



## **Recommendation on Wind Power Forecasting Service Cost Recovery**

### **Introduction**

The AESO has decided that a centralized wind power forecasting service is the most effective and efficient manner to obtain a wind power forecast that will facilitate the integration of wind power generation into the Alberta system. A wind power forecasting service request for proposal (RFP) was issued on June 23, 2009. The plan is to begin forecasting wind early in 2010.

The AESO has developed a proposal on the recovery of the cost for this wind power forecasting service with the input of a Wind Power Forecasting Service Cost Recovery Working Group and other stakeholders.

The AESO would like to solicit comments from all stakeholders on the proposal. After considering stakeholder comments received, the AESO will develop the final proposal.

### **Background**

In July 2009, the AESO formed a Wind Power Forecasting Service Cost Recovery Working Group to assist the AESO in developing a proposal on recovering the cost for the wind power forecasting service. The Working Group comprises representations from 4 existing wind power facility owners, two potential new wind power facility owner, and two AESO staff. The scope of the cost recovery was defined as recovering of external costs only and does not include any AESO internal costs associated with wind power forecast (such as the engineering support or IT costs). In addition, the Working Group considered the following:

- Who should pay for the wind power forecasting service cost?
- Should costs be recovered through the tariff or through an ISO fee? The AESO proposes a tariff basis as it is transparent and easier to charge a subset of customers.
- How should the payment be calculated?
  - Per wind power facility site, or
  - Per installed MW capacity, or
  - Per MWh of energy production, or
  - A combination of any of the above
- Should the costs be levelized over a period of time? If so, what should be the appropriate period of time?

- Costs are currently expected to be on the order of \$500,000 per year for the first few years of the program. How should variances of actual costs from forecast be addressed?
- How are other jurisdictions such as California ISO and New York ISO deal with cost recovery of wind power forecasting service?

The Working Group held two meetings on July 31 and Aug 5, and developed a proposal for the AESO's consideration. The AESO appreciates the efforts by the Working Group members and recognizes the significant contribution the Working Group has made.

Subsequently, the AESO presented the Working Group's proposal at a Wind Integration Stakeholder Session on Aug 12, 2009. A copy of the presentation can be found following this link:

[http://www.aeso.ca/downloads/AESO\\_Stakeholder\\_Session\\_Presentation\\_\(Aug\\_12\)\\_2\\_.pdf](http://www.aeso.ca/downloads/AESO_Stakeholder_Session_Presentation_(Aug_12)_2_.pdf)

Comments and discussions were raised during and following the meeting regarding some aspects of the Working Group proposal. In general, there seems to be broad support to the Working Group proposal regarding the cost recovery mechanism for the wind forecasting service cost, except where the Working Group proposed that the wind power forecast data be available to each respective wind farm facility owner only, and that the aggregated wind power forecast data is not to be made available to the market in real time or near term timeframe.

Stakeholders expressed concerns that this contravenes the Fair, Efficient and Open Competition (FEOC) Regulation in that the availability or the unavailability of wind generation, in aggregate, is not made available to the market. Generally, stakeholders agreed that provision of the aggregated wind forecasting data to participants support market operation as well as the reliable operation of the Alberta Interconnected Electric System (AIES).

After giving due consideration to the Working Group proposal and other stakeholder comments received the AESO is presenting the following recommendation for broad stakeholder consultation.

### **AESO Recommendation on Wind Power Forecasting Service Cost Recovery**

1. The AESO recommends that the following changes be included in the AESO 2010 General Tariff Application:
  - (a) The external wind power forecasting service cost, which does not include the AESO internal costs be allocated amongst wind power facility owners as a \$/MWh charge based on production.

- (b) The cost recovery will begin in Q4 2010 and will be levelized over Q4 2010 and the subsequent 3 years.
  - (c) An escalation factor of 10% to the \$/MWh rate will be applied for the above time period.
  - (d) Variances from forecast costs and revenues will be reconciled on an annual basis, with each year's variance being recovered through the wind power forecasting service charge in the following year.
2. The AESO recommends that the aggregated wind power forecast data be made available to market participants through a report similar to the short term generation outage report and have the report posted on the AESO web site.

#### **Next steps**

1. Stakeholder written comments are to be submitted to Anita Lee, Director of Wind Integration ([anita.lee@aeso.ca](mailto:anita.lee@aeso.ca)) by Sept 9, 2009.
2. Response to stakeholder comments will be posted by the AESO on the AESO web site by Sept 18, 2009.
3. Final proposal will be incorporated into the AESO 2010 General Tariff Application by Sept 31, 2009