



**Export, Import, and Merchant Interconnection
Tariff Development**

Rob Senko, Regulatory
Jerry Mossing, Operations Planning
John Martin, Regulatory

AESO Stakeholder Consultation Meeting
June 29, 2005 — Calgary



Agenda

- Introductions *[participants; 9:00]*
- Purpose of consultation and meeting *[Rob; 9:10]*
- Transmission Regulation requirements *[Rob; 9:20]*
- Operating/Market issues *[Jerry; 9:35]*

Break; 10:35

- Tariff issues *[John; 10:50]*
- Merchant interconnection issues *[John; 11:20]*
- Next steps and comments *[John; 11:50]*


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Purpose of Consultation

- Support development of export, import, and merchant interconnection tariffs
- Fulfill Transmission Regulation requirements for export, import, and merchant interconnection tariffs
- Allow filing of tariffs later in 2005
 - Stand-alone application
 - Negotiated settlement
 - Incorporation in AESO 2007 GTA


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Purpose of Today's Meeting

- Comprehensive list of all issues (commercial, operating, tariff, and merchant interconnection)
- Common understanding of issues
- Identification of issues being dealt with separately or that do not need to be dealt with
- Identification of whether issues relate to export, import, or merchant interconnection tariffs
- Identification of issues which need to be dealt with now as part of tariff filing
 - Prioritization of issues that need to be dealt with

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Transmission Regulation — Planning Requirements

- 20-year and 10-year plans must include exports and imports [3(a)(i, ii, iv), 4(1)(a)(i, ii, iv)]
- The transmission system must be expanded or enhanced for exports and imports at or near interconnection path ratings [8(1)(g)]
- AESO must make rules for needs documents, planning, and processing for enhancements or upgrades for exports and imports in excess of existing interconnection path ratings [8(1)(h)]
- Merchant facility proponents must assist the AESO in preparing needs documents [15(3)]


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Transmission Regulation — Losses

- Location-based loss charges or credits apply to firm imports, opportunity exports, and opportunity imports [22(1)(b), 22(2)]


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Transmission Regulation
— Open Access to Merchant Lines

- Merchant proponent must follow AESO rules to provide open access and file terms and conditions respecting open access with the EUB [15(5)(a)]
- Merchant lines must be available in an open and non-discriminatory manner [15(5)(b)]


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Transmission Regulation
— Export Tariff

- Exporters must pay just and reasonable costs of the transmission system [30(a)(i)]
- No additional specific requirements (other than losses and merchant line use)
- Implied alignment of firm export tariff and firm domestic load tariff [30(a)(i)]
- Implied alignment of opportunity export tariff and opportunity domestic tariffs [22(2)]


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Transmission Regulation — Import Tariff

- No specific requirements (other than losses and merchant line use)
- Implied alignment of firm import tariff and firm domestic supply tariff [22(1)]
- Implied alignment of opportunity import tariff and opportunity domestic tariffs [22(2)]


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Transmission Regulation — Merchant Interconnection Tariff

- Applies to both new facilities and enhancement or upgrades to existing facilities [15(1)(a-b)]
- Needs document must include rates and terms and conditions for the AESO's use of the facility [15(2)(a-d)]
- Cost of planning, designing, constructing, operating, and interconnecting a merchant facility must be paid by proponent or by others who benefit [15(4)(a-b)]
- AESO tariff must include rates and terms and conditions for use of the transmission system by classes of users of merchant facilities [15(6)]

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Electricity Policy Framework

- Evaluation of additional capacity with neighbouring systems in 20-year plan
- Exports recallable in supply shortfall conditions


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A. Operating/Market Issues

	Exp	Imp	Merch	Prior
Transfer Capabilities:				
1. First Contingency Limit				
2. Dynamic ATC				
3. Remedial Action Schemes				
4. Generators in Operation				
Other:				
5. Curtailments				
6. Operating Reserves				
7. Market Impacts				
8. Systems/Administration				
9. Other Issues				


