



April 28, 2008

Submitted via Digital Data Submission System

Alberta Utilities Commission
Utilities Division
Fifth Avenue Place
4th Floor, 425 – 1st Street SW
Calgary, Alberta
T2P 3L8

Attention: Jamie Cameron, Application Officer

Dear Jamie:

**Re: Responses to Information Requests in AESO 2008 Terms and Conditions
Amendment Application (1562873)**

Attached are the AESO's responses to information requests received pursuant to the above-noted application.

If you have any questions on these information responses, please contact me at (403) 539-2465 or by e-mail to john.martin@aeso.ca.

Yours truly,

[original signed by]

John Martin
Director, Tariff Applications

cc: Heidi Kirrmaier, Vice-President, Regulatory, AESO
Lee Ann Leduc, Senior Regulatory Analyst, AESO

Reference: Application, page 2

Preamble: At the bottom of page 2 it states that there is a need to allocate capacity for transmission planning purposes significantly before an interconnection proposal is available as a basis for establishing contract capacity.

Request:

Please explain the requirements driving this need.

Response:

Interconnection applications need to be prioritized to allow:

- AESO resources to be appropriately assigned to them, and
- transmission system planning activities to be appropriate sequenced to accommodate the interconnections.

Much of this work occurs at the planning stage, well before the availability of an interconnection proposal which is based on specific interconnection facilities. The AESO also considers that early allocation of capacity for transmission planning enhances the provision of efficient, reliable, and non-discriminatory access to the transmission system.

Specifically, under the current Article 13 contract capacity is not allocated to an interconnection project until a customer executes a Construction Commitment Agreement. Until that time the customer cannot be certain that capacity will exist for the interconnection project, particularly in an area of limited transmission capacity. If a project is complex and requires bulk transmission system development or additional regulatory approvals, this uncertainty may last for an extended period. At the same time, the complexity or requirement for system development or additional approvals prevents a Construction Commitment Agreement from being finalized, and it is not possible for the customer to execute the Agreement to gain capacity allocation certainty.

As a result, the AESO was sometimes uncertain whether to assign resources or sequence planning activities based on a project for which a Construction Commitment Agreement was not yet executed, but which appeared to be appropriately progressing through its development milestones. To ensure an efficient and reliable process, the AESO concluded that capacity needed to be allocated to projects in a transparent and open manner much earlier in the interconnection process.

Reference: Application, pages 2 and 3

Preamble: At the bottom of page 2 it states that queue position certainty and transparency that will be maintained throughout the duration of a project (from initial application to energization) if project milestones are met. It also states that if certain milestones are not met queue position could be lost.

Request:

- (a) Please provide a list of all the project milestones.
- (b) Please indicate those milestones, that if not met, could result in loss of queue position and why.

Response:

- (a) The Project Milestone Obligations are provided in Attachment AUC.AESO-002 (a). These milestones are available on the AESO web site at www.aeso.ca by following the path Transmission ► Connecting to the Grid ► Customer Interconnections ► Project Milestone Obligations.
- (b) As identified in the AESO Obligations column in the table included in the Project Milestone Obligations document provided in part (a) above, there are different consequences for failing to meet different milestones.
 - (i) An application will be cancelled for failure to meet project milestone obligations in the following process blocks:
 - Project Initiation,
 - Proposal Authorization, and
 - Need Publication, Review and Decision.
 - (ii) An application will be moved to the bottom of the queue for failure to meet project milestone obligations in the following process blocks:
 - Preparation of Facilities Application, and
 - Facilities Application Review, Decision, Permit & License.

The consequences applicable to different milestones are appropriate to the level of commitment required for the project at that stage. Failure to meet milestones up to the filing of the Need Identification Document (NID) suggests that a project may not proceed to completion, and results in the cancellation of the application.

After a NID has been approved it is more likely that a project will continue to completion, but delays in the project should not tie up capacity that could be utilized by other projects which are progressing without delays. Failure to meet milestones after NID approval

therefore results in a project being moved to the bottom of the queue rather than being cancelled.

Reference: Application, page 3

Request:

- (a) Please provide a copy of the interconnection queue business practices set out in the discussion paper issued on September 26, 2007.
- (b) Why does the AESO consider that an amendment to the T&C is necessary at this time rather than waiting until the filing of the next GTA?

