



December 19, 2006

VIA EMAIL

Colleen Fairhead  
Alberta Electric System Operator  
2300 – 330 5 Avenue SW  
Calgary, AB T2P 0L4

Dear Ms. Fairhead:

**RE: Market Policy Implementation Phase I – Update, Options & Recommendations**

Direct Energy Marketing Limited (“DEML”) welcomes the opportunity to provide feedback concerning the AESO’s Transmission Must Run (“TMR”) and Imports recommendations. DEML appreciates the time and effort spent by the AESO examining these key issues and would like to respectfully provide the following comments.

Transmission Limiter Dispatch

DEML does not believe the proposed Dispatch Down Service (“DDS”) is an appropriate method for compensating scheduled-down generation necessitated by a TMR unit dispatch. It is our contention that DDS would be inherently difficult to implement and could unintentionally over-compensate generators. In other jurisdictions, the cost of scheduling down has appeared as a constraint payment and DEML is supportive of the same principle being applied in Alberta. These constraint payments are calculated by subtracting the Marginal Cost from the System Marginal Price. This ensures generators and other parties impacted by the dispatch down requirement are kept whole. Additionally, as TMR-related costs are a consequence of transmission constraints, the costs associated with these payments should be recovered from all market participants through transmission rates.

Imports

DEML supports the AESO’s position that the options proposed to date are not appropriate and do not provide the market with the correct price signals. We urge the AESO to retain this issue as high priority and facilitate resolution as soon as practicable.

Should you have any questions or comments, please do not hesitate to contact the undersigned at (403) 290-6944.

Yours truly,

*(Originally Signed By)*

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