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A-1 Transfer Capabilities — First Contingency Transfer Limit

- Reliable transfers to and from Alberta must respect reliability criteria (eg. voltage stability, voltage deviation, impact to other systems)
- Definitions for firm, non-firm, interruptible must be applied


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A-2 Transfer Capabilities — Dynamic ATC

- Introduction of additional considerations in transfer limits leads to a requirement to calculate transfer limits dynamically
- Nomograms are used in the WECC to provide reliable transfer limits based on multiple operating conditions


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A-3 Transfer Capabilities — Remedial Action Schemes (RAS)

- Export transfer capabilities can be increased using Generator RAS (GRAS)
- Import transfer capabilities can be increased using Interruptible Load RAS (ILRAS)
- Automatic switching of transmission elements can enhance both imports and exports
- How to procure and pay for RAS?


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A-4 Transfer Capabilities — Generators in Operation

- Generators contribute to reliability, including ATC
- Energy market
 - There must be assumptions made about generator participation in the energy market when defining ATC
- Export Must-Run (XMR)
 - A product such as Export Must-Run (XMR) service can provide improved transfer levels by providing certainty of dispatch


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A-5 Curtailments

- Concern for reliability (economic or transmission rights covered elsewhere)
- Need to know the curtailment order and the systems to track it
- Constraints management protocol efforts are underway and may require modification based on these outcomes
- Treatment of multiple users of single and multiple lines


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A-6 Operating Reserves

- Currently, Alberta carries operating reserves for export transactions and does not carry operating reserves for import transactions
- In a new structure it must be clear which entity is carrying the reserves
- WECC is examining the issues relating to reserves and interconnection schedules and may recommend changes at the end of this year
 - Overall assessment of the correct amount of reserves
 - Do we have the correct reserves products?


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A-7 Market Impacts

- Rule development as a result of policy framework
 - Rules process is underway
 - Expect to treat imports like intra-Alberta generators
- Firm/non-firm tariff impacts
 - XMR-priority dispatch?
 - Intertie dispatch – e.g., based on possible Alberta firm vs. BC firm

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A-8 Systems/Administration


- Requirement for OASIS or similar system
 - BCTC and SaskPower both use OASIS (Open Access Same-time Information System) to manage requests on a first-come first-served basis
- Other system controller software and operating policies
 - To enable real-time and dynamic calculation of the ATC
- Timing
 - How much time is need to implement the system?
 - How much of a lag will there be between approval and implementation?

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A-9 Other Operating/Markets Issues?


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B. Tariff Issues

	Exp	Imp	Merch	Prior
1. Cost basis				
2. Cost allocation				
3. Nature of service				
4. Contracts				
5. Structure of rates				
6. Seams				
7. Take or pay/use or lose				
8. Losses				
9. Deferral accounts				
10. Other				


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B-1 Cost Basis

- Point-to-point service model
 - Transmission of capacity and energy from a designated Point of Receipt to a designated Point of Delivery
- Network service (injection-withdrawal) model
 - Transmission of capacity and energy from a non-designated resource to a designated Point of Delivery, or from a Point of Receipt to a non-designated load
- Wheel-through or wheel-out service model
 - Transmission of capacity and energy from a designated Point of Receipt to a designated Point of Delivery, where neither are within Alberta

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B-2 Cost Allocation

- Alignment with principles in Transmission Regulation
 - Implied alignment of firm export tariff and firm domestic load tariff [30(a)(i)]
 - Implied alignment of firm import tariff and firm domestic supply tariff [22(1)]
 - Implied alignment of opportunity export and import tariffs and opportunity domestic tariffs [22(2)]
- Comparability to tariffs for domestic service

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B-3 Nature of Service

- Firm, non-firm, interruptible, opportunity
- Basis for priority distinctions
 - Date of contract
 - Contract provisions
 - Rate provisions
 - Open season auction
 - Over-subscription rationing
- Standard definitions
 - How are import, export, and merchant tariffs defined?
 - Is “firm” the appropriate terminology? Is it consistent with other jurisdictions?
 - “Firm” is still interruptible for operational reasons


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B-4 Contracts

- Terms
 - Daily, weekly, monthly, seasonal, annual
- Provisions and options of contracts
- Contracting parties
 - Are contracts for merchant interconnections with the interconnection proponent or with shippers?


