

**Stakeholder Comments
AESO ILRAS Procurement Consultation**

November 29, 2007

Written comments were received from:

ATCO Electric
ATCO Power
BP Canada
EPCOR
FortisAlberta
IPCAA
IPSSA
PICA
TransAlta
TransCanada

**AESO ILRAS Procurement Consultation
October 18, 2007 Discussion Paper — Stakeholder Comment Form**

Comments From: ATCO Electric
Date: November 9, 2007
Contact: Satar Parhar
Phone: 780-988-6386
E-mail: satar.parhar@atcoelectric.com

On October 18, 2007, the AESO circulated a discussion paper containing recommendations for changes to its procurement of Interruptible Load Remedial Action Scheme (ILRAS) Service. The AESO invites stakeholders to provide comments on the recommendations and other matters included in the discussion paper, using the following comment form.

Competitive Procurement vs. Mandatory (Regulated) Service	
1	<p>The AESO is of the view there is no ready market from which to procure ILRAS service, nor is there sufficient interest to develop such a market through a competitive process. Therefore, the AESO proposes making ILRAS a mandatory service, in conjunction with appropriate compensation, which should be specified in the AESO Tariff for System Access Service.</p> <p style="text-align: right;"><input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent</p> <p>Reasons for Stakeholder Position:</p> <p>AESO has not provided any valid reason for not selecting the option where a portion of the ILRAS requirement is met using contracts with industrial loads through a RFP process and the balance of the ILRAS requirement is met by the DFOs as a regulated service. The price discovered using the RFP process may also be used for setting the compensation for the DFOs.</p>

Alternatives	
2	<p>The AESO is of the view that ILRAS should be used to facilitate imports over the inter-tie both in anticipation of potential supply shortfall conditions and to support in-market imports. Increasing import capacity and enabling in-market energy transactions contribute to the objective of an openly competitive market. The AESO thus considers ILRAS to be a necessary service required to operate the system reliably while providing a fair, efficient, and openly competitive market.</p> <p style="text-align: right;"><input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent</p> <p>Reasons for Stakeholder Position:</p> <p>We agree that ILRAS is essential to facilitate imports over the inter-tie in anticipation of potential supply shortfall conditions. As such a mandatory requirement can be imposed on the DFOs and Direct AESO customers for the portion that can not be procured through an RFP process. On the other hand, a purely competitive RFP process should be used to procure ILRAS to support in-market imports.</p>

3	<p>To best address all of these factors, the AESO is of the view the larger DFOs should be obligated to provide ILRAS service, under terms similar to the existing FortisAlberta arrangement. At the same time, other loads directly served from the transmission system should not be precluded from providing the service if they so choose and if they can satisfy the real-time telemetry and automatic tripping requirements. This accomplishes both the fulfillment of the AESO's need for ILRAS and allows for the possibility of the voluntary provision of the service to accordingly reduce the mandatory burden.</p> <p>Reasons for Stakeholder Position:</p> <p>ATCO Electric opposes this approach for the reason that it is inappropriate to exempt small DFOs and direct connected customers. It would create an inappropriate incentive for customers to leave the DFOs to be supplied by the AESO.</p>	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
4	<p>Providers of regulated ILRAS service should be compensated through an annual ILRAS credit of \$5,045/MW of ILRAS load available to be armed. The credit would be provided on a monthly basis, and would be \$420/MW per month. The total annual cost of ILRAS to be recovered in the AESO's tariff would therefore be about \$1.2 million.</p> <p>Reasons for Stakeholder Position:</p> <p>The proposed compensation level is not adequate and is not based on any analysis for the cost of an outage to customers. The ILRAS compensation should not be based on the compensation for the UFLS service as the risks associated with these two services are not equivalent and that the UFLS compensation has not been tested to be reflective of the costs associated with an outage. While the feeders armed for UFLS will be rotated, the likelihood of an ILRAS feeder rotation is small. The ILRAS compensation should be more reflective of the cost to customer of an unplanned outage.</p>	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent

Additional Comments

Any mandated requirement for DFOs to provide ILRAS should apply to ILRAS for system security reasons only. ATCO Electric is concerned that this mandatory ILRAS requirement, specifically for in-market import would be unacceptable to most of its customers.

