



Sent via e-mail to the EUB

July 6, 2007

Mr. Jamie Cameron
Applications Officer
Alberta Energy and Utilities Board
605 - 5th Avenue S.W.
Calgary, Alberta
T2P 3G4

Dear Mr. Cameron;

Re: Alberta Electric System Operator Request for Board Approval to Commence a Negotiated Settlement Process

Pursuant to Alberta Energy and Utilities Board (EUB or Board) Directive 018, The Alberta Electric System Operator (AESO) hereby makes application for approval to initiate a negotiated settlement process concerning the compensation to be paid by the AESO for the provision of Ancillary Services (AS), including Transmission Must Run (TMR) services. This process is intended to facilitate the finalization of Article 11 (of the AESO's Terms and Conditions of system access service), last approved on an interim basis in Decision 2005-125.

Background

On December 16, 2004, the Board issued an interim order, effective December 17, 2004, approving the then existing Article 24 on an interim basis, and directed that all payments for service provided on or after December 17, 2004 would be considered interim and subject to adjustment in accordance with the Board's final determination. A subsequent update to interim Article 24 (then renamed to Article 11) was issued in Decision 2005-125 dated November 15, 2005, primarily to ensure compliance with the *Transmission Regulation* (AR 174/2004).

Following these interim approvals, uncertainty existed as to whether additional new legislation would be enacted addressing how compensation for certain AS services (in particular TMR) would be determined. The AESO intended to wait for this clarity before attempting to finalize Article 11. The AESO now understands that legislation will not address this matter, as noted in its correspondence to the EUB dated May 4, 2007. As a result, the AESO believes it is appropriate to now resolve and finalize all remaining Article 11 concerns with stakeholders through, in the first instance, a negotiated settlement process.

Negotiated Settlement Process & Timelines

Pursuant to section 2.1 of Directive 018, the AESO intends to provide all interested parties and interveners registered in the AESO's 2007 General Tariff Application with notice by e-mail. Interested parties will have the opportunity to participate in the negotiated settlement process in order to have their respective interests properly addressed. The AESO is of the view it would be beneficial to have EUB staff involved in this settlement as contemplated in section 4.1 of Directive 018.

The AESO will inform the Board of the status of the process no later than September 30, 2007 and indicate when formal applications are expected requesting either approval of a settlement or of another AESO submission concerning the form of Article 11.

Sincerely,

"original signed by"

Heidi Kirrmaier
Vice-President, Regulatory