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B-5 Structure of Rates

- Demand charges (\$/MW)
 - Ratchet provisions
- Usage charges (\$/MWh or % of Pool Price)
- Customer charges (\$/month)
- Transaction fees (\$/transaction)
- Billing determinants
 - MW peak, coincident, average, on-peak, off-peak
 - MWh on-peak, off-peak


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B-6 Seams

- Alignment with tariffs in neighbouring jurisdictions (British Columbia, Pacific Northwest, Saskatchewan)
 - Neighboring jurisdictions generally have FERC Order 888 tariffs
- “Standoff” issues
 - For example, BC capacity being held by third party
- Avoidance of tariff “pancaking”


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B-7 "Take or Pay" and "Use or Lose" Provisions

- What happens if a customer gets transmission access in Alberta, but can not get access in BC or elsewhere?
- Forfeit of reservation if energy schedule not confirmed
 - Forfeiture would occur with sufficient time and opportunity for unused capacity to be competitively reallocated and used by others
- No bumping or recall rights after forfeited reservation



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B-8 Losses

- Payment of loss charges and receipt of credits
 - Export
 - Import
 - Opportunity services
- Loss factors to be determined under ISO Rules
- Calibration factor to be determined under ISO Tariff

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B-9 Deferral Accounts

- Allocation, reconciliation, and recovery of costs
- Should deferral account mechanism deal with cost allocation for out-of-merit generation for export?
- Are deferral accounts required to ensure costs are correctly allocated?


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B-10 Other Tariff Issues?


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C. Merchant Interconnection Issues

	Exp	Imp	Merch	Prior
1. Facility costs				
2. Open access				
3. FERC registration				
4. Customer interaction				
5. Other				

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C-1 Facility Costs

- Full contribution for all costs relating to existing Alberta Interconnected Electric System
 - All high voltage switching equipment, buswork, and associated land to provide interconnection to the AIES will be owned by the incumbent TFO, consistent with section 12(1)(a) of the Transmission Regulation
- Eligibility for investment with appropriate contractual obligations
- Potential for AESO's use of merchant facilities

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C-2 Open Access

- Open season auction or other transparent mechanism
- Availability of capacity remaining after open season


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C-3 AESO Registration with FERC

- Potential requirement for interconnections to United States


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C-4 Customer interaction


- AESO relationship with shippers
- AESO relationship with proponents
- AESO relationship with new jurisdiction (U.S.)

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C-5 Other Merchant Interconnection
Issues?

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Next Steps

- Jul 13, 2005 **AESO discussion paper** on issues to be addressed in export, import, and merchant interconnection tariffs
- Jul-Aug 2005 **Individual stakeholder meetings** as required.
- Jul 27, 2005 **Stakeholder comments** on discussion paper
- Aug 10, 2005 **Comment matrix** distributed by AESO
- Aug 31, 2005 **Consultation meeting** to review and clarify views expressed in stakeholder comments
- Sep 14, 2005 **Stakeholder comments** on discussion at consultation meeting
- Sep 21, 2005 **Comment matrix** distributed by AESO
- Oct 14, 2005 **AESO proposal** on application for tariffs

All stakeholder comments will be made public

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Comments

- On today's discussion....
- On consultation process....

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AESO Regulatory Contacts

- John Martin, manager
(403) 539-2465 — john.martin@aeso.ca
- Karen Mazuryk, senior analyst
(403) 539-2590 — karen.mazuryk@aeso.ca
- Maureen Winslow, coordinator
(403) 539-2463 — maureen.winslow@aeso.ca
- Information can be accessed on www.aeso.ca
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