Absent in the analysis that the AESO has undertaken to value the ILRAS service is any accounting of customer risks and impacts associated with providing this service. If ILRAS is secured for market reasons, it is imperative that the service be secured on a market basis. To do otherwise is inappropriately tampering with market conditions. It is also important to get the payment to the DFOs right, as this represents a transfer of costs from DFO customers to Direct AESO customers.

Targeting only large DFOs for providing ILRAS is discriminatory. Direct AESO customers and small DFOs should be targeted to provide their share of this service as well. Direct AESO customers and DFOs who choose not to participate should make a payment in lieu of participation. This payment could be a multiple of the compensation being paid to the participating DFOs.

DFOs cannot provide this service on a non-discriminatory basis at the cost that AESO has represented. Because there is a cost associated with installing facilities required to provide the service, the same loads would need to be armed repeatedly. Somehow the DISCO would need to flow through the ILRAS compensation as part of the tariff which would prove to be very difficult if only certain 25 kV feeders were armed. Furthermore, how do DFOs inform their customers of the increased risk?

Page 7 of 14 the AESO indicates that their understanding is the telemetry and protection equipment required to provide ILRAS service already exists as part of the regulated infrastructure. This characterization is a dramatic over simplification. The infrastructure may already exist, but only at a fraction of the substations that would be candidates for providing ILRAS service.

In order to provide ILRAS service, a substation needs to be equipped with a dedicated telecommunications link at a minimum. ATCO Electric has dedicated telecommunications link (either microwave or VHF/UHF) to 49% of its substations. Of these substations, many are major backbone stations or switching stations that do not serve 25 kV load. Only 29% of AE substations have both a dedicated communications link and controllable 25 kV feeder breakers. Before arming any of the feeders in these substations to provide ILRAS service ATCO Electric would first need to ascertain whether the load is critical or not. ATCO Electric would not arm feeders that supply hospitals or other critical loads. It is not at all fair to suggest that this service could be provided by DFOs in a fair and non-discriminatory manner at the cost that the AESO has identified in their analysis.

The latency requirements to accommodate ILRAS require an extremely fast communications network to be in place. ATCO Electric has not reviewed whether or not the VHF/UHF radio systems would be adequate or whether microwave communications would be required. If microwave systems are required, then the number of existing substations that are candidates for ILRAS would be considerably less than has been outlined in the previous point. The AESO's erroneous assumption surrounding the level of penetration of adequate telecommunications facilities leads to flawed economics. The flaw is compounded by the lack of consideration of end use customer impacts.

Page 11 of 15 – the AESO estimates are based on 10 sites being armed for ILRAS service. AE has 147 substations, obviously arming 10 of these to provide ILRAS service would be discriminatory to customers located at those 10 sites. For DFOs to be able to provide ILRAS service on a fair and non-discriminatory basis would involve significantly higher costs than those represented by the AESO.

ATCO Electric is also concerned also about the notion that existing utility DFO infrastructure can be used at no extra cost. To the extent that DFO ratebase is used to provide this service without appropriate allocation of costs to the transmission function, a cross subsidization would occur. The cross subsidization would not be appropriate under the Board's Affiliate code.

Please return this form with your comments by Friday, November 9, 2007, to:

John Martin
Director, Tariff Applications
E-mail: john.martin@aeso.ca
Phone: (403) 539-2465
Fax: (403) 539-2524

From: Horst.Klinkenberg@atcopower.com
Sent: Tuesday, November 13, 2007 3:42 PM
To: Heidi Kirrmaier
Cc: April Walters; carl.f.fuchshuber@atcopower.com; Grant.Lake@atcopower.com
Subject: ILRAS Review Process

Dear Heidi,

ATCO Power would like to thank the AESO for the opportunity to participate in the ILRAS working group and we are looking forward to providing our input into the discussion. As requested we offer the following advance feedback to your questions:

1. Should ILRAS be used for only supply shortfall conditions or also used for normal market operations to enhance the ability to import energy from neighbouring jurisdictions?

