

PROPOSED REVISIONS TO 2007 TERMS AND CONDITIONS OF SERVICE

The AESO proposes the following changes to its terms and conditions of service for 2007:

- 5 (a) **Article 5** – Amended Articles 5.1 and 5.2 to more closely reflect the various interconnection process requirements;
- (b) **Article 9** – Extensive revision of the customer contribution policy, including a proposed maximum local investment level of \$4.918M + (\$0.194M x DTS Contract Capacity), as well as addressing other considerations;
- 10 (c) **Article 14** – Update details and requirements around RGUCC (i.e. early termination of unit), and enhance contract reduction and termination language;
- (d) **Article 15** – Revisions include additional customer obligations as they pertain to Credit Requirements, and additional clarity provided regarding interest on late payment charges; and
- 15 (e) Updating and simplification throughout the terms and conditions.

The specific changes are described in more detail in the following sections.

6.1 Article 5 – System Access Application

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Article 5 will be amended to make clear the requirements for customers applying for new or expanded System Access Service.

Proposed Articles 5.1, 5.2 & 5.3:

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- 5.1 Distributor's Application for System Access Service existing POD
 - a) Subject to Article 5.3, applications for expanded System Access Service within an existing POD shall be made to the TFO. An Interconnection Proposal for the requested expansion is presented and reviewed by the AESO.
 - 30 b) The AESO will work cooperatively with the Distributor and the TFO to determine the most cost effective manner to facilitate System Access Service for the Distributor's request for new System Access Service or for expanded System Access Service within an existing POD.
 - 35 c) The AESO will provide the Distributor or the TFO with the necessary approvals, conditional or otherwise, and other interconnection documentation required to facilitate System Access Service.
 - d) Subject to Article 5.3, if the Distributor proceeds with the recommended System Access Service solution, the Distributor is expected to provide the information and financial security required by the TFO and to enter into a Construction Commitment Agreement, if required by the TFO.
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5.2 Distributor's Application for New System Access Service

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- a) Applications for new System Access Service shall be made to the AESO and include an Interconnection Proposal, prepared by the Distributor and TFO.

- b) The AESO will work cooperatively with the Distributor and the TFO to determine the most cost effective manner to facilitate System Access Service for the Distributor's request for new System Access Service or for expanded System Access Service within an existing POD.
- 5 c) The AESO will provide the Distributor or the TFO with the necessary approvals, conditional or otherwise, and other interconnection documentation required to facilitate System Access Service.
- d) Subject to Article 5.3, if the Distributor proceeds with the recommended System Access Service solution, the Distributor is expected to provide the information and financial security required by the TFO and to enter into a Construction Commitment Agreement, if required by the TFO.

5.3 Generator, Industrial Systems, and Industrial Load Applications for Service
Customers may apply for new System Access Service or for expanded System Access Service within an existing POC.

- a) Applications for System Access Service shall be made to the AESO and subject to the associated fee set out in sub-paragraph (c).
- b) The Customer must work with both the AESO and the TFO who will cooperatively determine the most cost effective manner to facilitate System Access Service.
- c) Where required by the AESO, the Customer must pay the following refundable system access application fee. The AESO will refund such fee to the Customer within 90 days of energization of the Customer's Facilities.

<u>Project Size</u>	<u>Preliminary Assessment Fee</u>
≤ 15 MW	\$10,000
> 15 MW and ≤ 25 MW	\$20,000
> 25 MW	\$50,000

- d) The AESO will provide the Customer and the TFO with the necessary approvals, conditional or otherwise, and other interconnection documentation required to facilitate System Access Service.
- e) Subject to Article 5.3, if the Customer proceeds with the recommended System Access Service solution, the Customer is expected to provide the information and financial security required by the TFO and to enter into a Construction Commitment Agreement with the TFO.

6.2 Article 9 - Customer Contribution Policy

6.2.1 Prepaid Operations and Maintenance

Article 9.4 of the proposed terms and conditions of service provides for the payment of an additional prepaid operations and maintenance charge of 12% on standard facility costs for DTS customers and for facilities in excess of AESO standard facilities for both DTS and STS customers.

As outlined in the December 2005 discussion paper and subsequent comment matrix the AESO had intended to review and further investigate the application of 12% O&M charge on standard facilities. The AESO has not completed its review at this time. Note if it is determined that the 12% charge should continue to be charged on standard facilities the AESO will ensure the customer contribution policy proposal will account for that consideration.

6.2.2 Determination of Customer Contribution

In Decision 2005-096 the EUB directed the AESO to conduct additional work on the Customer Contribution Policy and report back to the EUB with its results for the AESO's 2008 GTA. Given stakeholder input on the importance of this initiative the AESO undertook to address Direction 13A in its 2007 GTA.

