



October 1, 2009

Dear Stakeholders:

RE: Improvements to ISO Rule Consultation Process

In the discharge of its statutory authority and obligations, the AESO develops and publishes binding ISO rules, including OPPs (collectively “Rules”). The AESO consults with stakeholders regarding the development of Rules and Rule changes.

The AESO is developing enhancements to its Rule consultation process to ensure that the process is well documented and consistently applied in the development of all new rules, for rule changes, and for the removal of Rules that are no longer required due to changed circumstances.

An effective consultation process will involve a full discussion of the views of the consulting parties, to enable the AESO to make the best decision possible in the context of the AESO mandate to make rules pursuant to the legislation and regulations.

The AESO is committed to a comprehensive, inclusive, transparent, fair and efficient consultation process.

The attached Draft Information Document (“ID”) outlines the proposed enhanced consultation process. The remainder of the remainder of this letter describes each of the components of this Draft ID and their purpose.

Draft ISO Principles for Consultation on Rules Development (“Principles”)

The proposed Principles contain overarching concepts to guide the conduct of both the AESO and stakeholders. The Principles are intended to ensure the consultation is comprehensive, inclusive, transparent, fair and efficient. The proposed Principles are attached as Attachment 1.

Draft Terms of Reference

It is proposed that the AESO will develop, in consultation with stakeholders, a Terms of Reference for each new Rule or proposed Rule change. The Terms of Reference will set out the following:

- An explanation of the problem the new Rule or Rule change is intended to address;
- A list of issues developed through consultation with stakeholders;
- A schedule outlining events, dates, and accountabilities.

2500, 330 - 5th Ave SW Calgary, Alberta T2P 0L4
t 403.539.2450 | f 403.539.2949 | www.aeso.ca



Both the AESO and stakeholders would agree to adhere to the Terms of Reference and to conduct the consultation in a comprehensive, inclusive, transparent, fair and efficient manner in accordance with the Principles. A draft template to be used for the development of a Terms of Reference for each Rule consultation process is attached as Attachment 2.

Draft ISO Rule Consultation Steps

In an effort to follow a well documented and consistent consultation process for the development of an ISO rule a number of consultation steps have been drafted and are enclosed in Attachment 3. The proposed steps are divided into two main sections: (1) Solidifying the Policy Position and (2) Rule Development.

The Solidifying the Policy Position section sets out the steps to be followed to explore a need or matter with stakeholders to identify the potential need for a new ISO Rule or Rule change. The requirement to explore a need or matter may be identified or initiated by the AESO, a Stakeholder, an Agency, the Government, or a Committee.

The Rule Development section sets out the steps to be followed to advance a proposed Rule Change, if required. These steps are compliant with Alberta Utilities Commission Rule 017.

Consultation steps may be omitted depending on the complexity of the issue or problem the proposed Rule Change is intended to address. A determination of which steps to omit, if any, will be made in the development of the Terms of Reference for the specific Rule.

The AESO seeks to continuously improve its consultation process and will periodically seek and evaluate feedback from stakeholders regarding the process.

The attached documents are to be discussed at a Stakeholder Consultation Session on October 22, 2009. Stakeholders will also be invited to provide feedback in writing.

Sincerely,

Heidi Kirrmaier
Vice-President, Regulatory
Alberta Electric System Operator



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Draft for Stakeholder Consultation

Attachment 1 – ISO Principles for Consultation on Rules Development

1. The AESO and stakeholders will act in good faith and in a fair and respectful manner.
2. The AESO has an obligation to ensure the safe and reliable operation of the Alberta Interconnected Electric System (AIES) and to promote a fair, efficient and openly competitive (FEOC) market for electricity. In the Rule making process the interests of individuals must be balanced with the interests of the AIES and the public interest as a whole.
3. A comprehensive, inclusive, transparent, fair and efficient consultation process that is understood and accepted by all parties enhances the process for developing new Rules and amending or removing established Rules.
4. The stakeholder consultation process, particularly the degree of detail of information provided by the AESO and stakeholders, the time required for review of that information provided, and the amount of discussion shall be commensurate with the importance, complexity, and urgency of the Rule to which it applies.
5. An effective consultation process will involve a full discussion of the views of the stakeholders, to enable the AESO to make the best decision possible in the context of the AESO mandate to make Rules under the legislation and regulations.
6. The AESO and stakeholders shall develop written Terms of Reference for the consultation process for a proposed Rule, which may include definition of the issues, establishment of working groups, one or more technical conferences, and a schedule of key dates.
7. The stakeholder consultation process shall ensure that those affected by a proposed Rule or rule change:
 - i) receive adequate notice of a proposed Rule or Rule change, including an explanation of what is being done and why;
 - ii) have the opportunity to indicate their intention to participate in the consultation;



