



**Title:** Identity of Direct-Connect Customers

**Reference:** Application Section 2.7, p. 2

**Preamble:** The AESO indicates in section 2.7 that in order to protect the identity of direct-connect customers, detailed information describing the allocation of deferral account balances to individual AESO customers has been concealed by assigning an identifier number to each AESO customer. The AESO further indicates that the identity number assigned to specific customers is not necessarily the same for each deferral account year covered in the application.

**Request:**

Please provide to Commission Staff, on a confidential basis, a conversion schedule which would allow Commission Staff to match the identifier number assigned to each direct-connect customer for 2001 to the identifiers used in each of the other deferral account years covered in the application.

**Response:**

The AESO has provided the requested information to the AUC on a confidential basis, as Confidential Table AUC.AESO-001.

**Title:** Consultation

**Reference:** Application Section 2.8, p. 27

**Preamble:** The application states:

“The AESO also consulted with stakeholders in March 2009 on other matters related to deferral account reconciliations, including:

- whether the calculation of quarterly Rider C amounts should include or exclude transactions which affect a prior production year (with the exception of the first quarter Rider C which would exclude prior-year transactions as discussed above),
- whether the AESO should implement an alternative to the current approach of repeating full reconciliations for multiple deferral account years in each deferral account reconciliation application, and
- whether Riders B and C should be reviewed and potentially changed to improve their effectiveness.

Stakeholders provided initial comments on these matters, and the AESO expects to consult further on these matters with stakeholders in the coming months. Such consultation will be conducted in conjunction with preparations for the AESO’s 2010 GTA, and proposals for changes, if any, may be included in the tariff application, expected to be filed in the third quarter of 2009. As mentioned above, the AESO is not seeking any direction from the AUC regarding future consultation, tariff applications, or deferral account reconciliation applications at this time.”

**Request:**

Please provide a current status report on the stakeholder consultations regarding potential changes in deferral account mechanisms and/or rate riders that may be put forward for consideration in the AESO’s 2010 GTA. Please provide a brief description of any proposals that are currently under consideration.

**Response:**

The AESO formed a stakeholder working group to examine deferral account Riders B and C as part of its consultation process for its 2010 tariff application. The working group met twice (on June 8 and 26). The AESO reached the following conclusions after discussions with the working group.

- (i) The AESO expects to propose to delete Rider B as part of its 2010 tariff application. Rider B has not been utilized by the AESO for several years and no longer serves a useful function in the AESO’s tariff.

- (ii) The AESO expects to propose to include prior-year amounts in the calculation of Rider C for the second, third, and fourth quarters of the year, and to not include prior-year amounts in the calculation of Rider C for the first quarter of the year. The AESO expects to make the Rider C determination more explicit in its 2010 tariff application.

The AESO will issue a general invitation for stakeholder comment on these rider changes as part of its broader consultation on its 2010 tariff application.

The AESO also concluded that additional consultation is needed on potential modifications to the deferral account reconciliation process, as first discussed with stakeholders in March 2009 as summarized in the referenced section of the application. The AESO expects to complete such consultation in September 2009 with a general invitation for stakeholder comment. After considering the results of that consultation, the AESO expects to propose modifications to the reconciliation process as part of its 2009 deferral account reconciliation application.

**Title:** Status of Generator Remedial Action Scheme and Brazeau Fast Ramp Service

**Reference:** Application Section 3, pp. 36-37

**Preamble:** The Application states:

“Brazeau fast ramp (previously included with generator remedial action scheme (“GRAS”)) service responds to a sudden loss of supply through the automatic and rapid adjustment of Brazeau generator operation. Brazeau fast ramp service stabilizes system frequency after a disturbance to avoid shedding firm load. The 2008 recorded cost of Brazeau fast ramp service was \$0.1 million, which is \$0.6 million (or 83%) less than the 2008 approved forecast of \$0.7 million due to the expiry of the contract with the Brazeau fast ramp service provider during 2008.”

**Request:**

Please provide a current status report on the AESO’s efforts to enter into agreements for the provision of generator remedial action scheme service and/or Brazeau fast ramp service.

