



May 1, 2007

Sent via email

Alberta Energy and Utilities Board
640 – 5th Avenue S.W.
Calgary, Alberta
T2P 3G4

Attention: Mr. Jamie Cameron, Application Officer

Dear Mr. Cameron:

Re: Supplemental Filing for Updates to the AESO's 2007 General Tariff Application

As a result of ongoing work and discussions with some stakeholders on a variety of matters since filing the noted Application on November 3, 2006, the AESO submits it is appropriate to include the following updates to the proposed Terms and Conditions in the Application. The nature and basis for the updates is further described below.

Article 9 – Customer and System Contribution Policy

Article 9.1 (Existing and as Proposed in November 3, 2006 Application)

9.1 Service Requirements

In considering requests to provide service to a new POC, or to increase the capacity of or improve the service to an existing POC, the AESO will determine the appropriate means of delivering the requested service.

...

- (b) If the AESO determines that the most economic option for providing service to a Customer is a facility other than a transmission facility (such as a distribution-level extension or isolated generation), then the customer will pay the difference in cost between the most economic option and the transmission upgrade or extension in addition to any customer contribution required under Articles 9.3 through 9.6.

The AESO notes that many of the interconnection alternatives for system access service to DISCO customers in fact require both transmission and distribution facilities to be constructed. The AESO is currently reviewing several projects where a 'mostly distribution' alternative has been established as the most economical and viable solution (i.e. AESO Standard Facilities), however the customer is requesting the construction of the transmission alternative.

In Decision 2005-096, the EUB stated, "it is appropriate that an investment allowance should be permitted in respect of that portion of a project's costs up to the cost of the foregone lower cost

distribution or isolated generation service option” (page 63). Under the current wording of the tariff, however, the determination of the “investment allowance” in respect of the viable distribution solution is open for interpretation, and therefore the AESO proposes it should be clarified.

The most economic, viable solution is what the AESO determines to be the Standard Facilities. As such, the project costs used in the determination of the Local Investment should be the transmission facilities that form part of the Standard Facilities (where the Standard Facilities may include both transmission and distribution facilities), regardless of whether the customer opts for a higher cost transmission alternative. This is the AESO’s current practice.

The AESO submits this approach yields a clear and logical price signal. It affords the same maximum available investment to the customer regardless of which interconnection facilities the customer ultimately opts for, thereby retaining the economic signal to the customer when choosing interconnection alternatives.

It also ensures both DISCO and transmission rate payers are protected from paying for facilities in excess of standard transmission facilities through average rates. Regardless of which type of facilities the customer chooses, the remaining transmission (i.e. system access service) ratepayers will pay equivalent rates under each interconnection scenario. Based on the AESO’s determination of the Standard Facilities, the appropriate costs are captured by the application of the AESO’s contribution policy.

Since Articles 9.3 to 9.6 refer only to transmission costs, the AESO suggests the existing wording in its approved terms and conditions support this approach. However, the AESO submits the following revised wording for Article 9.1 would clarify the approach described above.

Updated Proposed Article 9.1 (emphasis added)

9.1 Service Requirements

In considering requests to provide service to a new POC, or to increase the capacity of or improve the service to an existing POC, the AESO will determine the appropriate means of delivering the requested service.

- (a) If the Customer’s request primarily represents a shift of supply or demand from an existing POC, then the Customer will pay the full cost of the transmission upgrade or extension (“the project”)
- (b) If the AESO determines that the viable and most economic option for providing service to a Customer includes a facility other than a transmission facility (such as a distribution-level extension or isolated generation), **then:**
 - (i) **for the purposes of determining the Local Investment in Articles 9.3 to 9.6, the project costs referenced in Article 9.3 will include only the costs of the transmission facilities required in the most economic service option (if any);**
 - (ii) **and if the customer selects a transmission facility instead of the one determined by the AESO to be viable and the most economic, then the customer will pay the cost of the transmission facility less the Local Investment as calculated in accordance with part (i) above.**

Otherwise:

- (c) For a Point of Delivery Customer, the Customer’s contribution to project costs will be determined in accordance with Articles 9.3 through 9.6, and

- (d) For a Point of Supply Customer, the Customer's contribution to project costs will be determined in accordance with Articles 9.3 through 9.6, and the Customer's System Contribution will be determined in accordance with Article 9.11.

Article 16 – Peak Metered Demand Waiver

Article 16 (Existing and as Proposed in November 3, 2007 Application)

16.1 Peak Metered Demand Waivers

The AESO may, in its sole discretion, waive Metered Demand for the purposes of calculating the Billing Capacity when the Metered Demand was caused by one of the following:

- (a) For all Customers:
 - (i) Commissioning;
 - (ii) Activities required to repair and maintain transmission facilities;
 - (iii) An event of Force Majeure;
 - (iv) Compliance with a dispatch instruction from the AESO during an emergency; or
 - (v) Load restoration activities following an outage of transmission or distribution facilities or caused by an Emergency on the transmission system.
- (b) In addition for Distributors, pre-scheduled activities required to maintain distribution facilities, provided the Customer has furnished the AESO with written notice at least twenty-four hours in advance of such activities, including reasonable detail describing the type of maintenance and the duration and extend of Metered Demand required to accommodate such activities.