As a result of Direction 13A the AESO undertook to conduct further study for an investment function proposal. The three components as outlined in Direction 13A will be the basis for the scope of this study. During the course of the study, the AESO would:

1. *Incorporate a sufficient number and diversity of data points*
2. *Determine the Raw Interconnection Project Cost Function*
3. *Determine an appropriate multiplier such that 80% of projects do not pay a contribution.*

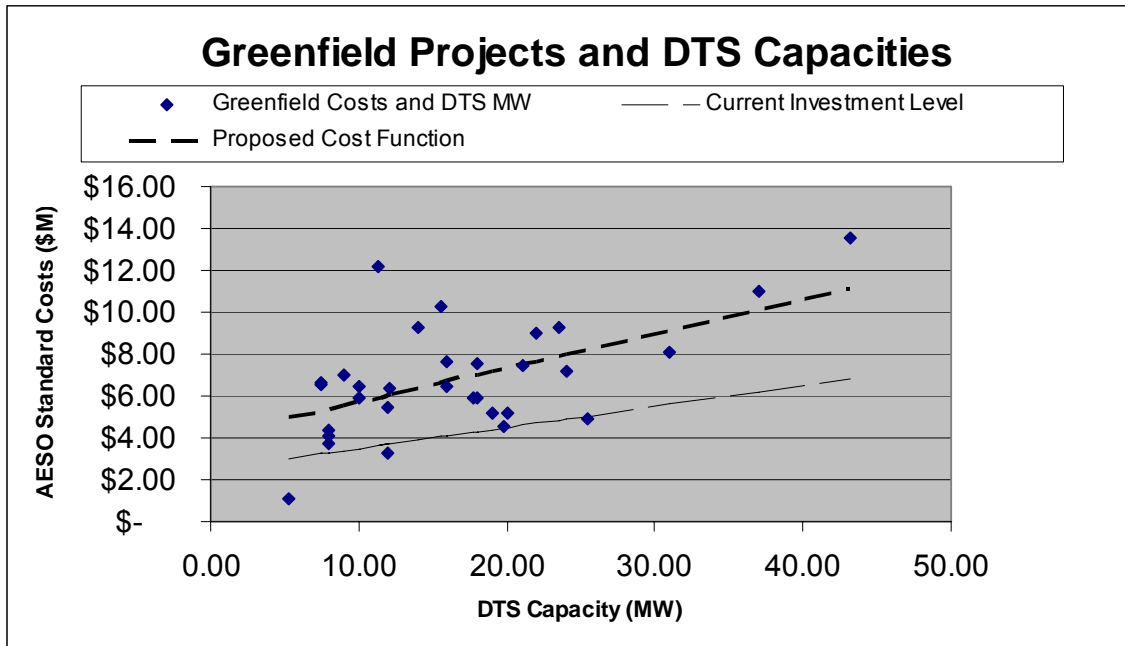
The AESO issued the preliminary results of the Customer Contribution Study on May 31, 2006. The preliminary results addressed the first two components of Direction 13A. The final analysis addressed the third component of the study.

Based on the results of the preliminary analysis, and stakeholder comments, the AESO undertook to conduct further analysis for the final report.

The following is an excerpt of the final report highlighting some analysis results along with the AESO's proposed investment function.

The study analyzed the various components of the deconstructed project costs for projects constructed in 1999 through 2006. Data from both the "Greenfield" projects and Upgrade projects data set should be considered in the determining an investment function. The AESO suggests that the information of primary importance is the data gathered on Greenfield projects. Greenfield projects involve the construction of substations and transmission lines. For a new customer wishing to interconnect, a minimum investment amount should be based on the costs of the construction of the substation and associated lines. Figure 1 below reproduces the "Greenfield" function comparing it to the current investment function of \$2.5 million investment allowance for new PODs, and the additional \$100,000 per MW of project capacity.

Figure 1



Note that under the current investment policy approved for 2006, only 3 of 31, or 10% of projects would be fully covered by investment.

The AESO proposes that the goal of a contribution policy is a single function that works, on average, for both upgrade and Greenfield projects. Therefore, the best determination of a slope to use in the single function is an average of the slope of the Greenfield project line function and the slope of the Upgrade project line function, weighted by costs attributable to capacity. The slope of the cost function for Greenfield projects is \$0.177 million/MW. For the 31 analyzed projects, the costs attributable to capacity using this slope total 521.96 MW x \$0.177 million/MW = \$92.4 million. The Greenfield project slope represents the cost of construction of new PODs. The slope of the cost function for Upgrade projects is \$0.113 million/MW. For the 43 Upgrade projects included in the sample, the costs attributable to capacity total 258.06 MW x \$0.113 million/MW = \$29.2 million. The Upgrade projects slope represents the cost of adding capacity at existing PODs.

