring. • Why would there be additional export ATC available that wasn't available at T-2? • Given the timelines would this be a workable market solution or is this more suited for an inter-control area arrangement? • How does this interact with T-2? Overall we feel that it might be better to pursue alternative solutions.

4.3.1 Voluntary Generator Curtailment Program (VGCP)	The AESO does not recommend the implementation of the VGCP at this time.	ATCO Power agrees with not implementing a VGCP.
5.0 Rules and Procedures	The AESO recommends the following procedure during supply surplus conditions when there are multiple $0 offers in the energy market merit order: 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 (please see section 6 of the paper for recommendations on MSG). 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 (this step is carried over from the existing procedure).	Outside of the comments provided in section 4 and 6 ATCO Power views the AESO's proposal as reasonable.

6.0 Minimum Stable Generation (MSG) and Minimum Operating Level (MOL)	The AESO recommends that a workgroup be established to outline the requirements for the revised definition of MSG and for updating the application of MSG that would allow the participant to enter changes through the energy trading system (ETS) on a time-ahead basis.	ATCO Power strongly agrees with the AESO's recommendation. We believe it is important that generators are able to properly reflect their operational characteristics in real time. Given the current direction that generators will not be able to properly price their constraints it is important to us that MSG is clearly defined to include relevant site constraints. As a co-generation operator ATCO Power would like to stress the importance to include steam constraints in the MSG determination. We urge the AESO to not remove the exemption on co-generators until the MSG working group has reached a conclusion.
7.0 Reporting	The AESO recommends the implementation of a supply surplus report that would provide the market with an indication of supply surplus events prior to real time.	ATCO Power agrees with the AESO's recommendation.
8.0 Next Steps	The AESO is interested in stakeholder comments on next steps.	ATCO Power recommends establishing the MSG working group and putting the short term supply surplus proposal on hold until the working group has come to a conclusion. At the same time we suggest continuing the long term discussion specifically around negative pricing. Given the fact that the recommendation from the MSG working group will most likely require IT changes there might be enough time to directly implement long term solutions.
Additional Comments		