

TransCanada TOR Response

Previously the AESO asked two questions with respect to the DRWG TOR. The two questions were "How can load be enabled and encouraged (incented) to participate in Alberta's electricity markets?" and "How to acquire sufficient voluntary demand response to maintain system reliability over the next X years in a manner consistent with legislation and regulation?" TransCanada participated in, and supports, the submission of IPPSA on these two questions.

More recently the AESO DRWG asked for additional comment on the TOR. Below is our response to that request.

TransCanada is concerned that the TOR leaves the false perception that demand response and reliability are related. Reliability standards are being met and can be expected to continue to be met with or without demand response. If demand response contributes to the available supply of reliability services, or supplements the energy merit order, competition will increase in the market and provide an economic benefit. If demand response does not grow the AESO will continue to meet reliability standards using supply or other solutions. Reliability will not suffer however the cost of meeting reliability needs may be higher than would be the case with load participation.

An example of TOR comments that caused the concern of false perceptions appears at the bottom of the second page of the document. Here it is stated, "Demand will continue to grow with increasing risk that it will outpace supply". In our opinion there is no reason for the AESO to make such a statement. The market has met the growth needs of the province for several years and can be expected to continue to do so.

Two bullets below the quote that expresses concern for supply and demand balance the TOR asserts that operational risk is increasing as a result of wind power. This statement is also unsupportable. If the AESO believes there is an operational risk when wind power production is high it could carry more spinning reserve during those periods. If it believes it is at increased risk when wind production is low it could devise a ramp down service for use at such times. For both the high wind and low wind scenarios the AESO could also activate more regulating reserves. If it continues to be unnecessary to take these steps then it follows that there is no reliability issue. If these steps are implemented then reliability needs will be met in this manner. If taking these steps will cause the demand for AS products to exceed demand then the AESO should declare this so that the market has time to develop more capability, including by load.

The point of the foregoing is that it is not essential to have more demand response for reliability reasons. If load can provide some of these services more economically than other resources then load should be able to do so. If load is not the more economic solution then the more economic option should be embraced. In all likelihood demand, generation and new technologies will all likely be required in the future, however reliability services should be procured in accordance with system needs, not because more demand response is desired. Loads should not be forced to subsidize other loads on the basis of flexibility.

The simplest way to ensure that the projections above come true is to state what is needed for reliability, not in terms of providers and products, but as a description of system need. A couple of examples of these statements are:

The simplest way to ensure that reliability needs are met is to forecast need not in terms of providers and products, but in terms of system capability requirements. A couple of examples of these statements are:

1. An offsetting response for the potential for wind production to reduce at a rate of up to *AA* MW/minute for a period of *BB* minutes is required by 2010 with no anticipated reduction in need in the foreseeable future. The AESO anticipates *CC* events/year in 2011 increasing to *DD* events per year by 2020.
2. A response to tie line trips during periods of high imports is required ASAP. Response must be in less than *EE* cycles from receipt of electronic notification that a trip on the tie line has occurred under high import conditions. The AESO anticipates the need for at least 400 MW of such service will continue at least until new intertie capacity is added, which is likely more than 5 years away. History suggests the conditions where this response will be utilized may be in the order of *ff* times in a 10 year period.

If statements such as these were made for all services that the AESO expects will be needed, entities, including but not limited to load entities, could consider developing the ability to sell the service and compete to provide the service. Further, if these statements were all published together it could lead to opportunities for leveraged investments. Where such announcements produce sufficient interest the AESO might not have to resort to out of market procurement, but if this favourable outcome did not materialize at least potential suppliers with which to negotiate would have been identified. Stating that load is required for any single service fails to value that service competitively and erodes all of these opportunities.

In the TOR there is reference to 2000 MW as being a target value for DR. At TransCanada we are unsure that this is an appropriate value and suggest instead that the required values for each service be established for now and forecast for the future, and then that work begin to fulfill the needs as forecast.

TransCanada supports those portions of the TOR that address simplification and education about the opportunities for load to participate. Our advocacy of competition extends to removing barriers to market entry such as the lack of awareness that it appears exists today so that all may compete equally. We do not support segregating the market such that competition is limited unnecessarily nor do we support rules that are different for demand than exist for supply or new control technologies.

In closing TransCanada would like to thank the AESO for delving more deeply into the issues surrounding the TOR than was done previously.

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