An average of the two slopes, weighted by costs attributable to capacity reveals:

$$= \frac{[(\$0.177 \text{ million/MW} \times \$92.4 \text{ million}) + (\$0.113 \text{ million/MW} \times \$29.2 \text{ million})]}{(\$92.4 \text{ million} + \$29.2 \text{ million})}$$

$$= \$0.162 \text{ million/MW}$$

The y-intercept value should reflect the cost of construction of the substation and any associated transmission line work. This is best determined by the Greenfield project analysis.

5 The sum of all contracted MWs for the Greenfield projects is 521.96 MW. The average contracted DTS MW capacity is 16.84 MW. Using the “raw” Greenfield cost function of \$3.846 million + (\$0.177 million x MW), the average cost of Greenfield construction:

$$\begin{aligned}
 &= \$3.846 \text{ million} + (\$0.177 \text{ million} \times 16.84 \text{ MW}) \\
 10 \quad &= \$6.83 \text{ million}
 \end{aligned}$$

Therefore, the total of average costs calculated for all Greenfield projects using the function:

$$\begin{aligned}
 &= \$6.83 \text{ million} \times 31 \text{ projects} \\
 15 \quad &= \$211.6 \text{ million}
 \end{aligned}$$

By back-calculating using the weighted average slope of \$0.162 million/MW, the y-intercept to give the same total of average costs:

$$\begin{aligned}
 20 \quad &= \$6.83 \text{ million} - (\$0.162 \text{ million} \times 16.84 \text{ MW}) \\
 &= \$4.099 \text{ million}
 \end{aligned}$$

With this in mind, the proposed cost function has a y-intercept value of \$4.099 M. Therefore, the proposed cost function based on the raw data is:

$$\begin{aligned}
 25 \quad y &= \$4.099 \text{ million} + (\$0.162 \text{ million/MW})
 \end{aligned}$$

30 The AESO proposes that an appropriate maximum investment formula is one that is derived from this cost function, in combination with a multiplier such that 80% of the sample of Greenfield projects are fully covered by investment is the most appropriate.

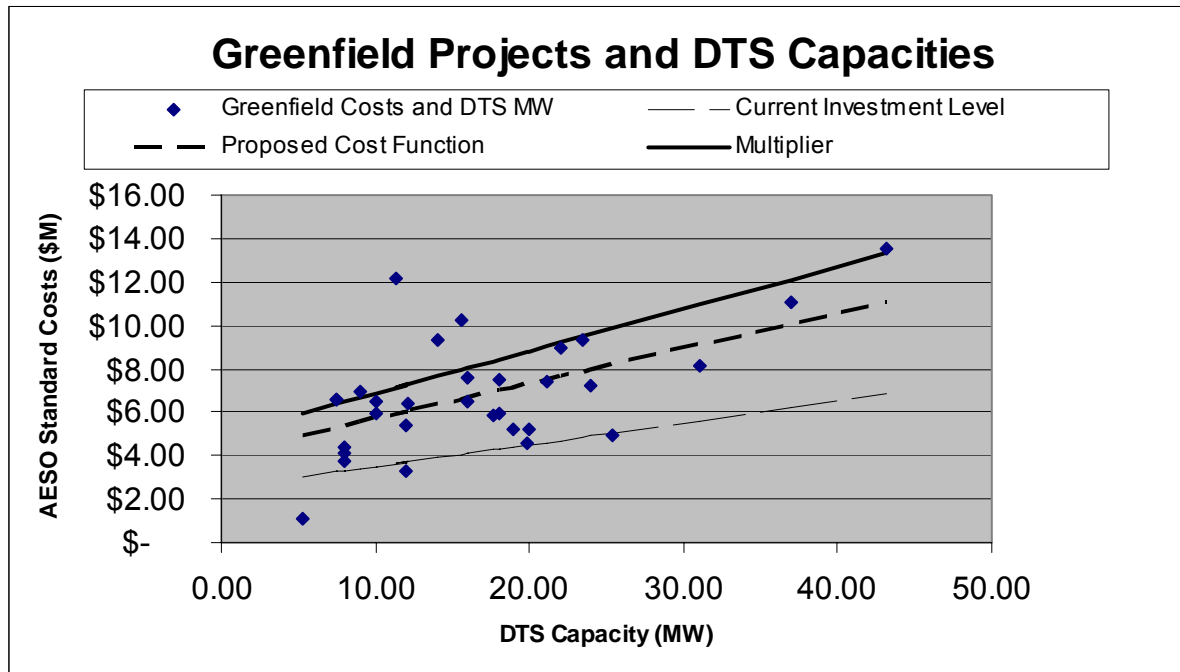
35 The AESO notes that in Decision 2005-096, the EUB agrees that the 80/20 criterion is appropriate for the design of the maximum investment formula. In EUB Decision 2001-6, the AESO’s predecessor (EAL) introduced this criterion, noting that setting an investment level in this manner would have the effect of minimizing intergenerational inequities. The AESO continues to agree that the 80/20 rule is adopted in order to best harmonize with DISCO contribution policies, preserving the balance between the need of new customers for service and for service without a need for subsidy from existing customers. The criterion supports the principle that most new customers will not see a different cost of system connection than
40 existing customers, and existing customers should not bear any extraordinary costs of system expansion.

