

June 16, 2005

*Sent via e-mail*

**Interested Parties**

AESO 2005-2006 General Tariff Application

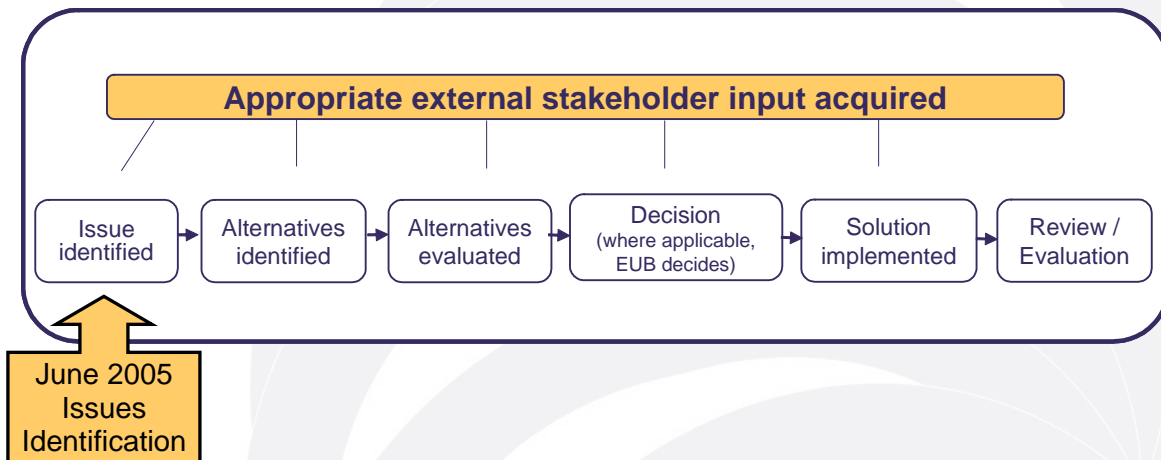
Dear Stakeholder:

Re: **AESO Consultation and Issues List for Export, Import, and Merchant Interconnection Tariffs**

During 2004 the AESO consulted with stakeholders about export and import tariffs, leading to discussion in the AESO’s 2005-2006 General Tariff Application (GTA) of “the potential for a ‘suite’ of export and import rates addressing all combinations of export and import service, with firm and opportunity bases, over merchant and non-merchant lines.” During the GTA proceeding, the AESO proposed that further consultation with stakeholders would be helpful in the development of export, import, and merchant interconnection tariffs. The AESO is now initiating that consultation and inviting parties to participate.

Although merchant transmission lines involve some unique considerations, the AESO expects that merchant line users will also be interested in export and import tariffs. The AESO therefore proposes that this initial consultation review all issues relating to export, import, and merchant interconnection tariffs. As consultation progresses the topics may be divided and explored in separate processes.

The first stage of consultation will be identification of issues, the initial step in the AESO consultation process illustrated below. A preliminary issues list is attached to this letter, and stakeholders are invited to provide additional issues to be included on this list for further discussion.



The AESO hopes consultation can progress reasonably quickly, as many matters have already been raised in earlier consultation, in the AESO's 2005-2006 GTA proceeding, and in other discussions with stakeholders. In particular, the AESO expects this consultation will guide a decision by October 2005 about the approach to be used to gain the required EUB approval for these tariffs. Three approaches seem possible: a negotiated settlement, a separate application for tariff approval, and inclusion in the AESO's 2007 GTA expected to be filed in December 2005. As part of the consultation process the AESO will evaluate with stakeholders which approach would be most appropriate.

The AESO therefore proposes the following consultation schedule for export, import, and merchant interconnection tariffs. Parties who wish to participate in the June 29 consultation meeting should indicate their intent to do so by **4:00 pm on Friday, June 24, 2005** to Maureen Winslow at [maureen.winslow@aeso.ca](mailto:maureen.winslow@aeso.ca) or (403) 539-2463. The AESO also welcomes written comments from parties at that time, both on the preliminary issues list and on the proposed schedule and process. Please note that the schedule is subject to change, due to other matters not related to this consultation.

1. Jun 16, 2005      **Schedule and issues list** (this letter) distributed.
2. Jun 24, 2005      **Stakeholder comments** and additions to issues list.
3. Jun 29, 2005      **Consultation meeting** with interested parties to review and clarify issues on commercial, technical, tariff, and merchant interconnection matters. This meeting will take place in downtown Calgary from 9:00 am – 12:00 noon.
4. Jul 13, 2005      **Discussion paper** distributed by the AESO including initial positions regarding the issues to be addressed in proposals for export, import, and merchant interconnection tariffs.
5. Jul 27, 2005      **Stakeholder comments** to be provided on the AESO's July 13 discussion paper. All comments will be made public by the AESO.
6. Aug 10, 2005      **Comment matrix** distributed by AESO as summary of views expressed in July 27 stakeholder comments.
7. Aug 31, 2005      **Consultation meeting** to review and clarify views expressed in July 27 stakeholder comments. This meeting will take place in downtown Calgary.
8. Sep 14, 2005      **Stakeholder comments** to be provided based on additional discussion at Aug 31 meeting. All comments will be made public by the AESO.
9. Sep 21, 2005      **Comment matrix** distributed by AESO as summary of views expressed in Sep 14 stakeholder comments.
10. Oct 14, 2005      **AESO proposal** distributed to advise parties of the AESO's position for export, import, and merchant interconnection tariffs.

