

AESO Recommendation Paper – Intertie Framework
Stakeholder Comment Matrix
TransAlta Oct 29, 2010

Section	AESO Recommendation/Feedback Requested	Stakeholder Response
4.0 Policy Coherence	The AESO is interested feedback as to the AESO's policy interpretation.	<p>It is important to note where an intertie is not the same as a generator and why the priority of an intertie is not the same as a generator.</p> <p>TransAlta is concerned about the mismatch of market types between Alberta and BC. There are fairness issues when a competitive market can be accessed by a monopolistic market especially when the competitive market faces barriers when accessing a monopolistic market. We believe that before the AESO finalizes the Intertie Framework, issues such as fairness and reciprocity will need to be addressed.</p> <p>Jan Carr from the C.D. Howe Institute in his paper "Power Sharing: Developing Inter-Provincial Electricity Trade" highlights the disproportionate economic benefits gained by a monopoly versus a competitive market structure.</p> <p>"When a province adopts a competitive electricity market and its neighbour does not, a balance must be struck on the use of the intertie between them. That balance is between providing adequate protection to the health of the in-province competitive market, on the one hand, and capturing a reasonable share of the economic benefits of interprovincial trade, on the other. The onus is on the competitive market to achieve this balance since the monopoly system inherently captures any economic benefits available to it. This is because the monopoly can choose among several potential buyers and sellers in the competitive market but those in the competitive market have only one potential customer for imports or exports. In any marketplace, the chances of arranging a satisfactory transaction, and hence realizing a</p>

		<p>benefit from trading, increase with the number of potential partners. But, in reverse, market participants have only one potential partner outside the province, which restricts both the number and the attractiveness of transactions. In such a situation and without careful design of rules governing imports and exports, the long-run economic benefit from interprovincial trade will be disproportionately allocated to the province with the monopoly structure.”</p>
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<p>5.1 Real-Time Dispatch/ Scheduling</p>	<p>The AESO recommends implementing dynamic scheduling to enable real-time dispatch and to permit the submission of priced/bids and offers.</p>	<p>TransAlta is concerned with the fairness issues associated with Dynamic Scheduling. We would like the AESO to consider the following points before proceeding with Dynamic Scheduling.</p> <ol style="list-style-type: none"> 1. Unlevel playing field with BC 2. Competition for transmission with BC 3. Seams Issues with DSS markets 4. Pricing Issues <p>1. Unlevel playing field with BC We see that BC Hydro is in a position to provide and use this service but it is unclear if any other participants will be able to reasonably do so. For example in order for TransAlta to bring power in from our US Centralia facility we would have to buy this service from BC Hydro at a price they determine to be appropriate. It is very difficult if not impossible for others to price on the intertie without buying a Dynamic Scheduling Service from BC Hydro. Further they would then be a competitor to us in pricing their imports into Alberta. We are concerned that this does not create a level playing. We believe these issues of fairness would need to be addressed with the provision of this service.</p> <p>2. Competition for transmission with BC BC Hydro will be able to price and determine the allocation of transmission and they are the only entity able to provide this service. Thus we are concerned with the ability of BC Hydro to influence competition for transmission. How will BC Hydro offer DSS transmission and will there be conflicts with the current firm transmission rights? Would it be viable for participants to purchase transmission that will allow for dynamic scheduling?</p> <p>3. Seams Issues with DSS markets How will DSS work with an established market like Alberta? How will individual generators or loads be able to participate? DSS is currently set up to favor Balancing Authority (BA) transactions more than any other potential market participant's transaction. It would be difficult for a single generator or load to be able to find a counterparty to transact with, who could deal with the variable nature of the power flows. It</p>
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<p>5.2 Transmission Rights - Policy</p>	<p>The AESO recommends that it plan the transmission system so that each intertie can transfer up to its path rating simultaneously.</p>	<p>The AESO must also consider issues beyond just capacities of the paths are taken care of to ensure reliability. Such matters must be part of the Long Term Transmission Plan and need consideration whether the needed facilities should be designated CTI.</p> <p>While not explicitly addressed this means simultaneous path ratings both for import and export.</p>
<p>5.3 Transmission Products</p>	<p>The AESO recommends that a merchant transmission service (MTS) be added to the AESO tariff, offered to the merchant transmission asset owner, which appropriately reflects system access service to inject/withdraw at the border.</p>	<p>Establishing a system contribution payment in our review requires a legislative change to permit this. The Transmission Regulation refers only to a "generating unit". As well, the terms and conditions, and satisfactory performance criteria will need to be established. A new section similar to Section 29 of the Transmission Regulation will need to be created. We note that as with generating units Subsection 29(3)(f) should grandfather existing merchant transmission lines.</p> <p>Fairness issues on the tie. TransAlta believes the AESO needs to look further into this issue. We are not convinced that earlier curtailment of interties alone addresses this issue of fairness. We believe this issue requires further discussion and review. Has the AESO reviewed the impact on Alberta's reserve margin of adding additional interties in</p>

		Alberta? Can intertie capacity be relied upon to ensure that Alberta's system is reliable? Further there are fairness issues in allowing crown corporations to compete equally with intra Alberta generation. We believe that a level playing field needs to be contemplated and solutions found to create this.
5.4 ATC Allocation	<p>The AESO recommends when there is congestion on the interties, an ATC allocation rule be implemented that arbitrates by energy price and then pro-rata between remaining same priced schedule requests.</p> <p>The AESO is interested in feedback as to what the best timing (xx:yy) for ATC curtailments to be made if not xx:45.</p>	We agree that the merit order should be used before prorate.
5.5 Next Steps	The AESO is interested in stakeholder comment on the AESO's next steps.	