The final analysis component of the study proposes an investment cost function. Subsequent to that step, the AESO investigated different multipliers to achieve an

investment function such that 80% of projects would not pay a contribution. This is addressed in the following discussion.

- 5 Using the current sample data, and graphing the current investment function, (as per Direction 13 of EUB Decision 2005-096), against Greenfield Project costs and DTS contract capacities is demonstrated in Figure 2 below:

Figure 2



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Applying a multiplier of 1.2 to the cost function of $y = \$4.099M + (\$0.162M \times DTS)$ provides a line function of $\$4.92M + (\$0.194 \times DTS)$, such that 25 of the 31, or 80.6% of projects are fully covered by investment is demonstrated in the figure above.

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The proposed cost function equation is based on an average of the Upgrade project slopes and Greenfield project slopes, weighted by costs attributable to capacity. This cost function is $\$4.099M + (\$0.162M \times DTS \text{ contract capacity})$.

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When applying the 80/20 multiplier to the sample data, a multiplier of 1.2 resulted in an investment function such that approximately 80% of projects would not be required to pay a contribution. The resulting investment function proposal is $\$4.92M + (\$0.194M \times DTS)$.

6.2.3 Staged Loads

In an effort to provide clarity and consistency for customers the AESO proposes to expand Article 9.7 to address situations where material changes in staged loads cross approved tariff vintages.

While not specifically addressed in the current Terms and Conditions, the current practice for determining the customer contribution for those customers who have load profile changes after the initial customer contribution determination, is to treat the load changes as if they had been anticipated from the beginning, and apply the “vintage” customer contribution policy that applied at that time.

Input from stakeholder consultations, and comments based upon the AESO’s 2007 GTA Terms and Conditions Consultation, identified some areas of concern as it related to the staged load issue. Stakeholders raised the following points:

- Some stakeholders supported the recalculation based on the original policy, which reflected the economics at the period in time when the customer made their initial economic decisions. This is the AESO’s current policy, however the variability in contribution policies in the past is attributable to an array of customer outcomes, which may not be equitable or meaningful as it pertains to customer contributions.
- Stakeholders feel that there should be alignment of tariff components for existing and new customers, and that invoking historical tariffs would create inequities for existing customers.
- Although stakeholders generally supported the concept of the stand alone load change (where a customer’s contribution is determined based on the AESO’s approved tariff at the time of the request), there was some concern about the tracking of excess or unused investment that may have existed at the determination of the contribution.
- Stakeholders have expressed a concern with complexity and inequity. The AESO suggests that when the rate is aligned with investment, incremental load will generate incremental revenue that corresponds with incremental investment. In this respect, continuing to apply historical investment policy after significant rate restructuring is in appropriate.

The AESO is of the view that a number of alternatives have merit, and recognizes that there is no consensus among stakeholders on the adoption of one approach. As such the AESO proposes that load changes brought forth by customers after the in-service date of the project be determined using the tariff approved at the time of load increase request.

The AESO suggests that offering different customer contribution policies to different customers could send wrong signals in relation to economic development and contractual requirements, and creates an unnecessary amount of administrative management in

administering the policy. Although the AESO's customer base to date is relatively manageable, in the future more and more customers crossing additional tariffs will request customer contribution determinations. Moreover, the AESO considers that applying historical investment policies negates the evolution of AESO policies and rates, at a time when significant restructuring is taking place.

To accompany this approach, the AESO suggests that the following guidelines be established to guide the determination process.