It is ATCO Power's belief that if the cost of ILRAS is:

- established by market forces in a competitive process, and
- carried by importers as a direct transaction cost

it could be used to enhance the ability to import energy from neighbouring jurisdictions. In all other cases, ILRAS should only be used during supply shortfall conditions.

2. Does the use of ILRAS as an interim measure to partially restore the capability of the interties align with legislation and the Transmission Regulation?

In its proposed form the use of ILRAS does not align with either legislation or the T-Reg. If ILRAS is deemed to be the appropriate means for partially restoring intertie capability, one way for the AESO to fulfill its obligation would be to facilitate a market where importers could purchase the service from willing providers at a market price. Mitigating the cost to importers in any way, be it by conscripting the service or by allocating the cost to load, goes far beyond the AESO's obligation. Instead it distorts the market place and undermines the principles of a fair, efficient, and openly competitive market.

3a. Are the views on the preceding dependent on whether the ILRAS service is procured through a competitive process or through a regulated service?

If the intended use for ILRAS is to enhance the ability to import under normal market conditions, competitive procurement is the only acceptable option and then only if paid by importers. In case the decision is made to only use ILRAS during supply shortfall conditions it is our view that the AESO should try to procure the service through a competitive process and only if this fails should the service be regulated.

3b. Are the views on the preceding dependent on whether imports are able to set price in the Alberta competitive electricity market?

No! The impact of imports on market prices should not be an argument for subsidizing import transaction costs. Import pricing is therefore completely unrelated to the principles that should govern a potential ILRAS service.

We are looking forward to discuss these points further at the first working group meeting.

Sincerely,

Horst Klinkenberg

ATCO Power

P: 403-209-6974
F: 403-209-6915
E: Horst.Klinkenberg@atcopower.com

ATCO Power's mission is to increase shareowner value by developing, owning, and operating world-class power generation projects in Canada and selected global markets.

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From: Mills, Norman W [norman.mills@bp.com]
Sent: Thursday, November 01, 2007 2:03 PM
To: John Martin
Subject: BP Canada comments on ILRAS

BP wishes to provide the following comments in response to the AESO's discussion paper on ILRAS:

- According to Section 17 of the *Electric Utilities Act (EUA)*, the AESO is responsible for operating both the interconnected electric system and the electricity market. When there is a conflict between these two responsibilities in real-time, BP recognizes that the reliable operation of the electric system can temporarily take priority over the efficient operation of the market. When no such conflict exists, however, BP believes that the AESO is obligated to procure ILRAS at the level necessary to accommodate in-merit supplies at the full import transfer capability of the inter-ties. In articulating the AESO's obligation to satisfy the requirements for electricity in the province, Section 17(c) of the *EUA* makes no distinction between supplies originating in Alberta and supplies originating elsewhere. The AESO cannot therefore procure ancillary services to accommodate the dispatch of Alberta generators without doing the same for imports.
- If ILRAS is to be treated as a regulated service, the compensation should be based on the costs incurred by the party who ultimately provides ILRAS instead of the DFO who merely conscripts the curtailability of its customer(s). Aside from administrative simplicity, there appears to be little justification for the "one-size-fits-all" payment schedule envisioned by the AESO or for the proposed de-coupling of compensation and costs (whether forecast or actual). Given the obvious similarities between ILRAS and the ongoing Article 11 discussions, BP suggests that the compensation model being contemplated for conscripted generation under Article 11 may serve as an appropriate template for compensating unwilling providers of ILRAS. In the meantime, the AESO should make every effort to procure ILRAS from willing parties before pushing its responsibilities downstream by having DFOs conscript the curtailability of loads.

BP notes that any effort undertaken by the AESO to cultivate the development of a market for curtailable load is likely to pay dividends if it become necessary to invoke OPP 801 or procure additional load shed services in conjunction with a breach of the LTA threshold.