During the course of the AESO's 2007 General Tariff Application, FortisAlberta Inc. (FAI) requested clarification and rationale with regards to revised Terms and Conditions as they related to Peak Demand Waivers. FAI's concerns related to the implementation of a 24-hour advance notification process. In its response to FAI.AESO-001, the AESO noted the following:

- (a-e) The AESO operations staff recently determined that notice from distribution companies when doing maintenance and switching load was not necessary from an operational standpoint. On that basis, the AESO on December 4, 2006 via email informed all distribution companies that the 24 hour provision was on hold until further notice and committed to remove the provision to provide notice to the System Control Centre (SCC) as specified in OPP 1202, which is currently being updated.

Notwithstanding, the AESO proposes it is appropriate to retain the notice provision as part of the tariff, for the purposes of establishing eligibility for the peak demand waiver. The AESO believes that if a distribution company is planning to temporarily switch load thereby setting a new peak at another POD, and wishes to have the demand charges associated with the new peak waived, it is reasonable that it be required to advise the AESO when it plans to do so, in order for the AESO to be able to process the billing adjustment necessary to remove the effect of the new peak demand. Without the notice, the AESO would be faced with after the fact requests for waiving charges associated with new peaks, making it much less clear whether they were the result of planned

maintenance or simply from normal or unplanned backup usage, for which demand waivers do not typically apply.

Thus, while it has been determined that the notice is not important for the AESO SCC for operational reasons, it is the means by which the distribution company may obtain relief from new peak demand related charges on their DTS bills. By retaining the notice provision as in Article 16 of the current and proposed tariff the AESO intends that the distribution company contact the AESO, and the AESO will then process the waiver on the distribution company's bill as appropriate.

The AESO has initiated follow-up conversations with the distribution companies in order to clarify the requirements and any confusion that may have been caused.

Since the time this response was provided, the AESO has consulted with FortisAlberta (FAI) to discuss the requirements of the Peak Demand Waiver, and understand FAI's concerns with respect to the proposed approach.

FAI explained that distribution maintenance work is scheduled locally, based on work crew availability and weather conditions, and is frequently scheduled on a daily basis. While some projects are scheduled far in advance, most scheduled outage work comes from an unplanned event – for example often temporary repairs are made during off- hours with permanent fixes scheduled to be completed during regular work hours.

FAI stressed that the additional work effort required to implement a new communications process to meet the 24 hour notice requirement would negatively impact FAI, who does not run a “Centralized Operational Centre”.

Based on the AESO's better understanding of FAI's concerns, the AESO submits the Peak Demand Waiver provisions can reasonably be modified to accommodate the limitations in the information available from the DISCOs in respect of their maintenance processes, as described by FAI, while still providing the AESO the information that gives assurance the waiver is in fact warranted and allows it to process the bill accordingly. The AESO submits the following changes to the proposed Article 16 would meet both the needs of the DISCOs and the AESO:

Updated Proposed Article 16 (emphasis added)

16.1 Peak Metered Demand Waivers

The AESO may, in its sole discretion, waive Metered Demand for the purposes of calculating the Billing Capacity when the Metered Demand was caused by one of the following:

- (a) For all customers:
...
- (b) In addition for Distributors; for pre-scheduled activities required to maintain distribution facilities. **In these circumstances, the customer must provide the AESO with the information specified in the AESO's Peak Metered Demand Waiver Request form, which can be obtained by contacting the AESO. The completed form must be submitted no later than 3 business days into the billing period following the one for which the waiver is being requested.**

The referenced form is currently attached to OPP 1202 as Appendix A, however, as described in the AESO's response to FAI.AESO-003, there is no operational need for this information (but rather a billing need). Also as noted, the AESO may modify or remove this OPP at some time in the future, and as a result, the form will not be part of an OPP but will be made available elsewhere (i.e. on the website, and by request).

The current form requests the following information, and the AESO is of the view this will remain sufficient for it to validate that a peak demand was the result of DISCO maintenance work, and that it therefore should be eligible for a waiver.

- A brief description of the event;
- reason for the event;
- feeder transfer path;
- the number of MW of load transferred;
- the Substation # from which the load was transferred;
- the Substation # to which the load was transferred;
- start and end times for the event.

The AESO submits the nature of these two updates is simply to clarify how the tariff is applied, and do not alter the associated principles that have previously been approved. The AESO therefore requests the Board accept these updates as part of its 2007 General Tariff Application.

If you have any questions, please contact me at or (403) 539-2751 or heidi.kirrmaier@aeso.ca or Ed Hucman at (403) 539-2469 or ed.hucman@aeso.ca.

Sincerely,

[original signed by]

Heidi Kirrmaier
Vice-President, Regulatory