**Response:**

The AESO’s GRAS agreement expired in 2007, and was not renewed. At this time, the AESO does not anticipate a need for the GRAS service. Forecast export levels are evaluated on an ongoing basis as part of the AESO’s operational planning activities, and to the extent there is an anticipated increase in export levels, the AESO may consider the use of the GRAS service in the future.

The Brazeau Fast Ramp agreement expired in 2008, and was not renewed. The Brazeau Fast Ramp service was used in combination with the AESO’s Interruptible Load Remedial Action Scheme (“ILRAS”) service to facilitate higher import levels on the Alberta-BC intertie. In 2007, the existing ILRAS agreement was modified and limited the use of ILRAS service to energy supply shortfall events. The resulting reduction of import levels eliminated the need for the Brazeau Fast Ramp service.

The AESO is currently evaluating new services to restore the available transfer capacity (“ATC”) on the Alberta-BC intertie and may consider the use of a fast ramp product in combination with these new services in the future. The AESO will pursue competitive procurement of these services, if possible. Please refer to Information Response AUC.AESO-004 for additional information on the AESO’s efforts to restore ATC on the Alberta-BC intertie.

**Title:** ILRAS Program Costs

**Reference:** Application Section 3, p. 37  
Proceeding 60, Response to AUC.AESO-003

**Preamble:** The Application states:

“ILRAS supports the import capability of the Alberta-BC interconnection. If the Alberta-BC interconnection trips concurrent with high levels of import, the system will become generation deficient, system frequency will decline, and the AESO will be required to shed load quickly in Alberta to arrest the frequency decline and maintain system reliability. The AESO contracts for loads to automatically trip in these situations to limit the frequency decline and attempt to prevent shedding of additional system load. The 2008 recorded cost for ILRAS service was \$0.009 million, which is \$0.8 million (or 99%) less than the 2008 approved forecast of \$0.8 million due to the continued provision of ILRAS under an early-2007 amendment to the service such that ILRAS is utilized only when the AIES is experiencing or expects an imminent supply shortfall.”

In its response to AUC.AESO-003 from AUC Proceeding 60 (AESO 2004-2007 Deferral Account Reconciliation) the AESO stated the following:

“Since October 2007, the AESO has been consulting with industry (including generators, load customers, and distribution utilities) in order to determine the appropriate provision of ILRAS and similar load shed services to support the use of the Alberta-BC interconnection. This consultation is expected to ultimately support replacing the historical arrangement in which FortisAlberta’s distribution customers have been the sole providers of ILRAS. The amendment to ILRAS service that resulted in lower costs (due to supporting imports only under supply shortfall conditions) was an interim change that industry requested until such time as a final approach was implemented.

In addition, earlier this year the AESO completed studies of the utilization of ILRAS, 59.5 Hz Load Shed Service (LSS), and Brazeau Fast Ramp service to increase imports under normal operating conditions, to restore ATC to its previous levels. Conclusions from the studies recommended that ILRAS and LSS be combined into a single Load Shed Requirements (LSR) service, and that Fast Ramp be continued as a separate service.

The AESO accordingly issued a request for Expressions of Interest (EOIs) for provision of 485 MW of LSR service and 150 MW of Fast Ramp service, as industry generally considered that ideally the service should be provided through a competitive market process. However, the results of the EOI were not sufficient to fulfill the service requirements, and the AESO is therefore continuing

to work with industry to establish next steps towards resolution of this issue. The AESO expects to complete its consultation by the end of this year.”

**Request:**

Please provide a status update regarding the AESO’s efforts to restore the Available Transfer Capacity (ATC) on the Alberta-BC Interconnection to the ATC in effect when the prior ILRAS arrangements with FortisAlberta were in place. In your response, please describe what measures were pursued by the AESO following the AESO’s determination that the Expressions of Interest in regard to Load Shed Service described in the AESO’s Proceeding 60 response to AUC.AESO-003 would not be sufficient.