Norman Mills
Director, Energy Policy & Regulation
BP Canada Energy Company
403.233.5664



November 14, 2007

Alberta Electric System Operator
2500, 330 – 5th Avenue S.W.
Calgary AB T2P 0L4

Attention: Heidi Kirrmaier
Vice-President, Regulatory

Dear Ms. Kirrmaier:

Re: AESO ILRAS Review Process

EPCOR welcomes the opportunity to comment on the issues raised in your letter of November 5, 2007. EPCOR is gratified that the Alberta Electric System Operator (“AESO”) is establishing a working group to review the issues relative to the procurement of ILRAS, so the issues can be thoroughly discussed by stakeholders. You asked for comments on several issues in your letter. These are set out below, with EPCOR’s responses.

1. *Should ILRAS be used only for supply shortfall conditions or also used for normal market operations to enhance the ability to import energy from neighbouring jurisdictions?*

It is not clear to EPCOR that ILRAS can be restricted to supply shortfall conditions. We question the need for ILRAS for emergency purposes as it is not required unless the AESO increases import capacity beyond the levels supported by the existing transmission infrastructure. It is our understanding that once a load is armed to provide ILRAS, the amount of available import capacity is increased, whether for supply shortfall conditions or for ordinary imports. Once an ILRAS scheme is in place, load would then be shed only when the system became unstable, i.e supply shortfall conditions would apply for load to be shed.

2. *Does the use of ILRAS as an interim measure to partially restore the capability of the interties align with legislation and the Transmission Regulation?*

The Transmission Regulation (s. 16) requires the ISO to prepare a plan and make arrangements to restore each intertie to its path rating. S. 15 of the Transmission Regulation expresses a clear preference for wires solutions over non-wires solutions, except in very limited circumstances. It would be necessary to see the entire ISO plan to be able to assess whether the ISO is compliant with the Transmission Regulation. It could certainly not be a permanent solution.

3. *Are the views on the preceding dependent on:*

- *Whether the ILRAS process is procured through a competitive process or through a regulated service?*

Distribution companies should not be mandated to provide ILRAS. It is inconsistent with the changes brought about by the restructured market, where retailers, not distribution companies, have the relationship with power consumers. It is also an inappropriate use of the AESO tariff-making powers, as in our view, conscription by the AESO through its tariff should only be permitted in emergency situations, not when the AESO has other solutions available to it.

One of the fundamental objections to ILRAS is that it relies upon involuntary shedding of load by distribution companies who would, in turn, interrupt service to their customers. This forces distribution companies into the position of determining which customers will be shed in the event of a trip on the intertie when operating at high import levels. EPCOR believes that requiring distribution companies to provide load shed service is inconsistent with the restructured market, where retailers have replaced distribution companies in the customer relationship for the supply of energy. It would be difficult for retailers to provide this service for other than large customers. The inequity of this has been recognized by the EUB in Decision 2005-05, with respect to the provision of ILRAS by Fortis where the Board recognized that a subset of Fortis's customers bear the risk associated with possible outages through the provision of ILRAS. ILRAS It is not clear that the AESO has the ability to require distribution companies to provide services in non-emergency circumstances, where system reliability is not at risk except for situations caused by the AESO's actions.

- *Whether imports are able to set price in the Alberta competitive electricity market?*

EPCOR firmly believes that distribution companies should not be compelled to provide ILRAS service, regardless of whether or not imports are able to set Pool Price. However, the ISO is obligated to operate the electricity market in a manner that promotes the fair, efficient and openly competitive exchange of electric energy. (s. 17(a) EUA) In our view this means that the ISO should be moving forward to allow imports to set Pool Price in order that our market is not suppressing Pool Price. Such an initiative would render the use of ILRAS as a market mechanism less offensive.

I would be more than happy to discuss these comments with you at your convenience. I can be reached by telephone at (403) 717-8943 or by e-mail at lmeyer@epcor.ca.

Yours truly,

EPCOR Utilities Inc.