Additional background is available on the AESO's web site at [www.aeso.ca](http://www.aeso.ca) by following Quick Links > Current Regulatory Activities, in the "Alberta Import/Export Tariff" and "AESO 2006 General Tariff Application: 2005-01-31 Section 4 - 2006 Rate Design" sections.

If you have any comments or questions on this process or on the attached information, please contact me at (403) 539-2465 or john.martin@aeso.ca, or Karen Mazuryk at (403) 539-2590 or karen.mazuryk@aeso.ca.

Yours truly,

*[original signed]*

John Martin  
Manager, Regulatory

cc: Jamie Cameron, Alberta Energy and Utilities Board  
Rob Senko, AESO  
Karen Mazuryk, AESO

Attachment

**AESO Consultation on Export, Import, and Merchant Interconnection Tariffs  
Preliminary Issues List  
June 16, 2005**

The AESO held a consultation process in the spring, summer, and fall of 2004 on firm export and import tariffs. The AESO and intervenors also commented on export and import tariffs, and merchant interconnection tariffs, during the AESO's 2005-2006 General Tariff Application proceeding in early 2005. Finally, the AESO has held discussions with stakeholders on specific issues relating to these topics.

From these consultations and discussions, the AESO has identified the following issues, grouped into four broad categories.

**A Commercial and Market Issues**

- A-1 Usage of services — how fast and how much export, import, and merchant services would be utilized
- A-2 Electricity Policy Framework — restoration of existing capacity on BC and Saskatchewan ties, additional capacity with neighbouring systems, recallability, “stand-off” issues (for example, BC capacity being held by third party)
- A-3 Contracted product — market impacts, RFP process
- A-4 Exchange tradable product — bid and offer mechanisms, curtailment priority

**B Operating Issues**

- B-1 Available Transfer Capability (ATC) calculations — assurance of transfer capabilities, minute-by-minute dispatch requirements, administration
- B-2 Export Must Run (XMR) service — recovery of incremental costs, capacity adjustments, software and systems
- B-3 Generator Remedial Action Schemes (GRAS) — potential for GRAS capacity enhancement, competitive long-term procurement, recovery of GRAS costs
- B-4 Information systems requirements — OASIS or similar system, timing
- B-5 Capacity allocation — order established based on date of contract, on contract or rate provisions, or on open season auction, over-subscription rationing
- B-6 Dispatch and curtailment — order of dispatch, order of curtailment, treatment of multiple users of single and multiple line
- B-7 Losses — determination of loss factors for export, import, and merchant interconnection services

**C Tariff Issues**

- C-1 Cost basis — point-to-point model, injection-withdrawal model, wheel-through model
- C-2 Cost allocation — alignment with principles in Transmission Regulation; comparability to tariffs for service within Alberta
- C-3 Nature of service — firm, non-firm (interruptible), opportunity, priority distinctions, standard definitions
- C-4 Contracts — terms (daily, weekly, monthly, seasonal, annual), provisions, options of contracts
- C-5 Structure of rates — demand charges, usage (flat or varying) charges, customer charges, transaction fees
- C-6 Seams — alignment with tariffs in neighbouring jurisdictions (British Columbia, Pacific Northwest, Saskatchewan), avoidance of tariff “pancaking”

- C-7 “Take or pay” and “use or lose” provisions — forfeit of reservation if energy schedule not confirmed, reallocation of forfeited capacity, no bumping or recall rights after forfeited reservation
- C-8 Deferral accounts — allocation, reconciliation, and recovery of costs

**D Interconnection Issues**

- D-1 Facility costs — Full contribution for all costs relating to existing Alberta Interconnected Electric System, eligibility for investment with appropriate contractual obligations
- D-2 Open access — open season auction or other transparent mechanism, availability of capacity remaining after open season
- D-3 AESO registration with FERC — potential requirement for interconnections to United States
- D-4 Customer interaction — AESO relationship with shippers, AESO relationship with owners, AESO relationship with new jurisdiction (U.S.)

The AESO recognizes there is overlap of issues into more than one group, but suggests it may be useful to deal with all the issues within a group at one time in discussion.

The AESO expects stakeholders may raise issues that are not on this list, and would appreciate comments and feedback by Friday, June 24, 2005 to ensure all issues related to these tariffs are captured.

The AESO proposes that the initial consultation meeting review this issues list with the following objectives:

- Ensure all issues are identified (as much as possible).
- Provide all parties with a general understanding of the issues.
- Identify if any issues are being dealt with through separate processes or would have minimal impact on the development of export, import, and merchant interconnection tariffs.
- Prioritize the remaining issues to be addressed through the consultation process.

The AESO appreciates comments of parties on the issues list and on the proposed process and schedule. Comments can be provided to:

- John Martin at (403) 539-2465 or john.martin@aeso.ca, or
- Karen Mazuryk at (403) 539-2590 or karen.mazuryk@aeso.ca