

AESO Business Practice Document: Demand Opportunity Service

The AESO has prepared the attached information document to guide a market participant in its application for demand opportunity service. This information document will be updated as required.

The demand opportunity service process in the attached information document is effective on July 1, 2011.

Market participants are advised that the contents of this information document are for information purposes only and are intended to provide guidance to enable market participants to conduct themselves accordingly. Information document content is therefore subject to change from time to time. For an understanding of the governing legal and binding requirements and obligations on any referenced subject matter, please consult the actual ISO rule language, ISO tariff language, any incidental ISO *Operating Policies and Procedures* and related regulations or legislation.

Comments/Questions

If you have any comments or questions about the information in this document please contact:
dos.applications@aeso.ca

1.0 Background Information

Demand Opportunity Service (“DOS”) is a system access service offered to any market participant who can satisfy the AESO that it would not otherwise take system access service pursuant to rate schedule *Demand Transmission Service* (“DTS”) of the ISO tariff. The service presents the opportunity for incremental revenue with which the AESO can offset transmission costs.

DOS is available to pre-qualified market participants for load above their DTS contract capacity, without increasing their billing capacity. The service is interruptible, temporary, and available only when there is surplus transmission capacity at the requested point of delivery. DOS exists for the benefit of all users of the interconnected electric system and the objective is to reduce the level of average rates charged to other market participants by applying the extra revenue earned from the use of temporarily under-utilized transmission system assets. A market participant must apply to the AESO to be pre-qualified for DOS. A DOS transaction request may only be submitted by a pre-qualified market participant, for the service type and up to the volume for which they have been pre-qualified.

The following demand opportunity services are offered to pre-qualified market participants:

- DOS 7 Minutes: market participants must be able to curtail DOS load within 7 minutes, after receiving a directive from the AESO.
- DOS 1 Hour: market participants must be able to curtail DOS load within 1 hour, after receiving a directive from the AESO. Availability is limited in some areas due to system constraints.
- DOS Term: market participants must be able to curtail DOS load within 7 minutes, after receiving a directive from the AESO. This service is primarily offered to owners of generating facilities for planned maintenance outages.

A list of additional reference documents related to demand opportunity service can be found at the end of this information document in the section titled “References”.

2.0 Eligibility

To ensure that the objective of DOS is met, the AESO needs to be confident that the use of the service will not result in the reduction of other revenues. In order to be eligible for demand opportunity service, the AESO must be satisfied that:

- a market participant meets the commercial eligibility criteria provided below;
- a market participant’s use of DOS would not proceed on any other applicable rate; and
- there is sufficient transmission capacity and suitable system operation conditions capable of accommodating the request.

2.1 Commercial Eligibility Criteria - General

Before the AESO approves a pre-qualification application for DOS, a market participant must satisfy it that the proposed increase in demand would not occur at the standard Rate DTS. The market participant must provide to the AESO a clear, thorough and convincing case, with supporting facts, that demonstrates that the market participant would not increase metered demand under Rate DTS if Rate DOS was not available. It is in the market participant’s best interest to present the information clearly and thoroughly to increase the probability that the application will be approved. The market participant must satisfy the AESO that a commercial business opportunity exists for the use of additional electric energy on either a temporary or repeated short-term basis.

2.2 Commercial Eligibility Criteria – Specific Circumstances

DOS only applies to a temporary increase in load above the market participant's DTS contract capacity. Repeated short-term uses of a similar nature are allowed. The additional energy may be obtained through the use of DOS only under one or more of the following circumstances:

- **Alternative Source of Energy**

A market participant will be eligible for additional electric energy under Rate DOS to replace an alternative source of energy where the market participant:

- has an available alternative source of energy, including means to employ it, that could rationally be used instead of electric energy from the interconnected electric system; and
- the cost of utilizing the alternative source of energy is less than the cost of receiving additional electric energy under Rate DTS.

- **Market Opportunity**

A market participant will be eligible for additional electric energy under Rate DOS to take advantage of a market opportunity where the market participant:

- has a market or business opportunity that requires additional electric energy;
- the cost of receiving additional electric energy under Rate DTS renders the opportunity uneconomic; and
- the market participant's alternative is to forego the opportunity.

- **Planned Generator Maintenance**

Subject to the restrictions described under "Stand-by Use" below, a market participant will be eligible for additional electric energy only under the DOS Term type of Rate DOS for scheduled maintenance of a generating unit where the market participant:

- has planned maintenance of an on-site generating unit that normally supplies electric energy to an industrial process on the same premises; and
- would reduce the load of its industrial process in these circumstances rather than pay the cost of receiving additional electric energy under Rate DTS.

