

Reliable: Our Commitment to Albertans

Reliable **Power**

Reliable **Markets**

Reliable **People**



Todd Fior

Vice-President, Finance

Annual General Meeting

May 15, 2008



2007 Revenues



(in millions of \$)

	<u>2007</u> <u>Actual</u>	<u>2006</u> <u>Actual</u>	<u>Variance</u>	<u>Variance</u>
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Revenues by function:

Transmission	\$ 910	\$ 947	\$ (37)	(4)%
Energy Market	14	13	1	8 %
Load Settlement	5	5	-	-
Total	\$ 929	\$ 965	\$ (36)	(4)%

The AESO's operating costs consist of two main cost categories:

- General and Administrative costs
- Transmission Operating Costs
 - Wire Costs;
 - Ancillary Services Costs; and
 - Transmission Line Loss Costs.

2007 General & Administrative Costs



(in millions of \$)	<u>2007 Actual</u>	<u>2006 Actual</u>	<u>Variance</u>	<u>Variance</u>
Salaries and Benefits	\$ 32	\$ 28	\$ 4	14%
Professional Fees & Consulting Costs	10	5	5	100%
Office Administration	10	8	2	25%
Amortization and interest	11	10	1	10%
Total	\$ 63	\$ 51	\$ 12	20%

2007 Transmission Operating Costs



(in millions of \$)	<u>2007</u> <u>Actual</u>	<u>2006</u> <u>Actual</u>	<u>Variance</u>	<u>Variance</u>
Wire Costs	\$ 441	\$ 444	\$ (3)	(1)%
Ancillary Services	236	235	1	-
Transmission Line Losses	184	231	(47)	(21)%
Other Industry Costs	5	4	1	24%
Total	\$ 866	\$ 914	\$ (48)	(5)%

Balance Sheet

as at December 31, 2007



(in millions of \$)	<u>2007</u> <u>Actual</u>	<u>2006</u> <u>Actual</u>	<u>Variance</u>	<u>Variance</u>
Current Assets	\$ 247	\$ 322	\$ (75)	(23)%
Capital Assets	43	44	(1)	(2)%
Total Assets	\$ 290	\$ 366	\$ (76)	(21)%
Current Liabilities	\$ 288	\$ 364	\$ (76)	(21)%
Deferred Rent	2	2	-	-
Equity	-	-	-	-
Total Liabilities and Equity	\$ 290	\$ 366	\$ (76)	(21)%

2008 Energy Market Trading Charge



2008 Trading Charge

Energy Market Trading Charge	11.1¢ / MWh
MSA Recovery	<u>3.0¢ / MWh</u>
Total Trading Charge	14.1¢ / MWh

2007 Trading Charge

Energy Market Trading Charge	11.1¢ / MWh
MSA Recovery	<u>2.5¢ / MWh</u>
Total Trading Charge	13.6¢ / MWh

Powering Alberta

Reliable **Power**

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Dale McMaster

President and CEO

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Alberta's Electricity Challenge



- **Demand**

- Demand for power up 28% since 2000
- Alberta has led North America in load growth
- Load is forecasted to grow by about 3% per year

- **Supply**

- Adequate supply in the near term
- Forecasted need for additional 5,000 MW by 2017 and 11,500 MW by 2027 (double current capacity)
- Generation investment driven by market forces
- About 4,700 MW of new generating capacity added since 1998
- Investors must have confidence in the market and in the transmission system's ability to take their production to the end use consumer

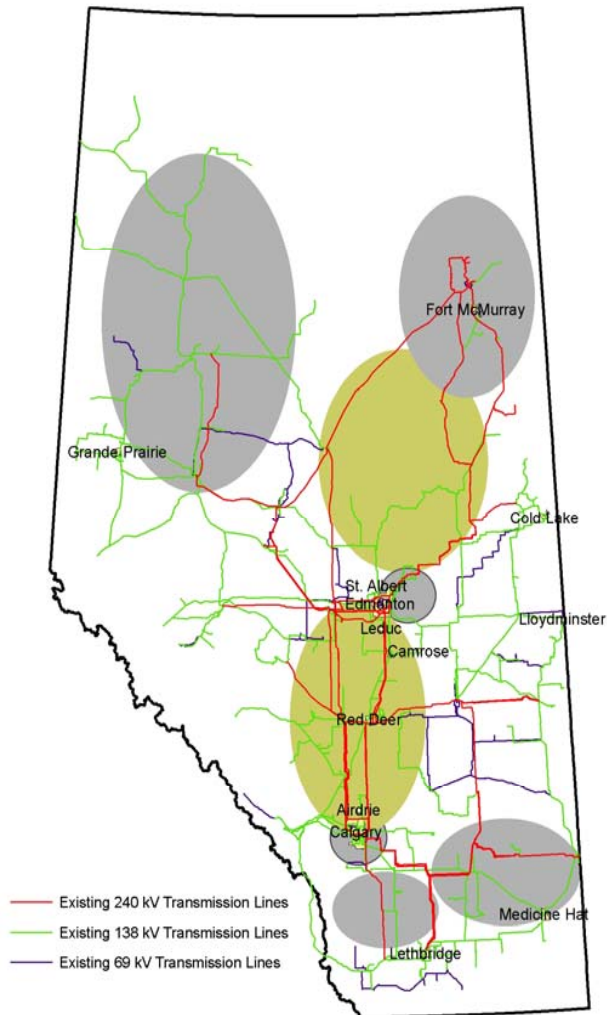
- **The Market Roadmap**
 - Defines market development priorities for the next 5 years -- will be updated in 2008
- **Article 11 – negotiated settlement**
- **“Quick Hits”**
 - Implemented a series of market enhancements to increase the visibility of available supply and improve price fidelity
 - Early indications are the objectives are being met
- **Market IT Systems**
 - Market changes have become increasingly complex
 - Limited capability to implement new initiatives
 - Developing the vision and plan to upgrade/replace