<Original unsigned, sent by e-mail>

K. Lynn Meyer
Director, Regulatory Policy

From: Stroh, Miles [Miles.Stroh@fortisalberta.com]
Sent: Friday, November 09, 2007 3:54 PM
To: Heidi Kirrmaier; John Martin; April Walters
Cc: Johnston, Cynthia; Smith, Gary; Pashak, Mike; Flemmer, Alan
Subject: FortisAlberta Comments on AESO ILRAS Review and Working Group

In response to the AESO ILRAS discussion paper and November 5th letter, and recognizing that FortisAlberta has been the sole provider of ILRAS and consequently continues to have ongoing discussions with the AESO and our affected customers, FortisAlberta provides the following comments with respect to this matter:

- FortisAlberta, being a regulated owner and operator of an electric distribution system, agrees that ILRAS could continue to be used for emergency services and shared across wire owners, on par with other similar schemes such as UFLS, and that this service could be provided in the appropriate sequence with other available remedies used during a system emergency.
- Any participation of FortisAlberta within an ILRAS program should be regulated.
- FortisAlberta believes that the AESO, in its consultation with stakeholders, must address the two uses of ILRAS as discrete services; ILRAS in the event of a supply shortfall condition is more related to providing regulated system access service for its customers whereas using ILRAS to allow increased energy imports clearly becomes a broader energy market discussion.
- With respect to ILRAS being used to enhance the import energy market, FortisAlberta will be interested in the views of the end-use consumer and energy market representatives during working group discussions. Implementation and compensation details should be discussed at the working group level.
- Any arrangements in the short term should not preclude competitive offerings of ILRAS by retailers in the future, if and when the enabling communications and control technology is available and economic.

With the interim emergency-only ILRAS arrangement set to expire on February 28, 2008, it is critical that resolution on a way forward be agreed to as soon as possible. FortisAlberta is interested and looks forward to participating on the working group in order to determine the nature and terms of any future ILRAS service within the broader market design.

Thank you for the opportunity to comment.

Miles Stroh
Director, Regulatory
FortisAlberta Inc.
(403) 514-4229



Industrial Power Consumers Association of Alberta

Suite 10, 1922 - 9th Avenue S.E., Calgary, Alberta, T2G 0V2

TELEPHONE: (403) 266-3180
TELECOPIER: (403) 237-0487
E-MAIL: dmacnamara@shaw.ca

November 26, 2007

Alberta Electric System Operator
2500, 330 – 5th Avenue SW
Calgary, Alberta
T2P 0L4

Attention: Ms. Heidi Kirrmaier, VP Regulatory

Dear Ms. Kirrmaier:

RE: AESO ILRAS Discussion Paper and Review Process

Further to the AESO letters of October 18 and November 5 of 2007 and the AESO ILRAS discussion paper, IPCAA will provide herein its general comments on the discussion paper and the AESO's proposed process. At this point in time, IPCAA will not provide specific comments in the stakeholder response form because it believes it is premature for to make any EUB application (as contemplated in the October 18th letter) before more discussion has taken place on the AESO proposal. Further, IPCAA is prepared to participate on the AESO "working group" proposed in the AESO letter of November 5.

While IPCAA has not finalized a position on this discussion paper, it can advise the AESO, on a preliminary basis, that it has serious concerns with the proposals contained therein, the structure, the review and conclusions of the market for ILRAS and the proposed compensation. At this point in time we will not provide detailed comments because they will not add to the process, except to point out it opposes essentially all of the recommendations presented in the paper until there has been more discussion. Additionally, the issues discussed in the paper will have significant policy implications for Alberta's electricity market.

It is IPCAA's understanding that the AESO will be forming a "market advisory committee", comprised of senior representatives of stakeholder groups, in the near future. We suggest that the ILRAS discussion paper be addressed in that committee in

the first instance, and then later by the ILRAS working group after the issues have been more fully addressed and crystallized.

Yours truly,

D.B. Mancamara

DBM/ ne

Cc. John Martin, AESO

Ed Hucman, AESO



15 November 2007

Ms. Heidi Kirrmaier
Vice-President, Regulatory
Alberta Electric System Operator
2500, 330 – 5th Ave S.W.
Calgary, AB T2P 0L4

Via email only

RE: IPPSA Response to November 5, 2007 ILRAS Letter

Dear Ms. Kirrmaier,

IPPSA appreciates the opportunity to comment on the AESO's letter of November 5, 2007 pertaining to ILRAS service. Furthermore, we appreciate the AESO's decision to suspend work on the discussion paper, and, rather, to begin a broader consultation process on these issues. To this end, we provide the following comments on the high-level questions posed to stakeholders in your letter.

