Stakeholder Comments
AESO Wind Interconnection Queue Consultation
September 6, 2006

Written comments were received from:
CanWEA
PKS Ventures Inc.
Vision Quest
West Windeau
Wind Power Inc.

Canadian Wind Energy Association
Association Canadienne de l'Énergie Éolienne

September 1, 2006

Ed Hucman, Manager, Regulatory
Alberta Electric System Operator
2500, 330-5th Ave SW
Calgary, Alberta T2P 0L4

Re: CanWEA comments on Wind Integration - System Access and Interim Enhancements to Current Business Practices

By e-mail: ed.hucman@aeso.ca

Dear Mr. Hucman:

Thank you for the opportunity to provide comments on considerations related to System Access and the Queue. This cover letter highlights the main concerns of CanWEA.

CanWEA would like to indicate that it supports the AESO's efforts to improve the current practice with respect to system access and the queue through a more public and transparent process. We believe that unproductive capacity hoarding and the stranding of projects seeking to access the competitive energy market is a potential outcome of the current queue process. Rules that facilitate hoarding, de facto "queue jumping" and stranding of projects are inconsistent with an open-access tariff. CanWEA has a number of concerns and believes more work is required. The clarification on the suggested use of Letters of Credit in lieu of cash payment is one step towards a better functioning AESO business practice.

As stated previously we have additional concerns related to the queue system currently in use. These concepts are again stressed below.

One of our key concerns with the concepts raised by the AESO rests with the timelines proposed and the apparent lack of recognition of the fact that our ability to comply with timelines often depends on the ability of others (e.g., AESO, TFO or regulators) to meet their own timelines. Fundamentally, we believe the queue process needs to recognize that the ability of a project developer to meet milestones is often contingent on regulators meeting their time commitments. The two need to be interrelated.

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Another key concern is the fact that both the current and the proposed revised AESO interconnection business practice provides a "trump card" for developers that allows them to lock up capacity by making an interim cash payment without first achieving milestones towards actual project development and interconnection. While CanWEA agrees that financial capability and commitment should be an important measure of the seriousness of the proponent, we believe appropriate weighting also needs to be given to other development milestones.

From our perspective, the business practice for interconnection and "commitment" should be modified in order to create a level-playing field, reflect fairness and equity in the interconnection process, and maintain a Customer's right to a "reasonable opportunity" of system access service.[1] To this effect, we are pleased to see that the AESO is considering allowing wind generation companies that have filed an application for system access service to provide a Letter of Credit (LoC) in lieu of the cash contribution as sufficient demonstration of commitment. In our view, this will lead to a more orderly interconnection process, which should benefit both the AESO and project developers.

We would like to note, however, that this should not be identified as a special consideration only for the wind industry. The AESO's practice of only accepting cash payments for a project commitment is not a widely used model in the energy industry so there should be strong consideration by the AESO to use Letters of Credit for all project commitments. This will benefit not just wind developers but all projects interconnecting to the Alberta grid.

We appreciate the opportunity to comment on this issue and we will be contacting the AESO's regulatory group in the near future to discuss our response in further detail.

Yours sincerely,

R. Hornung

Robert Hornung
President

cc. Kevin Willerton, Director, Market Services

[1] s.29, *Electric Utility Act*.

From: Carlo Plava [cplava@shaw.ca]
Sent: Wednesday, August 23, 2006 3:23 PM
To: Ed Hucman
Cc: Heidi Kirrmaier; Kevin Willerton; Maureen Winslow; 'Jay Simmons'; 'Brian Bullen'; 'Rob Savard'; 'Meagan Vatcher'
Subject: RE: AESO Wind Interconnection - System Access and Interim Enhancements to Current Business Practices

Ed,

As per our discussion this morning, PKS Ventures Inc. supports the proposal the AESO has put forth to allow for Letters of Credit (LoC) as a Commitment Determination instead of cash customer contributions for wind projects affected by the 900 MW threshold. This is a step in the right direction as the affected wind project developers are forced deal with additional carrying costs associated with providing cash rather than a LoC until the 900 MW threshold is removed.

PKS is in a unique position because our project straddles the 900 MW threshold. PKS has provided a cash customer contribution for the proposed interconnection cost based on the full build out of our project but we have only been allocated a portion of our overall nameplate capacity. PKS would like the AESO to consider allowing PKS to reduce the amount of cash contribution submitted to reflect the prorated capacity allocated, with the remaining customer contribution being secured with a LoC.

