

Stakeholder Comment Form

TCM: Rule 9.4 AUC Re-Filing Proposal Paper

Date of Request for Comment: December 3, 2009
Period of Consultation: December 3, 2009- January 15, 2010

Stakeholder: TransAlta – Contact: Marcy Cochlan

Section of Paper	Description	Stakeholder Comments
1. Executive Summary	An overview of the key discussion points and proposals contained in the paper.	<p>The AESO is currently consulting with Stakeholders regarding market models for pricing and dispatching during transmission congestion events (AESO Discussion Paper Transmission Congestion Management: Rule 9.4 Re-Filing Proposal). It is difficult for stakeholders to understand the impacts of these different models without information about past or future events. The frequency and duration of congestion events has an impact on which model is workable and best for Alberta. Understanding the likelihood and type of congestion events will help ensure that stakeholders are fully informed, and therefore, able to provide more meaningful comments in the consultation process. We appreciate the AESO providing information in the Seasonal Reliability Outlook. This information moves us in the right direction. However further information is still required. Specifically the historical information still needs duration attached to it to help put it in context.</p> <p>More important would be future load flow studies that provide stakeholders with an indication of which lines will experience constraints and the size, frequency and duration of these events. We appreciate what is provided in the seasonal reliability outlook but it is very limited in terms of future projections for congestion. As part of</p>

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		<p>such analysis TransAlta would request that the congested hours in terms of frequency, duration and time related to our facilities be provided confidentially to us.</p> <p>Undertaking this type of work is very expensive for each individual stakeholders. It would be more reasonable for the AESO to share its information with all stakeholders as they are in the best position to undertake this analysis and it is required as part of a robust stakeholder consultation process.</p>
2. Introduction	A brief history of Quick Hits rule development and reason for the paper.	
3. Background	A brief history of TCM Rule 9.4 development and reason for the paper.	
4. Recap of Commission Findings in the TCM Decision	A review Commission FEOC and public interest findings.	<p>The AESO, in discussing those AUC findings where the AUC determined what the AESO was proposing is not technically deficient or not contrary to a FEOC market, is tending to interpret the AUC findings as endorsing what the AESO is proposing. However, TranAlta's believes the AUC's findings generally cannot be stretched to say that what the AESO is proposing is what the legislation specifically sets out or that the AESO's proposals are the only possible solutions that comply with legislation. In most cases, the AUC has merely determined that what the AESO was proposing is permitted by legislation.</p>
4.1 i. Economic Dispatch	AESO use of merit order for dispatch is discussed.	<p><i>1. Economic Dispatch – use of merit order for dispatch instructions aligned with regulations</i></p> <p>The AESO suggests the AUC determined the AESO's proposal to be "aligned with regulations". TransAlta believes that it can only be said</p>

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		that the AUC determined that the AESO’s proposal on economic dispatch satisfies the requirements of the legislation.
4.2 ii. Pool Price Impact	Transmission constraint impact on market is discussed	<p data-bbox="991 363 1877 423"><i>2. Pool Price Impact – recognition of transmission constraint impact on market</i></p> <p data-bbox="991 467 1906 678">The AUC recognized “that it may be impractical or even impossible to resolve transmission constraints without impacting the pool price” but that the AESO should “strive to minimize disruption of market prices as much as possible”. While the AUC recognized there will likely be an impact, this doesn’t mean that any solution that impacts prices is acceptable – the AESO still needs to strive to minimize impact.</p>
4.2 iii. Compensation	A review of the requirement for compensation for being constrained down	<p data-bbox="991 725 1835 786"><i>3. Compensation – Constrained Down payments inconsistent with regulation</i></p> <p data-bbox="991 829 1902 1192">This is a clear mischaracterization of the AUC findings. The AUC said that “there is no legislative requirement for the AESO to pay compensation to generators who are constrained down”. This cannot be said to mean constrained payments are not permitted by legislation; it can only be said to mean that the AESO is not obligated to pay constrained down payments. Thus, the question of whether there are circumstances in which constrained down payments would be appropriate is still open – for example, if constrained down payments were need to ensure a FEOC market then authority to make such payments might be implied by the legislation.</p>
4.2 iv. Transmission “rights”	Generator’s “right” to access the AIES is discussed	<p data-bbox="991 1240 1892 1300"><i>4. Transmission “rights” – Regulations provide for reasonable system access</i></p> <p data-bbox="991 1344 1898 1377">The AUC determined that the legislation requires the AESO to provide</p>

