



November 16, 2007

Sterling Koch  
Director and General Counsel  
Regulatory and Legal Affairs  
TransAlta Corporation  
110 – 12<sup>th</sup> Avenue SW  
Calgary, Alberta  
T2P 2M1

Dear Mr. Koch:

Re: Establishment of the AESO Reliability Committee (ARC)

Thank you for your letter of November 2<sup>nd</sup>, related to the AESO Reliability Committee, and your joint nomination for representation of generation owners. We have finalized the initial list of committee members, and are pleased to welcome Richard Stout to the ARC. We offer the following comments in response to your letter.

The ARC is a key advisory body that will assist the AESO in fulfilling its public interest mandate and ensuring system reliability and performance. This is facilitated through discussion not only related to standards, but to the processes and business practices that will support mandatory standards in the province. These topics are general in nature and will not be focused on detailed analysis of any standard. We believe that the working groups made up of technical experts (i.e. not just the ARC members) from affected entities will be the best arena for addressing individual requirements contained within standards and the concerns you have expressed with regard to impacts, differentiation of fuel types, and business relationships and responsibilities. Moreover, each standard will be taken through the AESO Rules process which is open to all stakeholders.

It is not the intent of the ARC to focus only on TFO standards. While the committee scope does identify a list of standards related to transmission facilities, the categories of AESO-developed standards and criteria, reliability standards, NERC/WECC-developed reliability standards, reciprocal restoration agreements, and emergency and security standards contain standards that are applicable to generation owners.

A more appropriate wording in the Terms of Reference would be:

*“Provide advice respecting standards applicable to transmission facilities and generation facilities”*

and in this regard, the Terms of Reference will be revised to specifically note the generation owner standards.

We acknowledge that the impact standards could have on generation owners will vary based upon the requirements contained within a standard, and the type of generation owner the standard applies to. These unique circumstances will be addressed through the working groups focused on the specifics of individual standards and will allow for discussion about impacts and implications. Some examples of the

types of standards that will be analyzed in a generation owner working group are: system restoration, power system stabilizers, reactive power requirements, and automatic voltage regulators.

In addition, there will be a working group focused on defining the term “critical assets” and reviewing cyber and physical security standards for applicability in Alberta; this will be made up of transmission facility owners and generation owners who would be affected. Confidentiality issues related to critical assets will be addressed by the AESO in consultation with affected parties.

With regard to the formation of a Generation Committee, we look forward to receiving more information on the activities of the Committee.

In conclusion, we appreciate your comments and believe that the structure of the ARC and corresponding working groups will address your concerns. All applicable owners, operators and users of the Alberta interconnected electric system have a unique role to play in the ongoing reliability of the system, and we look forward to working with you on these matters in the future.

Yours truly,

*Original signed by*

Diana D. Pommen  
Director Interjurisdictional Affairs

cc: TransCanada  
EPCOR  
ATCO