The rationale is that PKS is essentially paying for a pre-build of the interconnection facilities but is only being allowed to use a portion of it until the 900 MW threshold is removed. PKS had no control over when the 900 MW threshold was implemented or when it will be removed therefore it would only be appropriate that the customer contribution reflect this prorated use of the facilities. Once the 900 MW threshold is removed, then PKS would replace the LoC with the corresponding cash customer contribution.

Please let me know if our request can be accommodated. If you have any questions or clarifications, do not hesitate to contact me.

Sincerely,

Carlo Plava
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September 1, 2006

Ed Hucman
Manager, Regulatory
Alberta Electric System Operator
Calgary, Alberta

Re: Expedited Consultation on System Access, Letter of August 17, 2006

Vision Quest has the following comments in regard to the proposed changes to customer contribution deposits as outlined in your letter dated August 17, 2006.

Regardless of whether a customer project is above or below the 900 MW threshold we advocate using Letters of Credit (LC).

In the current circumstance Vision Quest and many other developers effective December 31, 2005 committed to projects by making cash deposit payments to Altalink for the full estimated interconnection costs. We understand that such aggregated funds on deposit amount to over $60 million. The projects are tied to completion of the enhancements to the Southwest and the Southeast 240 kV transmission systems which will provide transmission capacity to allow interconnection of the generation projects.

Our understanding is that for the Southwest the transmission work to both the 240 kV and 138 kV systems is not projected to be complete until March/May 2008. The timing for the Southeast is even more uncertain but likely completion would be in the 2010/2011 timeframe.

Needless to say a significant time period exists between the payment of cash deposits and their expenditure on customer interconnection projects. During this time period we do not earn interest on our deposited funds but Altalink as holders of the funds directly or indirectly benefits. Interest earned by Altalink is also not credited to customer projects. We consider the current approach to be confiscatory.

We believe that a commercially reasonable approach would be to use two Commit to Construct Agreements (CCA) where the first CCA provides initial funding for preliminary work and applications and a second CCA provides for the bulk of the project once approved. The first CCA could be in cash and the second CCA would be a LC. With the second CCA the TFO could issue cash calls consistent with project expenditures and progress. As such the amount of the LC would be reduced with each cash call. Failure to remit the cash call payment as invoiced could invoke exercise of the LC.

For our existing projects we would propose providing LCs consistent with CCAs as described above and to have our deposited funds returned to us with accrued interest as soon as possible.

We advocate that the AESO changes its tariff in its filing for 2007 to either provide that customer funds deposited with themselves or with a TFO accrue interest at a commercial rate to the benefit of the customer <u>or</u> allow LCs in lieu of cash deposits. This should apply to all non-regulated customer projects whether load or generator.

We would like to further discuss these matters with the AESO with a view to equitable and commercial treatment of customer contribution deposits.

Yours truly

Kevin Van Koughnett

Kevin T. Van Koughnett, P.Eng., MBA
Vice President, Resources and Regulatory

c.c.	Dale McMaster -	AESO
	Robert Heggie -	AEUB
	Robert Hornung -	CanWEA
	Donald Thomas -	Vision Quest
	Sterling Koch-	TransAlta

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September 1, 2006

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Re: Comments on August 17 Interim Business Practice for System Access

West WindEau Inc. (WW) is pleased to have the opportunity to comment on the AESO's August 17 proposal to introduce interim enhancements to the current business practice for system access. We are supportive of the main proposal but note that the overall business practice continues to create an interconnect process that is problematic and inherently unfair and potentially discriminatory.

WW understands that the chief recommendation of the proposal is to permit a generation project to remain "in the queue" by providing financial security in the form of a letter of credit (LoC) rather than compelling them to provide a cash payment to demonstrate "customer commitment". WW agrees with this proposal since the use of a LoC places less financial burden on the developer yet it retains the same level of financial security to the AESO. In particular, we note that even when a developer has made a cash payment they can withdraw from a project at any time without consequence and in this sense are no more "committed" to project completion than a developer that has provided an LoC.

Other aspects of the proposal are problematic and potentially unfair and discriminatory.

- The August 17 proposal appears to continue the current practice that sets "queue position" based on "customer commitment" created only by providing financial security. As WW has noted in past correspondence, the use of financial security alone should not be the basis for the AESO to reserve on a final basis either transmission capacity or a position within the 900 MW operating threshold. This creates the opportunity for "capacity hoarding" and "queue jumping", neither of which are desirable aspects of an open access system. In WW's view, the queue sequencing business practice should include a provision for projects to move to a superior queue position if it satisfies both the criteria for acceptable security and genuine development progress.