2.3 Circumstances that Do Not Qualify

Notwithstanding the above descriptions of the opportunities that can qualify for DOS, a market participant will not be eligible for additional electric energy under Rate DOS where:

- **Reduced Use**

The market participant has the opportunity to install facilities that will reduce the consumption of electric energy from the interconnected electric system.

- **Stand-by Use**

The market participant's requirement for additional electric energy is the result of an unplanned outage or derate of an on-site generating unit that normally supplies electric energy to an industrial process on the same premises or otherwise displaces consumption of electric energy from the interconnected electric system.

3.0 Process for Obtaining Demand Opportunity Service

A two-step process has been developed for obtaining demand opportunity service. The first step involves the submission of a pre-qualification application for DOS and a technical and commercial evaluation. System access service under Rate DOS will be available only to a market participant that the AESO pre-qualifies for DOS.

The second step is the submission of a transaction request and allows a pre-qualified market participant to actually obtain DOS (when capacity is available), with as little as one hour's notice.

3.1 Step 1: Pre-Qualification Application for Demand Opportunity Service

The first step involves a formal pre-qualification application for DOS, a thorough evaluation, and the approval or denial of pre-qualification, as applicable.

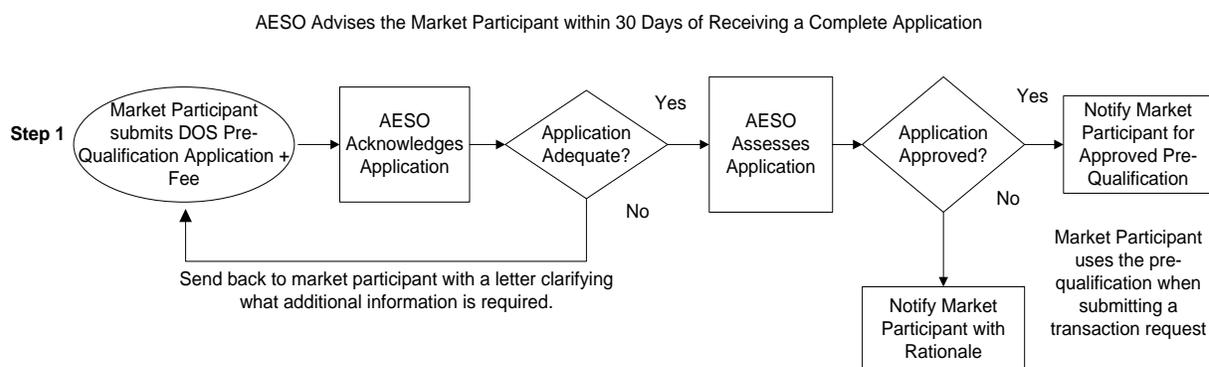
On an annual basis and at least forty-five (45) calendar days prior to submitting a transaction request for DOS, a market participant must submit to the AESO a completed pre-qualification application.

The market participant must pay a non-refundable fee of \$5,000 plus GST to the AESO for evaluation of the market participant's eligibility for DOS when the pre-qualification application is submitted. This fee is intended to offset the costs that the AESO will incur to review the application. The AESO recommends that a market participant assess whether its circumstances would meet the commercial eligibility criteria before committing to the expense of a pre-qualification application. A market participant may find it useful to discuss the potential use of DOS with the AESO or the owner of the electric distribution system where they are connected as part of such assessment of its commercial eligibility.

The **ISO** will notify a **market participant** in writing of approval or denial of approval of pre-qualification for DOS, within forty-five (45) calendar days of receiving a pre-qualification application.

A market participant's pre-qualification for DOS will only apply:

- up to the contract capacity which the market participant requested, or such lower contract capacity as the ISO determines is available;
- for the specific type or types of DOS, as listed in Rate DOS which the **market participant** requested and is eligible for; and
- for a maximum of one (1) year from the date the **ISO** approves the **market participant's** pre-qualification.