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		system access service, and that the provisions of the T-Reg does not suggest that incumbent generators have any preferential opportunities to access the AIES.
4.2 v. Use of TMR/DDS	AESO use of TMR/DDS is discussed.	
4.2 i. Long term investment impact	TCM impact on long term investment decisions is reviewed.	<p><i>1. Long term investment impact – no long term impact expected</i></p> <p>The AUC stated that assuming the use of the TCM Rule is infrequent and of short duration, then it is “not convinced that there would be an adverse affect on the long term investment climate to the detriment of the public interest”. The AUC did not say there was no long term impact expected, just that it was not convinced there would be. This leaves it open to argue in future that there is a long term impact, or to argue this point if the TCM Rule is used more than “infrequent and of short duration”.</p>
4.2 ii. Use of business practices	AESO use of business practices for constraint management is discussed	
5. Discussion of Commission Directions in the TCM Decision	This section introduces the discussion of and the AESO proposals regarding each of the Commission directions.	
5.5 Clarify the Scope of the TCM Rule	A proposal on whether the TCM rule should be limited to real time or expanded to include planning stage elements is presented.	Planning TCM. We believe the relevant point in time to determine whether a facility needs a RAS is when the facilities approval is complete. After that point, any RAS scheme should be a system RAS that is paid for by the system, rather than payment by the individual generator who is constrained down due to a system RAS scheme.
5.5 Clarify the TCM/TMR	A review of how the AESO	

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Rule relationship	would move from the use of the TCM Rule to the use of TMR is presented.	
5.5 Consider ENMAX Pay as Bid Approach	The merit of using the ENMAX pay as bid proposal within the TCM protocol is discussed	Can the AESO define what is meant by a severe market distortion
5.5 Define Key TCM Rule Terms	A proposal regarding specific TCM rule key terms is presented	The definition of Effectiveness Factor may need to be revised depending on how the factor may be applied. See our comments under 5.5 below.
5.5 Clarify TCM Rule Process Steps	Specific TCM rule process steps are discussed together with proposals to provide additional clarity where appropriate.	<p>TransAlta does not consider that an Effectiveness Factor is appropriate for real-time congestion management. The factor based on load flows is determined from a simulation model in which the scenario may or may not match real-time conditions in terms of the assumed mix of generation and mix of loads. The upstream generation units the model predicted as effective may be wrong. As in real-time, certain generation may not be operating or may be operating at an output different than modeled. As well, upstream loads will be different than modeled. While a load flow model may be appropriate in a planning process, it is not appropriate in real-time. TransAlta would suggest that all generation upstream of a cut plane be considered equally effective and as necessary be curtailed prorata.</p> <p>At best if the AESO decides to proceed with using an Effectiveness Factor then it should be in wide bands of equal effectiveness where, for example, considering 20% wide bands a calculated number of 0.9 would be the same as 0.8 or 0.93 and so on. A band approach would recognize the inaccuracy of the calculation to predict real-time values.</p> <p>Also given that reverse merit order would be used then the use of an Effectiveness Factor would appear to only be applicable when the bid</p>

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		<p>prices are identical and the Effectiveness Factor could then be used to break the tie as to which bid block would be curtailed first and so on. The extreme case would be identical \$0 bid blocks.</p>
<p>6. Next Steps</p>	<p>Stakeholder feedback on the TCM paper discussion and proposals is requested.</p>	<p>TransAlta is still concerned about how often congestion could occur. And to date we have very little information as to what this will look like in the future.</p> <p>Given this concern TransAlta would propose that the AESO consider revisiting the TCM rule if the events are not infrequent and of short duration. We are concerned that if the events become more frequent the distortions to FEOC will be great and many market participants could suffer large economic losses. Thus a trigger point where constraints are no longer considered of short duration and infrequent should be developed and incentives should be put in place beyond this point not to use uncompensated constrained down directives to generators to alleviate the problem.</p> <p>In keeping with the above, TransAlta would ask the AESO to consider defining what is meant by the term infrequent and of short duration, and developing metrics to represent this. Further development of a monitoring tool that is updated each quarter in terms of historical and forecast congestion in identified areas is recommended.</p> <p>This would go a long way in helping stakeholders understand the current and ongoing state of the congestion program and ensure future and current actions are appropriate.</p>