- The August 17 proposal refers only to retaining a place in the "threshold queue", currently set at 900 MW. Presumably, by providing a LoC a generation project can retain its position in the 900 MW queue, its transmission interconnection queue and its transmission capacity queue (subject to its development progress). Whether this is or is not the case needs to be made clear. If different criteria apply for the position in the interconnection or transmission capacity queue then the reasons for the difference should also be made clear.

- The current business practice and the August 17 proposal discriminates against those projects where the AESO is not planning adequate transmission on a timely basis or is no longer actively planning transmission because of the 900 MW threshold. That is because both business practices require a financial security against the projects “customer-related” costs and it therefore presumes that a reasonable “customer-related” cost can be calculated, yet when there is no transmission capacity available or no plans for timely transmission capacity it cannot be calculated. This is the case for the projects in the southeast (SE) region of Alberta. As a consequence, the projects in the SE region are caught in a unfair “Catch-22”; they cannot be part of the 900 MW threshold because they have no basis to calculate their “customer-related” costs and since they are not part of the 900 MW threshold the AESO will not develop transmission plans that allow a customer to determine their “customer-related” costs. For purposes of the “threshold queue”, it would seem to be fairer to establish the initial queue position based on the date of the interconnection application since certain parties (like those in the SE region) have no reasonable basis to estimate “customer-related” costs.

- The threshold queue, interconnection queue and transmission capacity queue are not publicly available and therefore project developers have no ability to evaluate the merits or consequences of the August 17 proposal or whether to act upon any of the recommendations made in the August 17 proposal. We reiterate our early recommendation to make the queue(s) public in as much detail a possible.

- Most of the 900 MW queue was filled by developers paying cash so as to “commit” under the 2005 Tariff and to avoid the new customer contribution effective under the 2006 Tariff. In WW’s view, payment of the “customer contribution” was never viewed by developers or intended as the “erstwhile” auction of the system operating capability (i.e. operating threshold limit) until announced as such by the AESO on May 8 2006. As such, the projects in the threshold queue consists of those that benefited unduly from an unrelated action, i.e. tariff avoidance. This form of windfall gain is not consistent with the AESO’s mandate to afford a reasonable opportunity for system access. WW therefore reiterates that the queue sequencing be established based on achieving development and engineering milestones.

We trust these comments will be helpful to the improvement of the Sequencing Process. We note that the AESO indicated that it will be providing a revised proposal at the end of August for the whole sequencing process in response to comments provided in June. We look forward to reviewing the revised proposal and the manner in which it will address the current concerns of “capacity hoarding” and reasonable availability of system access service.

Regards,

Claude Mindorff
President
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CANADIAN AGENT FOR
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WPI
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August 29, 2006

Mr. Kevin Willerton
Alberta Electric System Operator
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Dear Kevin:

I am writing on behalf of Wind Power, Inc. ("WPI") in response to an AESO request for comments on System Access and Interim Enhancement to Current Business Practices issued August 17, 2006. As you may be aware, WPI is actively pursuing several wind development projects in Alberta including the Castle Rock Ridge project. Through it's affiliate, Castle Rock Ridge Wind Corporation, WPI has executed a Construction Commitment Agreement and a Customer Contribution Application of Proceeds Agreement (together the "CCA") with AltaLink and deposited the requisite cash contribution for customer related costs. You have asked for comments on your proposal to change the means by which customer related costs are secured, essentially making it easier for developers to secure a position in the interconnection queue.

WPI believes this is the wrong approach and the wrong focus to solve the critical issues surrounding queue management. Rather than using its limited resources on expedited consultation for, at this point, the relatively minor issue of cash contributions, WPI believes AESO should be focusing on changes to queue management that will ensure that projects that have achieved certain milestones that indicate a project is actually ready to be constructed (rather than mere payment of customer contributions) be the measure for determining queue priority. Such a system would provide a more rational process to allocate the scarce transmission capacity resource and benefit the public by assuring that the transmission system constructed with ratepayer funds is used efficiently. WPI believes AESO's proposed changes are diversions from more important issues facing AESO queue management and are in fact counterproductive to the goal of assuring developable projects receive queue priority.

WPI suggests AESO amend the process so that interconnection priority is based on expected commercial operation date rather than just on down-payments or administrative steps accomplished. Priority should be based on achievement of material milestones for project completion such as obtaining permits and turbine procurement to prevent early stage development projects ("paper projects") from clogging the queue and effectively "banking" interconnection rights without delivering power in the near term.

Please see our letter of May 31, 2006 regarding further specifics of how we view such a system might work. Thank you for your attention to this matter.

Regards,

Dale Johnson

Dale Johnson
President