

**AESO Discussion Paper – Intertie Restoration Initiative Stakeholder Comments**

Response from: **Industrial Power Consumers Association of Alberta (IPCAA)**

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Section	Subsection	Stakeholder Response
<p><b>2.0 Intertie Restoration Policy</b></p>	<p><b>2.1 Obligation to Restore Capacity</b></p>	<ul style="list-style-type: none"> <li>• IPCAA agrees with the contents of this section. The current legislative and policy framework clearly establishes that it is the AESO’s duty to restore the interties. The AESO should do this in a timely manner.</li> <li>• Other policy issues respecting the interties need to be resolved; however, acquiring sufficient LSSi product to achieve the initial incremental increase does not need to await any further policy resolution on the role of the interties.</li> <li>• The design of the LSSi product and its procurement mechanism is a priority and needs immediate attention. The loads that will be supplying the product should drive the design.</li> </ul>
	<p><b>2.2 Cost Allocation</b></p> <ul style="list-style-type: none"> <li>a. <b>Transmission Development Policy</b></li> <li>b. <b>Import restoration cost allocation</b></li> <li>c. <b>Export restoration cost allocation</b></li> <li>d. <b>Variable cost flow through?</b></li> </ul>	<ul style="list-style-type: none"> <li>• IPCAA believes that the fixed costs associated with restoring import capacity should be charged to loads, since loads will benefit from the additional capacity.</li> <li>• The LSSi product should be designed to include three pricing components: (1) an availability payment; (2) a utilization payment; and (3) an exercise payment.</li> <li>• Loads should pay the availability payment; however, importers could pay the utilization payment in exchange for acquiring ATC. As stated in the paper, “<i>variable costs associated with import capacity restoration services may be allocated to the product user.</i>”</li> <li>• “<i>Export capacity restoration services should be charged to</i></li> </ul>

		<p><i>load</i>’ IPCAA disagrees with this statement. This will send a perverse price signal. Exporters and consumers in other marketplaces will benefit from the restoration of export capability. Why should Alberta loads pay for a service that may actually allow the Alberta hourly price to rise so that consumers in other provinces get access to Alberta power on a subsidized basis? If this is being done to help “absorb” wind generation, the AESO should look to a wind-following product such as demand response, prior to having loads pay for exporters to make additional revenues. Loads are already expected to pay for billions in new transmission projects to support wind and exporters.</p>
<p><b>3.3 Options to Increase Import ATC</b></p>	<p><b>3.3 Options</b></p> <ul style="list-style-type: none"> <li>a. LSSi to be pursued</li> <li>b. ILRAS not an option at this time</li> <li>c. Service available for in market use as opposed to emergency use only?</li> <li>d. Others?</li> </ul>	<ul style="list-style-type: none"> <li>• “The AESO has determined that it is technically feasible to restore the import ATC for BC to approximately 715 MW under high load conditions, and 565 MW under low load conditions with services that protect the system from the loss of the intertie...” It is IPCAA’s understanding that the reason this upper limit is 715 MW and not 780 MW is because there are some large loads in Alberta that may come online and offline without notice being given to the AESO. If this is the case, there are other options for addressing this, instead of limiting the import capability. The AESO should consider incenting these loads to provide notice of their consumption plans, or engaging Alberta loads, aggregators and generators to provide DR or regulating services through commercial means. The import capability should not be compromised when there are other mechanisms available to ensure system reliability.</li> <li>• IPCAA is in total agreement that the increase in import capacity should be available as an economic factor and not restricted for reliability purposes only. However, it is essential that the procurement of LSSi in fact does result in an increase in import capacity - hence tying the increased ATC to the arming of the LSSi product. This will ensure that an importer</li> </ul>

		does have the necessary ATC for import as well as the added capacity through arming of LSSi.
	<b>3.4 Next Steps</b> <b>a. Form working group</b>	<ul style="list-style-type: none"> <li>• IPCAA would like to participate in the LSSi working groups. IPCAA represents approximately 35% of the load in the province, and as such, has a vested interest in how the products are designed and how they will be priced. IPCAA is also willing to help the AESO engage loads to provide LSSi, if the pricing structure is designed appropriately.</li> <li>• IPCAA does not believe that generators need to be involved in this working group; however, import marketers should be engaged. The intent of the working group needs to be defining the product and the associated rules and processes, not debating the impacts on the balance of the market in Alberta.</li> </ul>
<b>4.3 Options to Increase Export ATC</b>	<b>4.3 Options</b> <b>a. GRAS to increase export limit to 935 MW</b> <b>b. No GRAS to increase SOK flow limit</b> <b>c. Integrate wind forecast into export ATC limit</b> <b>d. Service available for in market use?</b> <b>e. Others?</b>	<ul style="list-style-type: none"> <li>• IPCAA is concerned with the allocation of costs for GRAS, but has no objections to the product being developed.</li> <li>• It is difficult to conceive of any circumstances wherein loads benefit from increased exports. If generators need support services for exports they should design products wherein the exporter bears the cost, not loads.</li> <li>• This is an intertie restoration issue, not a transmission congestion issue.</li> </ul>
	<b>4.4 Next Steps</b> <b>a. Form Working Group</b>	<ul style="list-style-type: none"> <li>• IPCAA would like to participate in the GRAS working group. IPCAA members are concerned with cost allocations, and having the product developed as competitively as possible.</li> <li>• Load participation in this group is to ensure that no unnecessary costs are allocated to loads relative to exports. If costs are to be incurred they should be included in the export tariff to ensure recovery from the beneficiary.</li> </ul>

<b>5.0 Conclusions and Next Steps</b>	<b>5.0 Conclusions and Next Steps</b> <b>a. Form Independent Working Group</b> <b>b. Should variable costs of services be charged to users?</b>	<ul style="list-style-type: none"><li>• IPCAA agrees with the AESO – there should be two separate working groups for LSSi and GRAS. Problems developing one product should not hold up the other.</li><li>• Charging variable costs to users makes sense and needs to be examined. The AESO should be concerned with dynamic efficiency and should arrive at a solution that will achieve this.</li></ul>
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