3.2 Step 1: Applying for Pre-Qualification

The application process for step 1 is outlined in the diagram above and more specifically described as follows:

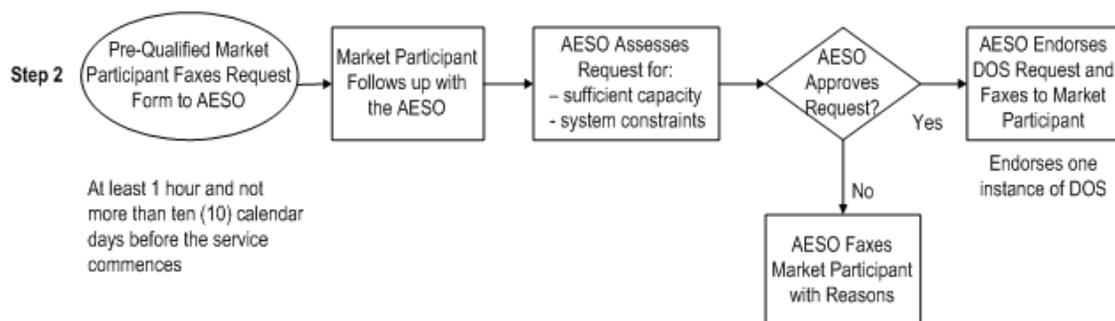
- A market participant must provide an application package to the AESO along with the \$5000 plus GST non-refundable fee. If the application is inadequate, the AESO will provide the market participant with a letter clarifying what additional information is required.

- The AESO will review the application and consider the following questions:
 - Does the transmission system have adequate capacity for the requested amount of DOS, and are there any voltage, overload or other limiting considerations that would preclude the use of demand opportunity service?
 - Does the proposed use of DOS satisfy the commercial eligibility criteria set out in section 2 of this information document, and in particular, has the market participant provided proof that it would not increase its DTS contract capacity if demand opportunity service were not available? For renewal applications this condition may not apply (see point 7 below).
 - Is the information provided in support of the market participant's eligibility, plausible? What conditions, if any, should be attached to the pre-qualification (i.e. system limitations)?
- Within 45 days of receiving a complete application, the AESO will advise the market participant of its findings, in writing.
 - If the application is not approved, the AESO will provide an explanation of the reasons the application was unsuccessful.
 - If the application is approved, the market participant will be assigned a unique "pre-qualification number" which will be used in submitting Transaction Requests.
- Each pre-qualification will be valid for a specified period of time beyond which a renewal will be required. The specified time period will be included in the AESO's response to the market participant.
- The market participant will undertake to provide notification to the AESO upon the occurrence of any financial, operational and/or technical changes, where such changes materially impact the assumptions contained within the market participant's technical information labeled "Schedule A" and the Business Case labeled as "Schedule B". Failure to provide such information to the AESO in a timely and comprehensive manner may result in the AESO performing an audit (see Section 12 of the current ISO tariff) and/or the AESO reassessing the eligibility of the market participant to be pre-qualified for the use of DOS. Further, the market participant understands that the use of DOS contemplated in its business case can only be modified by submitting another pre-qualification application.
- Prior to submitting a step 1 application, a market participant should be aware that the AESO will treat all information it receives in accordance with *ISO rule 103.1 - Confidentiality*.
- In order to renew an expiring pre-qualification, a market participant must submit a new step 1 application, along with the required fee and Schedules A and B, even if there has not been any change to information. To prevent a lapse in the pre-qualification, a market participant should submit its application at least 30 days prior to expiry.

3.3 Step 2: Utilizing Approved Demand Opportunity Service

Step 2 covers the process where a pre-qualified market participant can initiate a DOS transaction. The market participant can initiate such transaction 24 hours a day, seven days a week, by submitting a transaction request form as outlined below. The market participant may appoint a third party to carry out the necessary steps to obtain service and in step 2, "market participant" means such third party if applicable. Any transaction request that does not comply with the requirements set out in this section is void.

A market participant may submit more than one transaction request per facility, for a given time period, provided that they are for the same type of DOS. Overlapping DOS transactions will be aggregated during the period of overlap, but the aggregated amount may not exceed the pre-qualified volume. Any transaction request that would, when aggregated with previous overlapping transaction requests, exceed a market participant's contract capacity will be denied by the AESO.



The process for step 2 is outlined in the diagram above and more specifically described as follows:

