



October 10, 2007

Mr. Jamie Cameron
Applications Officer
Alberta Energy and Utilities Board
640 - 5th Avenue S.W.
Calgary, Alberta, T2P 3G4

Dear Mr. Cameron:

Re: Sixth Amendment of the Reliability Criteria ("RC") Agreement approved by the WECC Board of Directors on October 5, 2006 between the Alberta Electric System Operator ("the AESO") and the Western Electricity Coordinating Council, Inc. ("WECC")

The AESO submits to the Alberta Energy and Utilities Board (the Board) for approval a sixth amendment to the Reliability Criteria Agreement (the "RC Agreement")

As additional background to this submission, the Board on May 26, 2000, approved the Reliability Management System (RMS) Agreement Application and the RC Agreement in Decision 2000-34. On August 9, 2001, the Board approved the first and second amendment of the RC Agreement in Decision 2001-69. On January 15, 2002, the Board approved the third amendment of the RC agreement in Decision 2002-04. On May 31, 2004, the Board approved the fourth amendment of the RC agreement in Decision 2004-156, and on September 28, 2005 the Board approved the fifth amendment to the RC agreement in Decision 2005-372.

In part 9 of the 1999 agreement, it stipulates that the AESO shall file with the appropriate regulatory authority (i.e. the EUB) for acceptance or approval of the agreement. Similarly, the Sixth Amendment (the "Sixth Amendment") in part 2 (page 8) specifies:

"This Amendment shall be filed with the appropriate Canadian Regulatory Authorities by each Canadian Participating Transmission Operator with a request that it be made effective on November 1, 2006, and the Amendment shall become effective for each Canadian Participating Transmission Operator on the date specified by the appropriate Canadian Regulatory Authority."

The Sixth Amendment (the "Sixth Amendment") (a clean and redline copy of which is attached) provides for the following changes to the RC Agreement:

1. Make NERC Transmission Operators subject to the Reliability Management System (RMS) NERC System Operator Certification Criterion,
2. Clarify the language in Section III.M.3 by replacing the phrase "TAE authority" with "TAE,"
3. Add a Fifth excuse of performance to allow participation in Field Testing of new standards and criteria,
4. Replace in Attachment I Path 53 & Crossover/Yellowtail (Billings – Yellowtail – Crossover Phase Shifter) with Path 80 (Montana Southeast),
5. Replace Attachment II with a new Table 3 that includes additional Remedial Action Schemes, and
6. Add a clause for situations when there is a conflict with Electric Reliability Organization (ERO) Reliability Standards. The RMS criterion shall be no longer in effect and shall be unenforceable upon the effective date of the ERO Reliability Standard.

Additionally, the WECC Board of Directors requested and approved one change in wording to page two, section e. of the Sixth Amendment, replacing the phrase "Local transmission" with "Bulk Power System". The approval was given with the understanding that the new requirements would become effective upon the Federal Energy Regulatory Commission's (FERC) acceptance of an amendment to the RC Agreement and approval by the applicable Canadian Regulatory Authorities.

Monetary Sanctions for transmission operator violations of the NERC Operator Certification Standard were to be made effective January 1, 2007.

Please note the use of the term ERO Reliability Standard in the Sixth Amendment is meant to represent reliability standards that have been approved by applicable regulatory authorities in the provinces of Canada as well as FERC. In Alberta, this terminology is defined in Section 19 of the Transmission Regulation AR 86/2007.

In the past the Board asked several questions in relation to various amendments to the RC Agreement. In order to assist the Board with this submission, the AESO has prepared responses to those questions.

What are the revenue requirement impacts, if any, of the revisions to the RC Agreement?

The Sixth Amendment is not expected to have revenue requirement impacts.

Who is affected by these revisions and how are they affected?

The AESO does not expect any parties to be impacted by these revisions.

Did the AESO conduct any consultation with stakeholders in relation to the revisions?

The Sixth Amendment was discussed at several Transmission Operations Coordinating Committee ("TOCC") meetings in 2006. No changes are required to the AESO Operating Policies and Procedures.

Are any of the revisions major revisions?

The most significant revisions contained in the Sixth Amendment pertain to the phase out of RMS criterion upon the effective date of ERO Reliability Standards once approved by the applicable regulatory authorities. The AESO is currently developing processes and practices in order to comply with the new requirements related to reliability standards and stipulated in the updated Transmission Regulation AR 86/2007 that became effective April 11, 2007. Additionally, the AESO is expected to enter into an operating agreement with the WECC which will define the future business relationship and will contain sections related to reliability standards. The AESO currently believes that once this work is complete, the need for the RC agreement may be obviated. Notwithstanding, in the interim, the AESO continues to view the RC agreement as an appropriate means by which to manage its compliance with WECC standards.

Also of note is that the the Sixth Amendment continues to provide for financial sanctions for contraventions of it. Given, however, that the RC agreement expressly provides that Canadian Laws prevail, and based on the updated Transmission Regulation AR 86/2007 the AESO is precluded from transferring any penalties dollars for non-compliance with reliability standards outside of Alberta (section 22(3)), the sanctions can not in fact apply. The AESO has confirmed this with the Alberta Department of Energy, and has recently communicated this to the WECC and accordingly requested WECC suspend any further request for payment or action for non-payment in this regard.

Finally, as suggested in section 2 of the Sixth Amendment, the AESO has agreed to request that the Board approve the agreement to be also effective as of November 1, 2006. Accordingly, the AESO requests that the Board approve the attached Sixth Amendment effective as of November 1, 2006.

If you have any questions, please contact me at 539-2751 or Diana Pommen at 539-2510 or [diana.pommen @aesoc.ca](mailto:diana.pommen@aesoc.ca).

Sincerely,

"Original Signed by"

Heidi Kirrmaier
Vice-President, Regulatory

attachments