

AESO Mediation To Finalize Article 11

Session II
Monday October 15, 2007

QuickTime™ and a
TIFF (Uncompressed) decompressor
are needed to see this picture.

Issues for Resolution

- Establish a principle based competitive procurement protocol for the transition from market-based acquisition to Article 11
- Build on the extensive negotiations about the current Article 11 that have already occurred and acknowledging that considerable compromise has gone into these negotiations. The remaining issues include:
 - a. Deeming a unit to be in merit
 - b. Partial dispatch of a plant
 - c. Minimum monthly payment for TMR and how it is derived
- Consideration of Maximum TMR/Cost of Service Cap

Principles to Guide Negotiations

Fair	Criteria based
Transparent	Fixed and variable costs recovered
Consistent	Genuine last resort
Market responsive	Reasonable
Regulatory compliant	Certainty
Simple	Identified early
Competitive	Apply to all
Rational	Balanced

Yardsticks and Guidelines

- Use as a genuine last report
- Minimize distortion and impacts of out-of-market activities
- Ensure TMR compensation is reasonable
- Preserve market competition
- Create as much certainty as possible
- Minimize the impact and the involvement of the AESO on business decisions
- Establish a remedy and review mechanism that is trustworthy
- Be responsive to market real time uncertainty and risk
- Protect contracts and incentives to contract

Agenda

Agenda October 15, 2007 9:00 am -3:30 pm

1. Welcome participants and confirm agenda
 - Ground rules
 - Focus on narrowing the negotiation gap for issues currently identified.
 - Seek first to understand then to be understood
2. Small Group report and discussion
 - Review outcomes for small group meeting whose objective was to provide a report and recommendations about the following topic: “To establish a protocol that would be followed by the AESO to procure and or compensate required ancillary services”
 - Discuss criteria for TMR (why/when required-assessing the need)
 - Options generated for procurement process
 - Next steps
3. Issues for resolution confirmed
 - What do we really need to resolve? (see above)
 - In what order should we deal with them?
4. Principles affirmed
5. Yardsticks affirmed
 - What guides us?
 - What tests will we apply to our options?
6. Resolution process to be conducted for each issue:
 - Share interests and concerns and affirm and clarify principles, and then yardsticks for the issue:
 - Generate and brainstorm options for resolution
 - Test for best options
 - Consolidate best options into a “resolution draft” and establish a protocol for confirmation and execution
 - Wind up and next steps

Session II Report and Action Plan

On October 15, 2007 the participants agreed that the following continues to describe the scope of the mediation and the issues we have decided to resolve:

- Establish a principle based competitive procurement protocol for the transition from market-based acquisition to Article 11.
- Build on the extensive negotiations about the current Article 11 that have already occurred and acknowledging that considerable compromise has gone into these negotiations. The remaining issues include:
 - a. Deeming a unit to be in merit.
 - b. Partial dispatch of a plant.
 - c. Minimum monthly payment for TMR and how it is arrived at.
- Consideration of Maximum TMR/Cost of Service Cap.

It was determined that the next steps would be:

AESO:

- AESO will develop and circulate by Oct 19, a draft section I of the Negotiated Settlement Agreement (NSA) that reflects the following:
 - Article 11 refers to an AESO rule that describes the procurement process
 - The rule is developed following the normal AESO rules process
 - The rules embodies certain high level principles such as the “waterfall sequence”
 - Article 11 does not apply to any long term, competitively procured, foreseen TMR requirements
 - Chronic TMR to be resolved as part of the rule process with arbitration
 - Proposals to meet the EUB deadline of October 31, 2007

Generators:

- The Generators will propose and circulate by Oct 19 an Article 11 formula that provides example calculations. This will also address partial plant dispatch, TMR, and the cap
- Develop a proposal including supporting assumptions for Article 11 compensation, designed specifically for short term, unforeseen service.
- Consider whether numbers can be established for typical capacity payments based on different technology types (e.g simple cycle, combined cycle, coal, hydro, etc.) to remove the need for calculations based on actuals.
- Propose format of Maximum TMR payment in consideration of the proposed Article 11 compensation

Other Next Steps:

- AESO consider other AS under Article 11 and how these can be addressed in a go forward scenario
- The small group will reconvene during the week of Oct 15-19 to continue its work on developing the procurement process to fit into the NSA. (Dave G to also attend)
- AESO will convene a meeting with the generators to provide them with an opportunity to meet with the AESO Operators group (Gerry) to discuss forecasts and how they are derived.
- Next meeting to take place on October 25 at AESO from 9:00-1:00 pm