1.0 ILRAS for Supply Shortfall or Market Operations

Our concerns with the AESO's ILRAS proposal pertain to its 'market operation' implications. We are strongly opposed to the idea of enabling more \$0/MWh imports, beyond what is needed to offset supply shortfall. Any actions taken to expand import capacity for market operation reasons should only occur when imports are no longer required to participate as price-takers.

Rather than improving price integrity, more price-taking imports would clearly depress prices. Of note, the Department of Energy, in its 2005 Electricity Policy Framework acknowledged the price depressing impact of \$0/MWh imports and stated, "*Allowing imports to set price would better reflect the true cost of energy.*" The AESO was subsequently directed to treat imports "*the same as intra-Alberta generators*"¹. As we are all aware, this has not yet happened. The current regime clearly undermines price integrity.

2.0 ILRAS and Interties

While greater ILRAS volumes would lead to greater imports, we do not believe that conscripting ILRAS, or re-regulating its pricing, for market operations reasons is at all consistent with the development of a fair, efficient and openly competitive market. For market operations reasons, ILRAS should only be procured through market means, where prices are set by competitive outcomes.

Sincerely,

A handwritten signature in blue ink, appearing to read "Evan Bahry".

Evan Bahry
Executive Director

¹ Alberta Energy, "Electricity Policy Framework, Competitive Reliable Sustainable" (2005), pg 39

**AESO ILRAS Procurement Consultation
October 18, 2007 Discussion Paper — Stakeholder Comment Form**

Comments From: Public Institutional Consumers of Alberta
Date: November 12, 2007
Contact: Raj Retnanandan
Phone: 780-439-4183
E-mail: retnanandan@emrc.ca

On October 18, 2007, the AESO circulated a discussion paper containing recommendations for changes to its procurement of Interruptible Load Remedial Action Scheme (ILRAS) Service. The AESO invites stakeholders to provide comments on the recommendations and other matters included in the discussion paper, using the following comment form.

Competitive Procurement vs. Mandatory (Regulated) Service	
1	<p>The AESO is of the view there is no ready market from which to procure ILRAS service, nor is there sufficient interest to develop such a market through a competitive process. Therefore, the AESO proposes making ILRAS a mandatory service, in conjunction with appropriate compensation, which should be specified in the AESO Tariff for System Access Service.</p> <p>Reasons for Stakeholder Position: PICA Agrees there is value in the ILRAS service for load customers. Given the current state of the market for ILRAS it may be necessary in the short run to make this a mandatory service. However, PICA believes competitive supply of this service would be possible if third party demand aggregators can be attracted to the Alberta market to not only provide ILRAS but also a wider range of demand response services</p>

Support
 Oppose
 Indifferent

Alternatives	
2	<p>The AESO is of the view that ILRAS should be used to facilitate imports over the inter-tie both in anticipation of potential supply shortfall conditions and to support in-market imports. Increasing import capacity and enabling in-market energy transactions contribute to the objective of an openly competitive market. The AESO thus considers ILRAS to be a necessary service required to operate the system reliably while providing a fair, efficient, and openly competitive market.</p> <p>Reasons for Stakeholder Position: PICA agrees the use of ILRAS to support potential supply shortfall conditions and to support in-market imports is consistent with the Section 6 of the EU Act.</p>

Support
 Oppose
 Indifferent

3	<p>To best address all of these factors, the AESO is of the view the larger DFOs should be obligated to provide ILRAS service, under terms similar to the existing FortisAlberta arrangement. At the same time, other loads directly served from the transmission system should not be precluded from providing the service if they so choose and if they can satisfy the real-time telemetry and automatic tripping requirements. This accomplishes both the fulfillment of the AESO's need for ILRAS and allows for the possibility of the voluntary provision of the service to accordingly reduce the mandatory burden.</p> <p>Reasons for Stakeholder Position: If larger DFOs are obligated to provide this service, they in turn could contract directly with their customers or with third party aggregators to deliver the service. However, it is questionable whether a given level of ILRAS could be imposed without the Distributors' cooperation</p>	<p><input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent</p>
4	<p>Providers of regulated ILRAS service should be compensated through an annual ILRAS credit of \$5,045/MW of ILRAS load available to be armed. The credit would be provided on a monthly basis, and would be \$420/MW per month. The total annual cost of ILRAS to be recovered in the AESO's tariff would therefore be about \$1.2 million.</p> <p>Reasons for Stakeholder Position: The payment for this service should be sufficient in order to compensate for avoided costs as well as provide a reasonable margin reflecting the value of the service. The payment level should reflect net positive benefit to the Alberta market compared with other alternatives such as procurement of other ancillary services.</p> <p>The AESO's proposed approach to pricing ILRAS appears reasonable.</p>	<p><input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent</p>