Guidelines:

- 1) The AESO contribution policy in effect at the time will apply to all customers with DTS contract changes;
- 2) Any balance of unused investment from original customer contribution determinations may not be carried forward after the in-service date. Balances of unused investment do not actually reflect balances held by the AESO. Load increases or decreases will be invested in based on the investment policy in effect at the time of the load change request, and additional investment will not be available.
- 3) A "Grace Period" of one year from in-service date for new projects will allow customers time for operational analysis of future load changes. Customers that would like to change their DTS contracts within one year of their in-service date may revert to the customer contribution investment policy in effect at the time of the first customer contribution determination.
- 4) Customers can extend the original DTS commitment term to be eligible for further AESO investment.
- 5) To be eligible for the fixed component of the investment function the customer must contract for at least 1.0 MW for each year of the contracted term (assuming the project is eligible for this component of the local investment function).
- 6) In the event that the maximum AESO Investment exceeds the Interconnection costs of the customer, the excess amount is not available in the future to the same or another Customer to apply at any other Point of Service.

Example 1

In 2004 a load customer initiated a project to build a T-Tap radial feed to supply load. The Tariff applied was as per EUB Decision 2003-077. The original customer contribution was determined as follows:

Assumptions

Customer-related costs eligible for investment:	\$7.5 m
Customer load (<i>DTS capacity</i>):	10 MW

Original Customer Contribution Calculation

<i>Customer-Related Costs Determination</i>	
Total cost to provide new service:	\$ 8.0 m
(Less) System-related costs:	(\$ 500k)
Customer-related costs:	\$ 7.5 m

Investment Calculation (EUB Decision 2003-077)		
Customer-related costs:		\$ 7.5 m
(Less) Revenue related amount:	<i>Annual Interconnection Charge</i>	\$ 273 k
	<i>Annual Operating Reserve Charge</i>	\$ 160 k
	<i>Annual Other System Support Services Charge</i>	\$ 2 k
	3-year levelized revenue related amount	\$ 1.3 m
Subtotal:	<i>(\$7.5 m - \$1.3 m)</i>	\$ 6.2 m
(Less) Commitment term amount:	<i>(first 5 years \$0 + \$400,000 x 15 years)</i>	\$ 6.0 m
Customer Contribution & DTS Contract Term		
Customer Contribution		\$ 200k
Total DTS Commitment Term		20 years

Assume the customer now wishes to increase the DTS capacity to 15 MW, and the customer-related costs associated with the expansion are \$1.2 M. The table below illustrates the recalculation:

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Assumptions

Stage 1, Year 2004 Customer load (<i>DTS capacity</i>):	10 MW
Existing DTS Commitment Term	20 years
Stage 2, Incremental Customer-related cost:	\$1.2 m
Stage 2, Year 2006 Incremental load (<i>DTS capacity</i>):	5 MW

Incremental Customer Contribution Calculation

Investment Calculation (current Tariff) of Original Terms		
<i>Investment Calculation (original terms):</i>	<i>(\$125,000/yr x 20 years)</i>	\$ 2.5 m
	<i>(\$5,000 x 10.0MW x 20 years)</i>	\$ 1.0 m
Total investment:		\$ 3.5 m
Investment Calculation (current Tariff) of New Terms		
<i>Investment Calculation (revised terms):</i>	<i>(\$125,000/yr x 20 years)</i>	\$ 2.5 m
	<i>(\$5,000 x 10.0MW x 20 years)</i>	\$ 1.0 m
	<i>(\$5,000 x 5.0MW x 20 years)</i>	\$ 500 k
Total investment:		\$ 4.0m
Customer Contribution & DTS Contract Term		
Available Investment	(\$4.0 m less \$3.5 m)	\$ 500k
New project costs		\$ 1.2 m
Customer Contribution		\$ 700k
New DTS Commitment Term		18 years for the initial 10 MW 20 years for the incremental

5MW

In this example, the customer would be required to pay a contribution of \$700,000. The customer had, in effect, achieved the maximum investment amount for the initial construction, and was still able to benefit from the increase in DTS capacity for further investment.