Response:

- (a) The Interconnection Queue Business Practices Discussion Paper is provided in Attachment AUC.AESO-003 (a). This discussion paper is available on the AESO web site at www.aeso.ca by following the path Grid Operations ► Wind Power ► Wind Power Interconnections ► Discussion Paper: Interconnection Queue Business Practices.
- (b) The AESO 2007 General Tariff Application is in the final stages of its regulatory process, with a refiling submitted on February 1, 2008. After the new tariff is effective, the AESO intends to conduct stakeholder consultation before preparing its next tariff application, which would lead to a filing sometime in mid-2009. The AESO therefore does not expect its next GTA to be approved until mid- or late 2010 — that is, for about two years.

Although the existing Article 13 provisions and the interconnection queue business practices could coexist during the two-year period, the AESO considers that confusion could arise between the project queue established by the business practices and the allocation of capacity provided by the existing Article 13. The AESO did not wish to delay implementation of the business practices, as they result in enhancing the efficiency and transparency of the interconnection process. The AESO therefore concluded an amendment to the terms and conditions would align with the business practices, clarify interconnection queue management, and support the overall improvements to the interconnection process.

Reference: Application, page 5

Preamble: The proposed amendments to Article 13.1 indicate that the AESO will allocate planning capacity for a new or expanding POC according to available AIES capacity as of the date the AESO receives an application for System Access Service.

Request:

- (a) On the assumption that customer interconnections should normally be planned to reflect the system access service contract capacity that a customer expects to contract for, please explain why planning capacity and contract capacity should not be one and the same.
- (b) Please fully describe all measures the AESO intends to implement to ensure that any costs that may be incurred as a result of a customer initiating planning or other activities on the basis of the planned capacity requested by the customer in the event that the project is subsequently cancelled or the customer ultimately signs a system access service contract at a lesser capacity than planned capacity.
- (c) Does the AESO not consider that the possibility exists to “game” the system. If not, why?

Response:

- (a) The AESO expects that planning capacity and contract capacity will generally be the same for interconnection projects. However, contract capacity is set out in a System Access Service Agreement under the existing terms and conditions, and has implications with respect to customer and system contributions, contract term, and DTS billing capacity which are difficult to assess in the early stages of a project. Rather than require contract capacity and its associated implications to be established unreasonably early, the AESO considered it more appropriate to introduce “planning capacity” as a term to support the assignment of resources and the sequencing of transmission system planning activities in the early stages of the interconnection process.
- (b) Article 5.2 of the AESO’s terms and conditions of service requires a customer to pay a Preliminary Assessment Application Fee which is refundable only if the project proceeds to energization. Article 5.4 requires additional non-refundable payments for loss factor calculations and other studies requested by the customer. The AESO does not expect other material costs would generally be incurred in the early stages of the interconnection process. Where material costs do arise, cancellation cost agreements are established for individual projects to ensure incurred costs are paid by the customer in the event of project cancellation.

After a Need Identification Document is approved for a project, appropriate security requirements are established and a construction commitment agreement is executed in accordance with Article 6 of the AESO's terms and conditions of service.

- (c) The AESO interprets "gaming" to refer to requests for transmission capacity to block access by other projects, "hoarding" of transmission capacity, preliminary requests significantly in excess of final contract capacity, and similar deliberate activities by one party which hinders the efficient, reliable, and non-discriminatory access to the transmission system by other parties. The AESO considers that the implementation of standard project milestone obligations in the interconnection queue business practices significantly improves the fair and equal treatment of all customers wishing to interconnect to the transmission system, and therefore discourages "gaming".

In particular, the existing Article 13 allowed a customer to execute a Construction Commitment Agreement, pay any required customer or system contribution, and accordingly be allocated contract capacity. Under the existing terms and conditions, that project may potentially receive a contract capacity allocation before earlier projects which were still progressing through the stages of the interconnection process — in effect, to "jump the queue". The AESO found such "queue-jumping" to make effective transmission system planning more difficult and to be inconsistent with non-discriminatory open access to the transmission system.

Requiring all customer to meet standard project milestone obligations, and imposing consequences for failing to meet milestone obligations, reduces the potential for customers to hoard capacity, to block access by other projects, or otherwise "game" the system. Milestone obligations ensure projects continue to progress and facilitate efficient, reliable, and non-discriminatory processing of interconnection applications. Early allocation of planning capacity and adherence to milestone obligations also enhances the interconnection process by enabling the AESO to develop reasonable and practical transmission development plans based on projects which are likely to proceed to completion.