- A pre-qualified market participant must fax a transaction request for DOS on the form prescribed by the AESO and to the number noted on it.
- A market participant must submit a completed transaction request form at least one (1) hour and no more than ten (10) calendar days before the requested start time of the demand opportunity service transaction.
- A market participant may submit a transaction request for DOS for a point of delivery:
 - only in accordance with its confirmed pre-qualification, specifically:
 - up to its pre-qualified capacity; and
 - for the pre-qualified type or types of DOS;
 - for only one Rate DOS type in any single hour, even if the market participant is eligible for multiple Rate DOS types;
 - with a minimum continuous duration of eight (8) hours and a maximum continuous duration of one (1) calendar month; and
 - with a start date and end date in the same calendar month.
- The market participant should follow-up its fax by phoning the AESO System Controllers. This step serves two purposes: first, the market participant can confirm that the AESO has received the fax, and second, the AESO can informally advise whether the service can be provided as requested. If the market participant requires modifications to the request, it must complete a new transaction request form.
- The AESO will review the transaction request and approve it if it determines that:
 - the request complies with the terms of the market participant’s pre-qualification;
 - the request form has been fully and correctly completed and submitted; and
 - sufficient surplus capacity exists on the transmission system at the requested point of delivery to accommodate the requested capacity for the duration of the Rate DOS transaction.
- The AESO will endeavour to accommodate the DOS transaction request such that service will commence at the requested time.
- Barring any problems or system constraints, the AESO will endorse the DOS transaction request and then fax it back to the market participant, indicating approval or denial of the request.
- The endorsed fax, indicating approval of the request is a “demand opportunity service transaction” and provides confirmation of the arrangements that have been made for one instance of DOS.
- A market participant may not cancel or revise a Rate DOS transaction request after it is approved by the ISO.

- The AESO will use the DOS transactions as a key source of billing information.
- To the extent practicable, in an emergency, DOS will be recalled in advance of system access service provided to market participants under Rate DTS and Rate FTS. Demand opportunity service is recallable:
 - in accordance with the provisions of Rate DOS;
 - whenever transmission system capacity becomes insufficient to sustain DOS, either temporarily or permanently;
 - when the Alberta balancing authority area lacks sufficient ancillary services; and
 - in accordance with the provisions of section 2 of the ISO tariff.
- When the ISO issues a directive to curtail capacity provided under Rate DOS, a market participant must curtail in accordance with the response time and recall priority set out in Rate DOS for the Rate DOS type approved for the transaction.
- If the AESO recalls any portion of the increased load before the end of the DOS transaction, the AESO will record the details of the recall in its shift report.
- In order to access DOS Term for planned outages, a market participant must submit its outage schedules to the AESO a minimum of thirty (30) days in advance of requiring DOS. The schedules are submitted to the AESO via email to the following restricted-access email address: outage.scheduling@aeso.ca. There will be some flexibility to change “planned” outages schedules after the AESO is notified of the outages. However, the notification of the change in the planned maintenance schedule must be received prior to the generating unit outage. Unplanned maintenance of a generating facility does not qualify for DOS.
- A market participant can only use one DOS at a time (e.g. DOS 7 Minute or DOS Term).
- The AESO will confirm the resulting DOS transaction and will notify the affected parties by fax.

4.0 Audits of Eligibility for Demand Opportunity Service

As provided in Section 12 of the ISO tariff, the AESO may audit any market participant’s circumstances to verify that the use of DOS complies with the ISO tariff. The AESO does not intend to disclose how it expects to conduct such audits, how it chooses which users to audit, nor how it determines when to conduct an audit.

The AESO will request only the information necessary to achieve the objectives of the audit, which are as follows:

- Assess whether the market participant’s use of DOS is in accordance with the step 2 process.
- Determine whether the use of DOS has ever failed to comply with the commercial eligibility criteria set out in this document.
- Determine the dates and extent of any non-compliance and any details that are relevant to administering the ISO tariff.
- Determine the consequences to be applied in the event of non-compliance.
- Identify any circumstances that would justify leniency or severity in applying any retroactive charges.

The AESO may charge the market participant the cost of an audit. If the AESO finds that the market participant is no longer eligible for DOS, all metered energy delivered to the market participant will be billed under Rate DTS as of the effective date of the disqualification and the AESO will terminate billing under Rate DOS. The AESO may, in its sole discretion, recover retroactive amounts for the period during which such market participant did not qualify for, but was billed under, Rate DOS.

5.0 Other End-Users

The end-user of DOS can either be a market participant that has pre-qualified directly with the AESO, or a market participant that is connected to an electric distribution system and has contracted with the owner to receive DOS via the owner's prequalification. In this case the owner of the electric distribution system should hold a DTS with the AESO. Although the AESO is not responsible for administering any arrangements between the owner of an electric distribution system and an end-user, the end-user may submit transaction requests directly to the AESO as long as the owner has appointed them as a representative on the pre-qualification application.

6.0 References

To access the rates and billing practices for demand opportunity service, see the Tariff on the AESO website: www.aeso.ca > Rules, Standards and Tariff > Tariff. The pre-qualification application and transaction request for demand opportunity service are available on the AESO website: www.aeso.ca > Grid > Demand Opportunity Service.