**Response:**

Following the AESO’s determination that the volumes submitted for the Expression of Interest (“EOI”) for Load Shed Requirements (“LSR”) and Fast Ramp (“FR”) services were insufficient, the AESO met with the LSR and FR working group in July and December 2008 to determine appropriate next steps. The following recommendations on AESO’s next steps resulted from the industry working group discussions:

- The AESO extend the existing FortisAlberta ILRAS agreement as an interim measure.
- The AESO conduct another competitive procurement process for LSR and FR. The volume (MW) solicited should be less than the volume that was identified as available in the 2008 EOI — in an effort to facilitate a contestable outcome — but at least 70 MW (which is the minimum effective amount).
- The AESO design the procurement process “rules” so that counterparties currently contracted to provide Load Shed Service (“LSS”) are eligible to participate in the competitive procurement process and able to terminate their LSS contracts without penalty if chosen as LSR providers.
- The AESO evaluate the feasibility of terminating the ILRAS agreement following the conclusion of the competitive procurement process.

Consistent with these recommendations, the AESO signed an extension to the ILRAS agreement with FortisAlberta in February 2009.

The AESO is currently consulting with industry on product design and technical requirements for these new services, and is evaluating the alignment of these services with the overall portfolio of ancillary services procured by the AESO including the changes contemplated with the Operating Reserves Market Redesign. The AESO expects to release a paper later this year which will summarize these activities.

**Title:** Frequency of Prior Year True-up.

**Reference:** Application Section 1, p. 6

**Preamble:** The Application states:

“The application seeks approval of the AESO’s:

- first reconciliation of deferral accounts for 2008;
- second reconciliations of deferral accounts for 2007, 2006, 2005, and 2004; and
- third reconciliation of deferral accounts for 2003.

The reconciliations for which approval is requested include the allocation, refund, and collection of reconciled variances arising between the actual costs the AESO has incurred in providing system access service and the forecast amounts recovered in rates charged to customers for those years.

The application also seeks approval of adjustments to the previously reconciled variances for the years 2002 and 2001, and for the allocation, refund, and collection of those adjustments.”

**Request:**

Please provide the AESO’s opinion on how the number of reconciliations of prior year deferral accounts can be limited. For example, please comment on a scenario where a reconciliation is only performed on the previous year’s deferral account, and all prior years are deemed as final.

**Response:**

The AESO’s nature as a not-for-profit entity means that all prudently-incurred adjustments to its costs and revenues must be subject to deferral account treatment without limitation. Under the retrospective methodology currently approved for the AESO’s deferral account reconciliations, such an adjustment must be reconciled and recovered from customers based on the actual billing determinants that existed in the period to which the adjustment relates.

This differs from other utilities which generally recover prior-period deferral account adjustments by carrying them forward and recovering them from customers in the next succeeding period, frequently referred to as prospective recovery. Such an approach could be implemented for any of the AESO’s annual deferral accounts, subject to regulatory approval.

In consultation on deferral account reconciliations, the AESO has learned that customers generally place the highest priority on accuracy of the allocation of deferral account amounts. That priority supports a retrospective reconciliation methodology. Customers also generally accept that below some materiality threshold, the additional complexity of retrospective reconciliation outweighs the additional accuracy gained. The thresholds discussed to date have

been exceeded by the prior year adjustments in the AESO's recent deferral account reconciliations. The reconciliation approach is also made more complex with the possibility that adjustments for a specific year may be small for one or two years, but then may be subject to a larger adjustment that exceeds pre-determined materiality thresholds.

During earlier stakeholder consultation, the AESO proposed to reassess its approach to deferral account reconciliations after completing a third reconciliation for a deferral account year. Such a third reconciliation for 2003 was included as part of the AESO's 2008 deferral account reconciliation application. The AESO has therefore been investigating approaches that could allow a prior year to be deemed "final" when adjustments are below materiality thresholds, and yet could allow the year to be re-reconciled in the event of an unexpected adjustment that exceeded the threshold. Deferral account years could then be subject to one or two reconciliations, and then declared "final" provided later adjustments were below materiality thresholds. In the event a later adjustment exceeded the materiality threshold, the year would be subject to a full retrospective reconciliation.

Several questions are being considered with respect to such an approach, including appropriate materiality thresholds and the practical aspects of re-reconciling a year that has been considered "final". As well, the AESO is considering on what basis non-material adjustments from a prior year should be allocated to customers in a later year. The AESO expects to consult further with stakeholders on these matters later in 2009.