Example 2

In Example 2, the customer wishes to decrease the DTS capacity at the POD. Consider that the existing POD was constructed in 2002, and the customer signed a DTS contract of 8.0 MW for a 16-year term. The customer now wishes to decrease the contract capacity to 1.0 MW for years 9 through 15, and then proposes to re-introduce the load at 8.0 MW for the balance of the required term. Applying the current proposed investment policy, the calculation would be:

Assumptions

Customer-related cost of original project:	\$ 7.0 m
Customer load (<i>DTS contract capacity</i>):	5.0 MW
Existing contract terms	20 years
Customer contribution paid:	\$ 500k

Customer Contribution Calculation

Investment Calculation (current Tariff) of Original Terms		
<i>Investment</i>	<i>(\$125,000/yr x 20 years)</i>	\$ 2.5 m
<i>Calculation</i>	<i>(\$5,000 x 5.0MW x 20 years)</i>	\$ 500 k
<i>(original terms):</i>		
Total investment:		\$ 3.0 m
Investment Calculation (current Tariff) of New Terms		
<i>Investment</i>	<i>(\$125,000/yr x 20 years)</i>	\$ 2.50 m
<i>Calculation</i>	<i>(\$5,000 x 5.0MW x 8 years)</i>	\$ 200 k
<i>(revised terms):</i>	<i>(\$5,000 x 1.0MW x 7 years)</i>	\$ 35 k
	<i>(\$5,000 x 5.0MW x 5 years)</i>	\$ 125 k
Total investment:		\$ 2.86 m
Customer Contribution & DTS Contract Term		
Customer Contribution		\$ 140 k
New DTS Commitment Term		20 years

The customer contribution in this example is \$140,000. The DTS commitment term remains at 20 years.

Under the investment calculation using the new contract terms, the total investment amount is less than under the contracts' original terms. As a result, the customer owes a

contribution. If the calculation under the new terms had been more than the calculation under the original terms, the customer would not owe a contribution.

If the commitment term of customer's original contract had been for less than 20 years, the customer would be able to extend the terms of the original contract, and the calculation would be based on the optimization of contract terms and investment amounts.

6.2.4 Discount Rate

The AESO is proposing to modify the discount rate formula set out in Article 9.14(a) to accommodate the Board's annual generic return on equity orders.

Proposed Article 9.14(a):

- (a) For unassigned transmission facilities, for transmission facilities supplied to the AESO by an investor owned Transmission Facility Owner or for facilities supplied to the AESO by an income tax paying municipally owned Transmission Facility Owner:

$$[0.67 \times (\text{GCB} + 1\%)] + [(0.33 \times R) \div (1-T)]$$

where GCB is equal to the yield on 30-year Government of Canada bonds; R is equal to the EUB approved generic rate of return on common equity, as amended from time to time; and T is equal to the combined federal and provincial income tax rate for investor owned TFOs.

6.2.5 Dual-Use Ratio

The AESO complied with Board Direction 14 by implementing the dual-use ratio in Article 9.5. While the dual-use ratio was originally designed to apportion POC installation costs between supply and demand customers at one site, the AESO is proposing that it also apply to other multiple use POC situations. For example, where two demand customers or one dual-use customer and one demand customer share a POC.

The AESO's proposed amendment to Article 9.5 is shown below.

9.5 Determination of Supply-Related and Demand-Related Costs

For each Customer at a POC, Customer-related costs will be classified as either supply-related or demand-related as follows:

- (a) supply-related costs shall be calculated as $\text{STS}_{\text{customer}} / (\text{STS}_{\text{total}} + \text{DTS}_{\text{total}})$, and
(b) demand-related costs shall be calculated as $\text{DTS}_{\text{customer}} / (\text{STS}_{\text{total}} + \text{DTS}_{\text{total}})$

where STS and DTS are the STS and DTS Contract Capacities, respectively, at the POC. All supply related costs shall be paid by the Customer. The Customer's contribution to demand related costs shall be in accordance with Article 9.6.

6.3 Article 13 - Contract Capacity Allocation

5 In the December 2005 Terms and Conditions discussion paper, it was originally proposed to
make a number of revisions to Article 13 to account for business practices currently
employed by the AESO. Since that paper the AESO has initiated a stakeholder consultation
process to further refine business practices relating to the interconnection queue, and
compliance milestones which would impact any revisions to Article 13. As such the AESO is
proposing to make no changes to this article at this time. Upon completion of the
10 consultation process, the AESO will propose any necessary changes to Article 13 as part of
a supplemental process or will propose changes at it's next GTA.

6.4 Article 14 - Reductions or Termination of Contract Capacity

15 The AESO would like to provide further clarity for situations where customers reduce their
contract capacity or terminate their system access service. Additions include details on how
a lump sum payment for a reduction or termination of service would be calculated and
details regarding some operational aspects of the five year notice period. Other
considerations include:

- 20 • The discount rate used in the calculation will the same one as outlined in Article 9.14
- The opportunity for the AESO to revisit the calculation if there are material
differences between the requested contract capacity and actual contract capacity

14.1 Eligibility

25 In the event that a Customer desires to reduce the Contract Capacity at an
existing POD or POS, the Customer must execute an amended System Access
Service Agreement and pay any associated Customer Contribution, as
determined by the AESO.