Additional Comments

Responses to Specific questions referred to in AESO's letter dated November 5, 2007

Q. Should ILRAS be used for only supply shortfall conditions or also used for normal market operations to enhance the ability to import energy from neighbouring jurisdictions?

A. Use of ILRAS to support imports for normal market operations is consistent with an openly competitive market and should be encouraged

Q. Does the use of ILRAS as an interim measure to partially restore the capability of the interties align with legislation and the Transmission Regulation?

PICA is not aware of any provision in the Act or Regulations that would prevent the procurement of this ancillary service to restore normal tie line capability.

Q. Are the views on the preceding dependent on:

- i) whether ILRAS service is procured through a competitive process or through a regulated service?
- ii) whether imports are able to set price in the Alberta competitive electricity market?

A. i) Procuring ILRAS through a competitive process would be ideal. However, it may also be necessary to provide this as a regulated service for the time being where the price paid would be determined by reference to other comparable services procured on a competitive basis.

ii) Although imports not setting pool price may not be fully consistent with a competitive market, PICA understands, it is likely the rules may be changed to allow dispatchable imports to set price in the near future. Whether imports set pool price or not, imports would have the effect of shifting the supply curve to the right and this is consistent with the operations of a normal market.

Please return this form with your comments by Friday, November 9, 2007, to:

John Martin
Director, Tariff Applications
E-mail: john.martin@aeso.ca
Phone: (403) 539-2465
Fax: (403) 539-2524



TransAlta Utilities Corporation
110 – 12th Avenue S.W.
Box 1900, Station "M"
Calgary, Alberta, Canada
T2P 2M1
(403) 267-7110
www.transalta.com
Sandy O'Connor
Regulatory Manager
Regulatory & Legal Affairs
Tel: (403) 267-7638
Fax: (403) 267-2575
sandy_o'connor@transalta.com

Ms. Heidi Kirrmaier
Vice-President, Regulatory
AESO
2500, 330-5th Ave SW
Calgary, AB
T2P 0L4

Dear Ms. Kirrmaier

Re: AESO ILRAS Review Process

TransAlta has reviewed your letter of November 5th, 2007 regarding the ILRAS review process. We support the formation of a working group to fully address the issues of ILRAS and as we indicated to April Walters, we would like to participate in that working group.

There are emerging in Alberta a number of transmission related issues that affect the operation of the transmission system. These include transmission congestion, export capability and import capability (ILRAS). TransAlta believes it is important to address these issues in a holistic manner and that the following principles should be considered:

1. Transmission congestion solutions should not impact the energy price.
2. The participants in any "transmission congestion solution" should be treated in a non-discriminatory manner.
3. Symmetry should exist in solutions. For example, solutions to increase import and export capability should be based on similar principles. Symmetry should also involve timing and extent of removal of constraints (ie. constraints should be removed in parallel and similar extents to as not to distort the supply/demand balance).
4. Solutions should be based on competitive processes, as opposed to tariff solutions, where possible.
5. The cost of these "transmission congestion solutions" should send the proper price signal to market participants, including load.

In response to the questions you set out in your letter TransAlta offers the following comments:

1. Should ILRAS be used for only supply shortfall conditions or also used for normal market operations to enhance the ability to import energy from neighbouring jurisdictions

TransAlta believes that there should be symmetry between the use of ILRAS for imports and any similar measures that may be in place for exports. Until we understand how the

AESO plans to address the export constraints, we can't answer this question any more specifically.

2. Does the use of ILRAS as an interim measure to partially restore the capability of the interties align with legislation and the Transmission Regulation?
 - a. Is import capacity limited or just export?