Markets and Regulatory: Looking Forward



- **Market Initiatives: Market Policy Framework Implementation**
 - Congestion management and Long Term Adequacy
 - Section 18: outage coordination and reliability unit commitment
 - Section 6: market power mitigation framework
 - Dispatchable Interties
 - Ancillary Services market review
- **Regulatory Structure – Roles and Responsibilities**
 - MSA: Responsibility for enforcement of AESO Market Rules
 - AUC: Approval of AESO Market Rules

Transmission System Development



- Edmonton to Calgary System Reinforcement
- NW Alberta
- Fort McMurray
- North of Fort McMurray
- Southern Alberta
- Heartland/Fort Saskatchewan
- City of Calgary
- City of Edmonton
- Merchant Interties

Edmonton - Calgary Transmission System Reinforcement



- **Critical infrastructure - the “backbone” of the system**
- **System reinforcement is required to:**
 - Ensure system reliability
 - Facilitate the competitive market
 - System efficiency – reduced losses
 - Partial restoration of intertie capacity with British Columbia
- **AESO is preparing a Need Application**
 - Evaluating alternative routes and technologies
 - Comprehensive stakeholder consultation
 - No decisions have been made

Stakeholder and Public Outreach



- Effective public outreach and comprehensive stakeholder consultation supports all transmission planning
- Public information efforts
 - second issue of “Powering Albertans” magazine distributed to 1.2 million Alberta homes
 - Informational video aired on Access TV and distributed to key audiences in Alberta
- Objective is to address the information gap that exists on how our industry works

Operating Challenges



- Until the system is reinforced, we are operating the system at or near its safe operating limits more often and for longer duration
- Developing innovative ways to extract performance from a stretched system while maintaining reliability
- Enhancing operating tools for system monitoring, as well as policies, procedures and training for system controllers
- Implementing a new Energy Management System (EMS) to enhance system and market operations

Mandatory Reliability Standards



- **Mandatory Reliability Standards (MRS)**
 - Framework for MRS has been established
 - WECC Operating Agreement
 - Creation of the Alberta Reliability Committee (ARC)
 - Review of standards
 - Compliance and enforcement framework
- **NERC Readiness Assessment**
 - Scheduled for June 2008

System Access Service



- **Unprecedented demand for customer interconnections**
 - Currently working on more than 200 interconnection proposals and 40 system projects
 - Service requests are larger in magnitude and increasingly complex
- **A Customer Service Culture**
 - Our objective -- to consistently set and meet service delivery commitments and expectations with our customers, our business partners and business units within the AESO
 - Created customer service team to focus on industrial and generator interconnections
 - Our service delivery model is focused on responsiveness, quality of service delivery, communication, and teamwork
 - We need to achieve seamless interaction among DFOs, TFOs, AESO and the customer to ensure timely and cost effective service

Wind Integration



- Alberta leads Canada in wind development
- Applications for over 11,000 MW
- Wind threshold removed in September 2007
- Ongoing collaboration with Canadian Wind Energy Association (CanWEA)
 - ✓ Market and Operational Framework
 - ✓ Leading edge wind forecasting methodology
- NERC Wind Integration Task Force
- UWIG recognition of AESO achievements

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- **There are many challenges ahead for the electric industry and the AESO**
 - Major transmission system reinforcements
 - Challenging system operations
 - Heavy demand for customer interconnections
 - Major investment in new supply
 - Continuing evolution of the competitive market for electricity
 - Changes to the Policy and Regulatory framework
- **Reliability: it's our commitment to stakeholders, Market Participants and Albertans**

Questions?