14.2 Notice of Reduction or Termination

- 30 (a) Customers that wish to terminate or reduce their Contract Capacity must
provide written notice to the AESO. Terminations or reductions will be
effective 5 years from the notification date.
- 35 (b) Once during the 5 year notice period, the Customer may provide written
notice to the AESO, requesting an extension to the original notice period.
The initial 5 year notice period will extended by the same amount of time
remaining between the expiration of the original notice period and the
date of the request to extend the notice period.

14.3 Excursions During the Notice Period

40 The Contract Capacity immediately following the five year notice period will be
the maximum of:

- (a) the pre-notice Contract Capacity less the reduction of Contract Capacity
requested by the Customer; or

- (b) the highest Metered Demand during the five year notice period less the reduction of Contract Capacity requested by the Customer.
Customers may provide an additional notice of reduction after an excursion so Demand will be reduced to previous notice levels.

Separate written notice must be provided for increases and reductions of Contract Capacity at each respective POD and POS at a single transmission station; no net reductions will be accepted or effected.

14.4 Payments in Lieu of Notice

Customers that wish to terminate their System Access Service Agreements may choose to pay out the Contract Capacity as a lump sum payment:

- a) Lump sum payment charges will be based upon the present value of Billing Capacity Charges;
- b) The discount rate used in the calculation will be the same one as outlined in Article 9.14;
- c) The opportunity for the AESO to revisit the calculation exists if there are material differences between the requested contract capacity and actual.

The AESO is also proposing to include wording in Article 14.5 to explain the treatment of the Regulated Generating Unit Connection Cost (RGUCC) as outlined in the STS rate for situations where a Regulated Generating Unit terminates service prior to date outlined in the Act.

Although revisions to Article 14.5 were not discussed in the December 2005 discussion paper, the AESO felt that the proposed additions were required. The AESO reviewed the historical background and other considerations in relation to the RGUCC and is proposing to address the following considerations:

- The RGUCC will no longer have to be paid by the customer upon termination of the unit;
- Additional clauses will provide general details as to what constitutes as termination; and
- Provisions that the charge will be applied if the unit were to power up again.

6.5 Article 15 – Financial Security, Billing and Payment Terms

The AESO is proposing the following changes to Article 15 in an effort to provide additional clarity around credit requirements for customers. In accordance with the tariff, Section 15.1 (b), the AESO may obtain financial security from a customer for up to three months in advance for System Access Service. The AESO has encountered situations which have raised concerns in its ability to encourage customers to provide financial security in accordance with Section 15.1 (c) of the tariff should the AESO require replacement or additional security from the customer. The AESO feels that the current treatment for non-

compliance in such cases may be unnecessarily punitive for the customer, considering the method of addressing non-compliance is to withhold or suspend System Access Service (Article 15.2). As such the AESO would like to propose a financial penalty as a reasonable intermediary step prior to withholding service.

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Existing Article 15.1

15.1 Credit Requirements

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(a) The Customer must comply with the AESO's financial security requirements. Prior to receiving service, the Customer must provide the AESO with all financial information that the AESO reasonably requests in order to establish the financial security required from the Customer.

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(b) If requested by the AESO, the Customer must provide financial security in an amount of up to three months' payment in advance for System Access Service. The amount of the financial security will be estimated by the AESO at its sole discretion based on the Customer's historic use or on an estimate where actual use is not available. Such security must be in a form satisfactory to the AESO including but not limited to a guarantee, cash deposit, or an irrevocable letter of credit from a Canadian Chartered Bank, credit union, trust company, or other financial institution with a minimum senior unsecured long-term debt A- credit rating or equivalent as determined by Standard & Poor's or equivalent credit rating agency.

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(c) The AESO may request, at its sole discretion, at any time after initial granting of service, additional or replacement security based on the AESO's estimate of the appropriate security required. Required additional or replacement security must be provided to the AESO within two business days of such request. Customers must report any event of default for borrowed funds or material adverse changes in their financial position to the AESO within two business days of such event.

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The AESO proposes to add the following two points to this Article:

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(d) The AESO, at its sole discretion, may invoke a financial penalty, noted under 15.1 (e), where security has not been provided two business days .after the AESO's request for new or additional security.

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(e) Where the Customer has failed to provide the required security to the AESO under 15.1 (c), the financial penalty will be calculated at the Toronto Dominion Canadian prime rate plus 6%; until such time as the security has been provided to the AESO. The penalty will be added to the Customer's next issued Statement of Account.