In TransAlta's opinion, the use of interim measures to partially restore capability of the interties would align with the legislation and Transmission Regulation and should apply equally to import and export capability.

3. Are the views on the preceding dependent on:
 - a. whether the ILRAS service is procured through a competitive process or through a regulated service?

ILRAS should be procured thru a competitive process

- b. whether imports are able to set price in the Alberta competitive electricity market?

Increased import volume will impact the energy price in Alberta, regardless of whether imports are able to set price

We hope these comments are useful and we look forward to participating in the working group.

Yours truly,

<Original signed by>

Sandy O'Connor
Regulatory Manager
Regulatory and Legal Affairs

November 14th, 2007

Ms. Heidi Kirrmaier
Vice-President, Regulatory
Alberta Electric System Operator
2500, 330-5th Avenue S.W.
Calgary, Alberta, T2P 0L4

450 - 1st Street S.W.
Calgary, Alberta, Canada T2P 5H1

tel 403.920.2087
fax 403 920 2362
email vince_kostesky@transcanada.com
web www.transcanada.com

Attention: Heidi Kirrmaier

Dear Madam:

RE: AESO ILRAS Review Process

In response to your letter of November 5, 2007, TransCanada has an interest in this matter since:

1. TransCanada is both an importer and exporter of electric energy in the Alberta market
2. TransCanada potentially has loads or portions of loads that might qualify for ILRAS.
3. TransCanada is concerned with the fidelity of the price signal in the Alberta market and generally supports increased imports and export capabilities.

TransCanada offers the following comments to the three AESO questions posed in your letter:

1. Should ILRAS be used for only supply shortfall conditions or also be used for normal market operations to enhance the ability to import energy from neighbouring jurisdictions?

TransCanada Response: At a broad level, ILRAS should be used for both supply shortfall conditions and for normal market operations to enhance the ability to import energy from neighbouring jurisdictions. However, the AESO's ability to conscript ILRAS volumes should be limited to meeting supply shortfall conditions needed for reliability purposes. Additional ILRAS can be procured to support normal market operations but such services should only be acquired through market mechanisms. The service is effectively an opportunity service and therefore ILRAS supply should resemble an opportunity service available to market participants thereby improving the fidelity of the Alberta market by bringing Alberta pool prices into better alignment with other markets.

2. Does the use of ILRAS as an interim measure to partially restore the capability of the interties align with legislation and the Transmission Regulation?

TransCanada Response: Yes, ILRAS can assist in aligning intertie capability with legislation (requiring a competitive marketplace) and the Transmission Regulation (requiring restoration of interties to their path ratings). However, the use of ILRAS as an interim measure must strike a balance between cost and need. This is similar to the

process whereby expenditures and efforts to restore export capacity were tested against the benefits to market participants who requested additional export capacity

3. Are the views on the preceding questions dependent on (a) whether the IRLAS service is procured through a competitive process or through a regulated service? and (b) whether imports are able to set price in the Alberta competitive electricity market?

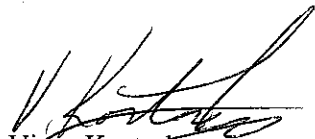
TransCanada Response: Regarding question 3 (a), TransCanada encourages the AESO to make every reasonable effort to procure ILRAS through competitive processes. When the volumes of ILRAS are required to meet supply shortfall conditions, and competitive processes cannot meet the required volumes, it would be appropriate to use conscription and provide compensation according to an approved tariff. TransCanada believes that the AESO should not conscript ILRAS volumes that are solely required to support normal market operations. These ILRAS volumes should only be provided through competitive market processes.

Regarding question 3 (b), TransCanada strongly supports the importance of imports being able to set price in the Alberta competitive electricity market. Until imports set pool price, TransCanada does not support the acquisition of additional ILRAS to support additional imports for normal market operations. Introducing additional imports when imports are not allowed to set pool price adds further distortion to the market price and is therefore contrary to section 6 of the EU Act.

Yours truly,

TRANSCANADA ENERGY LTD.

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Vince Kostesky,
Director, Market Services

cc: Jim Paton, TransCanada