



IPPSA Responds to Wildrose Electricity Policy

Producers raise seven immediate questions about platform

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The Independent Power Producers Society of Alberta (IPPSA) welcomes an informed discussion about the province's electricity market and poses a series of questions in response to the Wildrose Electricity Policy.

“Alberta’s current wholesale market design and transmission policy have succeeded in attracting sufficient supply to meet the fastest growing demand for power in Canada and have succeeded in introducing a downward pressure on market prices,” states IPPSA Executive Director, Evan Bahry. He adds, “From 2001 to 2011, Alberta’s net generation supply increased by 40%, yet wholesale power prices increased by less than 10%”

The Wildrose platform introduces dramatic changes to Alberta’s current market design and transmission policy. Such change risks damaging investor confidence. More clarity is needed for generators to understand what this platform will mean to their investments. As a caution, there can be unintentional consequences if change is not well thought out.

This caution is particularly acute as 1262 Megawatts (MW) of new supply are under construction and a further 2795 MW have received regulatory approval¹. For context, this on coming capacity exceeds all of SaskPower’s total supply². This new supply comes on the heels of 5400 MW built under Alberta’s current design since 2001.

The attached backgrounder raises seven immediate questions IPPSA has of the Wildrose policy.

IPPSA is a trade association including all of Alberta’s major power producers. While we strive for consensus opinions, members reserve the prerogative to advance their own views. For further information, contact Evan Bahry, Executive Director, at (403) 282-8811 or see www.ippsa.com.

¹ Alberta Electric System Operator, *Long Term Adequacy Metrics*, November 2011, www.aeso.com

² SaskPower, *Corporate Profile*, www.saskpower.com

Backgrounder: 7 Questions About WildRose Electricity Policy

- 1) *Wholesale consumers do not have any obligation to buy day-ahead in today's market design. Why would WildRose introduce a new obligation on consumers?*
- 2) *Wholesale consumers can manage price volatility in today's market by contracting, constructing on-site generation, or curtailing in response to prices. What does a day-ahead design achieve?*
- 3) *Does Wildrose appreciate that market prices need to reflect market fundamentals? If a supply shortfall occurs in real time, or day-ahead, market price will reflect that.*³
- 4) *How much time will it take to create a day-ahead market? With the fastest growing demand for power in Canada, investors need to know, quickly, how these proposed changes will impact their existing assets and their plans for future assets.*
- 5) *How does having generators pay a greater⁴ share of transmission costs reduce the cost of transmission? If you increase costs to power producers, they need to recover those new costs in the price of energy that they offer into the energy market. The Alberta Energy and Utilities Board (EUB) recognized this when then came up with their "50/50 formula". In its decision 2000-01 the EUB states:*
 - "If the supply transmission charge is on an energy basis, this will have the effect of merely adding an equal amount to the energy traded in the Power Pool, all things remaining equal." – (page 123)
 - "For the STS energy charge discussed in this section, the Board notes that GENCOs will recover the additional charge from higher pool prices...Accordingly, both the GENCO and the DISCO will be neutral to the change in tariff design to reflect STS energy charge (page 123)
- 6) *How is today's playing field unlevel between local generators and distant generators? Both have equal opportunity to compete against each other in Alberta's open market to serve consumers. Ironically, the current transmission design levels the playing field by removing the subsidies that were paid in the past to locate some generation close to consumers.*
- 7) *Wildrose proposes to introduce programs to encourage efficiency. Why not let the market work? Price volatility changes consumer behavior. For example, high gasoline prices drive consumers to purchase more efficient vehicles. Campaigning to reduce price volatility and also promising programs to improve efficiency is counter intuitive.*

³ Market participants and transmission owners are obligated to post their plans for outages, which are made available to all participants.

⁴ Generators pay 100% of the cost of wires to connect their plants to the grid. Generators pay 100% of the cost of line losses, which drives them to locate away from areas that need new transmission and generators make a refundable contribution to any new bulk wires that the plants require, as a means to protect against excessive transmission costs.