

Comments to the AESO from Milner Power Inc. on the July 16, 2008 Draft 2009 GSO

AESO Responses are in red and bold.

Placement of New Generation in GSO

In the draft 2009 GSO, new generation has been placed between lines 65 and 72. The placement of these new generators early in the stacking order is a break from past practice. In both the 2006 and 2007 GSO, generators that were considered new were positioned at the end of the generation stacking order regardless of the generation type.

In the notes from the July 23, 2008 meeting, the AESO indicates, “a request has been made to move new generating units to the end of the second block instead of the end of the stacking order.” In response, the AESO indicates it agrees and will modify the draft GSO accordingly. This is shown as completed on July 28, 2008 but the draft GSO has not been reposted. **AESO Response: “Completed” means the AESO has committed to make the change in the final GSO.**

Milner Power Inc (MPI) agrees that, at a minimum, the new generators shown in the draft 2009 GSO should be placed much later in the stacking order. With the inclusion of imports in the GSO, the order of generation dispatch matters and can have a significant effect on the loss factors of individual units. In future cases, it is important that new generation is included in the GSO rankings appropriately. MPI believes any new generator that is included in the GSO should be added into the GSO rankings alongside other generators of similar type (i.e. fuel type, marginal cost structure) and location on the system. As an example, the new Valleyview 2 generator should be placed alongside the non TMR (second block) Valleyview 1 dispatch block.

That being said, because of the timing uncertainty associated with new generation and its potential impact on losses, MPI believes that an alternative to the above would be to leave new generators out of the GSO entirely. Since 2006, most of the new generation projects designated as preliminary either did not come on to the system at all or came on at much later dates than originally forecast; resulting in distorted loss factors¹. **AESO Response: The AESO uses information as provided by project proponents. The AESO is unable and unwilling to make unilateral decisions on customer projects.**

¹ For instance, in the 2006 GSO eight generators were identified as preliminary generation, however, seven of these new generators were added to the end of the stacking order. However, six of these generators did not appear in the 2007 GSO while only one of the six reappeared as preliminary generation in the 2008 GSO. The one generator that was identified as preliminary in 2006 but added to the GSO according to its technology type rather than added to the end of the GSO was the Taber wind project. In the 2006 GSO and the 2007 and the 2008 GSO this project was modeled as producing the same constant amounts in each of the four seasons of the year. This project was only commissioned in 2007.) MPI recommends that loss factors for new generators be calculated when the units are actually connected. The AESO can use Rule 9.2.2 b) to change the loss factors of other generators if the addition of the new generator causes the loss factors of other units to change by more than 0.25%.

The AESO also notes it adds facilities, units, and interconnections to the system only after the AUC approves the project (Facility and Interconnection / or Inter-tie). The project is placed in chronological order according to the customer provided in-service date. The AESO believes the addition of approved facilities in the GSO and the base cases genuinely reflects the topology of the system in the future and therefore makes assessments more accurate.

Treatment of Imports in the GSO in 2009

The draft 2009 GSO does not show any imports. In the letter of July 29, 2008 the AESO has proposed that net imports will be added at the end of the second block of hydro (after line 135 in the draft 2009 GSO). However, the rationale for this placement is not provided. Since the net import MW values will be based on historical values and these volumes were offered at \$0 (as price takers), the net imports should be dispatched much earlier in the GSO. As such MPI believes that historical imports should be placed alongside other price takers, such as Wind, in the GSO (after line 29 in the draft 2009 GSO). AESO Response: import may be offered in at any time; the asset is opportunity based. Price may or may not be the only reason for imports to occur. The AESO notes some internal Alberta assets [not price takers] are at times offered at \$0. Assets such as hydro may be offered in the system due for other reasons than cost. For these reasons, imports are located in the GSO as stated. Evidence pertaining to a more appropriate import position will be considered in the future.

Transparency of process to determine Generation Stacking Order

The changing placement of new generators in the GSO and the increasing importance of the order in which generation is dispatched indicates a need for greater clarity and transparency of the process used by the AESO to determine the order in which generators and imports are placed in the GSO. MPI believes the process used to determine the relative order in which generators and imports are dispatched needs to be illustrated by a numerical example. In the event this process relies on information that is not available in the public domain, MPI believes that a generic example showing the AESO's underlying principles would be beneficial to stakeholders.

Elimination of TMR in the Northwest

On August 21, 2006 the AESO posted a letter indicating they had received approval for a \$300-million reinforcement to strengthen the northwestern area of the provincial power grid by 2009 that would allow for the elimination of between \$35 and \$45 million in annual transmission must-run payments. However, the draft 2009 GSO does not reflect the anticipated elimination of TMR. The elimination of TMR in the NW will have a significant impact on area loss factors. MPI believes that if the project is not delayed the forecast elimination of TMR should be reflected in the GSO for 2009. If the project is delayed, please indicate when the AESO now anticipates the need for TMR will be removed in the NW. AESO Response: Please indicate the exact project(s) you are referring to and the latest documentation. The AESO will update accordingly.

MPI appreciates the AESO's request for comment on the DRAFT 2009 GSO and looks forward to working with the AESO to find an equitable solution for all stakeholders.

AESO Response: Thank you for your comments. R. Baker, August 19, 2008