

**AESO Article 11 Negotiated Settlement Process
Design Report by
Certus Strategies
September 28, 2007**

Certus Strategies has incorporated input received from stakeholders into a 5 phase process plan outlined in this report.

Phone Consultations- *Concluded September 28, 2007*

Purpose:

- To obtain stakeholder input for the custom design of this AESO sponsored Negotiated Settlement Process

Design Objectives:

- To comply with EUB Directive 18 requirements for a fair, inclusive NSP
- To meet EUB deadline of October 31, 2007
- To have the right people armed with the right information engage together effectively to resolve a clearly articulated issue statement

Results:

Issues Identification - *Question # 1*

Create a revised Article 11 that addresses compensation for Transmission Must Run by:

1. Establishing a competitive, market based approach to TMR acquisition and pricing.
2. Establishing a TMR conscription model or formula that is used as a genuine last resort to the above competitive market approach.
3. Examine the other Ancillary Services in Article 11 to identify what else should be incorporated.

The Workbook will address the scope of the NSP in more detail.

Right Information - *Question # 2*

1. Stakeholders generally indicated that it would be very helpful if AESO would take the lead in creating a historical summary of the TMR story. Some of the elements suggested to be included are:
 - Extent of TMR use
 - Costs / price data
 - Reasons TMR required
2. Forecasts of TMR needs up to at least the time of completion of the 500 kmv North/South line

Approach and Methodology - Question #'s 3, 4 & 5

1. Examine the gaps that prevented the November 2005 negotiations from being successful and build from there.
2. Use the guidelines in the June 2005 Electricity Policy Paper and other sources to further a dialogue about fundamental principals that should guide our resolution.
3. Put everyone's interests clearly out on the table for a full and frank discussion.
4. Bring the real decision makers who can firm commitments to the meetings.
5. Provide an opportunity for effective risk assessment by decision makers.

Preliminary Process Plan

Phase 1: Workbook and Briefing Paper

A workbook and briefing paper that incorporates stakeholder input and AESO input will be circulated to all stakeholders by Monday October 1, 2007.

Despite the short timeframe, all stakeholders are encouraged to use the workbook to prepare for our first working session.

Phase 2: First Working Session

Date: Wednesday October 3, 2007

Location: Telus Convention Centre (Glen 205 room)
120 9 Ave SE
Calgary, AB

Time: 9:00 AM – 4:00 PM

Anticipated Session Plan:

- Parties introduced
- Issues /scope confirmed
- Principles clarified
- Interests shared
- Options generated
- Next steps scoped and planned

Phase 3: Between Meetings

For the period between October 3rd and October 15th; and based on plans scoped with the stakeholders on Oct 3rd, Certus will facilitate as required, such further activities and meetings which may include:

- Identification and exchange of additional information and/or data
- Target/specific issue small group working sessions
- The creation and circulation of a solution options document

Phase 4: Second Working Session

This negotiation session will be designed by Certus based on Phase 2 and 3 results and plans. Generally the session will involve:

- Working with and refining solution options
- Risk assessment opportunities – testing solutions against principles, interests, and BATNA (Best Alternative to Negotiated Agreement)
- Creating a final version Article 11 that is acceptable to all parties

Phase 5: Papering the Agreement

Create a comprehensive version of the final document executed by all required parties for submission to the EUB prior to the Oct 31st deadline.