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The AESO is also proposing to amend Article 15.8 to provide clarity as the existing wording below (emphasis added) can incorrectly be interpreted to mean that the full 1.5% late payment charge would apply even in circumstances where payment is late for less than one month.

Existing Article 15.8

15.8 Late Payment Charge

5 Late payments by the Customer are subject to a late payment charge of 1.5% per
month for each month or part thereof for which such payment is late. The AESO will
also assess the defaulting Customer for all administrative and collection costs
relating to the recovery by the AESO of amounts owed. The AESO, at its sole
10 discretion, may suspend System Access Service and realize upon any security
provided by the defaulting Customer if the Customer is not in compliance with Article
15.7 in full or partial satisfaction (as the case may be) of all amounts owing to the
AESO. System Access Service to the Customer will not be re-instated until the
Customer has paid all amounts owing to the AESO in full and has restored or
15 secured its credit facility in a manner satisfactory to the AESO, at the AESO's sole
discretion. (Emphasis added.)

Proposed Article 15.8

15.8 Interest and Other Charges

20 In the event of non-payment under the terms of Article 15.7, interest and late
payment penalties will be charged to defaulting customers.

- 25 (i) Where non-payment exists, interest charges will be calculated on the day
following the applicable Transmission settlement date. The interest will be
calculated at the Toronto Dominion Canadian prime rate plus 6%. Interest
will be calculated from the due date to the date on which bank value is
received.
- 30 (ii) In addition to the interest charge, a penalty charge will be assessed based on
2 days interest on the outstanding amount owing and calculated at the
Toronto Dominion Canadian prime rate plus 6%.

35 The AESO will also assess the defaulting Customer for all administrative and
collection costs relating to the recovery by the AESO of amounts owed. The AESO,
at its sole discretion, may suspend System Access Service and realize upon any
security provided by the defaulting Customer if the Customer is not in compliance
with Article 15.7 in full or partial satisfaction (as the case may be) of all amounts
owing to the AESO. System Access Service to the Customer will not be re-instated
40 until the Customer has paid all amounts owing to the AESO in full and has restored
or secured its credit facility in a manner satisfactory to the AESO, at the AESO's sole
discretion.

6.6 Other Changes to Terms and Conditions of Service

45 **Definitions and Interpretation** (Article 1) — Definitions have been updated as required.



Application of Tariff (Article 2) — The content of this article remains unchanged.

Provision of System Access Service (Article 3) — The AESO is currently reviewing the wording in Article 3.1 and is considering proposing revisions.

5

Customer Interconnection Requirements (Article 4) — The content of this article remains unchanged

System Access Application (Article 5) — Amendments to articles to mirror interconnection process. Changes to this Article are discussed in Section 6.2.

10

Security and Customer Agreements (Article 6) — The content of this article remains unchanged

15

Metering (Article 7) — The content of this article remains unchanged.

Provision of Information by Customers (Article 8) — The content of this article remains unchanged.

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Customer and System Contribution Policy (Article 9) — Material revisions are discussed in Sections 6.3.

Demand Opportunity Service (Article 10) — Article 10 has been updated to reflect changes to the DOS rate. In addition, Articles 10.1 and 10.2 have been revised to include language outlining that available transmission “capacity” may also impact a customers ability to utilize DOS service.

25

Ancillary Services (Article 11) — The content of this article remains unchanged.

30

Under-Frequency Load Shedding (Article 12) — The content of this article remains unchanged.

Contract Capacity Allocation (Article 13) — The content of this article remains unchanged at this time.

35

Reductions or Termination of Contract Capacity (Article 14) — Article 14 has been expanded to include the provision for RGUCC requirements and greater clarity regarding contract reductions or terminations. This is discussed in Section 6.5.

40

Financial Security, Billing, and Payment Terms (Article 15) — Material revisions to this article are discussed in Section 6.6.

Peak Metered Demand Waiver (Article 16) — The content of this Article remains unchanged.

45



Service Interruptions and Force Majeure (Article 17) — The content of this Article remains unchanged.

Limitation of Liability (Article 18) — The content of this Article remains unchanged.

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Dispute Resolution (Article 19) — The content of this Article remains unchanged.

Confidentiality (Article 20) — The content of this Article remains unchanged.

10

Miscellaneous (Article 21) — Other than changing the department reference from Customer Relations to Customer Services, the intent and content of this article remains unchanged.

15

Metering Equipment Information (Appendix A) — The content of the Appendix remains unchanged.

Regulated Generating Units (Appendix B) — Appendix B and Rate Appendix Maximum Continuous Rating for Regulated Generation Units under Rate STS will be combined into one table.

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