



TransCanada

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October 4, 2007

Mr. Doug Simpson
AESO
2500, 330 – 5th Avenue S.W.
CALGARY, Alberta
Canada T2P 0L4

Dear Mr. ~~Simpson~~ ^{Doug},

Re: Congestion Management Plan (CMP) Dated August 31, 2007

In response to the AESO's CMP, TransCanada is in full support of the points identified in the IPPSA response, including their recommendations. TransCanada has invested millions of dollars based on the sanctity of the pool price. Embedding Transmission Must Run (TMR) costs into the pool price adds one more level of complexity and uncertainty into the forward price when making investment decisions. Additionally, using the Reverse Merit Order (RMO) unfairly penalizes the generator that happens to be setting the price at a time when congestion occurs.

TransCanada has the following additional concerns:

1. The CMP justification for the extreme position to treat new generators exactly the same as existing generators when allocating limited transmission capacity is based on elimination of any discrimination. The EU Act only requires elimination of unjust discrimination.¹ The EUA only requires the ISO to provide new participants who desire system access service a reasonable opportunity to do so. New generators should be required to give adequate notice before attaching to the transmission system and being granted equal access rights as those of existing generators.
2. Use of contract capacity in Demand Transmission Service and Supply Transmission Service contracts supports the notion of implicit injection and withdrawal rights. Eliminating the implied injection and withdrawal rights in these contracts can create undesirable impacts on existing loads and generators when adequate notice is not given by new entrants.
3. The use of the last downstream generator dispatched on to set pool price (which is not the offer price of the last in-merit generator) is a distortion of the pool price and violates the TDP principle that “real-time congestion or constraints should not alter or distort market prices.”² Additionally, TransCanada believes that dispatching generators out-of-merit contradicts the EUA Section 17(c) obligation on the AESO to “determine,

¹ EUA Section 121(2)(b) states that the Board must ensure that “the tariff is not unduly preferential, arbitrarily or unjustly discriminatory ...”

² TDP page 15

according to relative economic merit, the order of dispatch of electric energy and ancillary services in Alberta.” This distortion might be permissible when the market is suspended due to a reliability concern, but a significant amount of congestion can occur that is not related to a suspended market. The AESO’s intention to expand the use of out-of-merit dispatch of generation for transmission constraints appears to be contrary to the intention of the EUA.

4. Whenever the CM protocol results in a payment to generators that far exceeds the amount that could have been paid to generators through a TMR contracting process, could be contrary to EUA Section 17(h) that requires the AESO to “direct the safe, reliable and economic operation of the interconnected electric system.” (underlining added)
5. During times of anticipated constraint or serious system problems, the AESO should not be waiting for a pool price signal to trigger imports and other generation to supply the area downstream of the constraint. Having these resources under contract allows the AESO to dispatch them on in a proactive manner and not put the transmission system at unnecessary risk while waiting for pool price signals to encourage desirable behaviors.
6. As a point of clarity, Appendix 1 ii) makes reference to “The Transmission Regulation” and the references are to the regulation that has been repealed. For instance, Section 9 of the previous regulation is now Section 17 under the current regulation. Specifically, within the new regulation, TransCanada is unable to locate the requirement that “*the ISO must make rules respecting the operation of a generating unit necessary to alleviate a transmission constraint and include in the ISO tariff the recovery of those costs*” (previous regulation section 8(5)) and “*the ISO must make rules regarding transmission must-run generating units and the determination of pool price so that the pool price will be determined using the last in-merit generating unit(s) actually dispatched*” (previous regulation section 23(3)) **Please provide the references in the new regulation that the AESO is relying on to support the direction taken with CMP.**

Respectfully,

TRANSCANADA ENERGY LTD.



Vince Kostas
Director, Market Services

Cc: Ken Kunz – TransCanada
Dan Levson - TransCanada

VK/cln-m