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- iii) have the opportunity to provide input to the Terms of Reference; and
 - iv) have the opportunity to participate fully in the consultation process.
8. Commensurate with the potential impacts, complexity or urgency of a proposed Rule, the AESO will commence consultation early in the Rule making process to allow sufficient time for stakeholder review and will provide stakeholders with complete, accurate, timely and comprehensible information required to participate effectively in the consultation.
 9. AESO information will be made available in a manner that stakeholders can readily understand and with adequate time for review and consideration.
 10. Stakeholders shall be given the opportunity to provide written comments in response to AESO documentation, including AESO discussion papers, presentations or other AESO information made available during the consultation process.
 11. In order to ensure an effective consultation, each stakeholder commits to raise all concerns or suggestions for improvement, to provide those concerns or suggestions for improvement in writing for discussion with others in the consultation process and to share information necessary for others to understand and evaluate those concerns or suggestions for improvement in a full and effective manner.
 12. In order to ensure a sufficient record of the consultation process, all AESO information, comments from stakeholders and AESO responses, as well as agendas and action items, shall be in writing and will be posted on the AESO website.
 13. When finalizing a proposed Rule or Rule change, the AESO shall have regard for all stakeholder input received during the consultation process and shall provide a written explanation where a proposed Rule or Rule change could not address a stakeholder concern or accommodate a stakeholder suggestion. While input from stakeholders during the consultation process will inform decision-making, the responsibility for the decision rests with the AESO, pursuant to its mandate under the legislation and regulations.



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**Draft for Stakeholder Consultation
Attachment 2 – Terms of Reference Template**

Draft ISO Terms of Reference for _____ Rule

[This template to be used to set the framework for consultation with stakeholders on each proposed Rule]

Purpose

1. In the discharge of its statutory authority and obligations the AESO develops and publishes binding ISO rules, including OPPs (collectively “Rules”). The purpose of this document is to outline the process for consultation between the AESO and the stakeholders identified in Appendix 1 – List of Parties regarding proposed [Rule number(s)]. The process is based on the ISO Consultation Principles for Rule Development in Appendix 2.
2. The AESO and stakeholders agree to conduct the consultation in a comprehensive, inclusive, transparent, fair and efficient manner in accordance with the consultation principles and agree to adhere to the process and schedule set out below.

Consulting Parties

3. For purposes of this Terms of Reference, the consulting parties are the AESO and the stakeholders identified in Appendix 1. The stakeholders in Appendix 1 have emailed the AESO to indicate their intention to participate in response to the AESO’s **[day/month/year notice of intent to consult]**. The Terms of Reference and emails from stakeholders can be found on the AESO website at **[AESO website path]**

Need for [Rule/OPP number]

4. **[Explanation of the problem the new rule is intended to address.]**

Issues

5. **[List of issues developed through AESO internal review and external consultation up to this point]**

“Off the Record” Documents and Meetings

6. In order to facilitate full communication among the AESO and stakeholders, the Terms of Reference may provide for “off the record”



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discussions that will not form part of the record in a potential future AUC hearing regarding an objection to a Rule. The Terms of Reference will set out which documents and meetings of the AESO and stakeholders will be “off the record,” based on consultation among the AESO and stakeholders. “Off the record” documents may include preliminary statements of the AESO and stakeholder positions. “Off the record” meetings may include initial discussions to clarify issues. “Off the record” communications, whether written or oral, are not to be shared with parties other than the AESO and stakeholders, however the Terms of Reference may specify that the Agenda and Action Items for “off the record” meetings are not confidential and will be published.

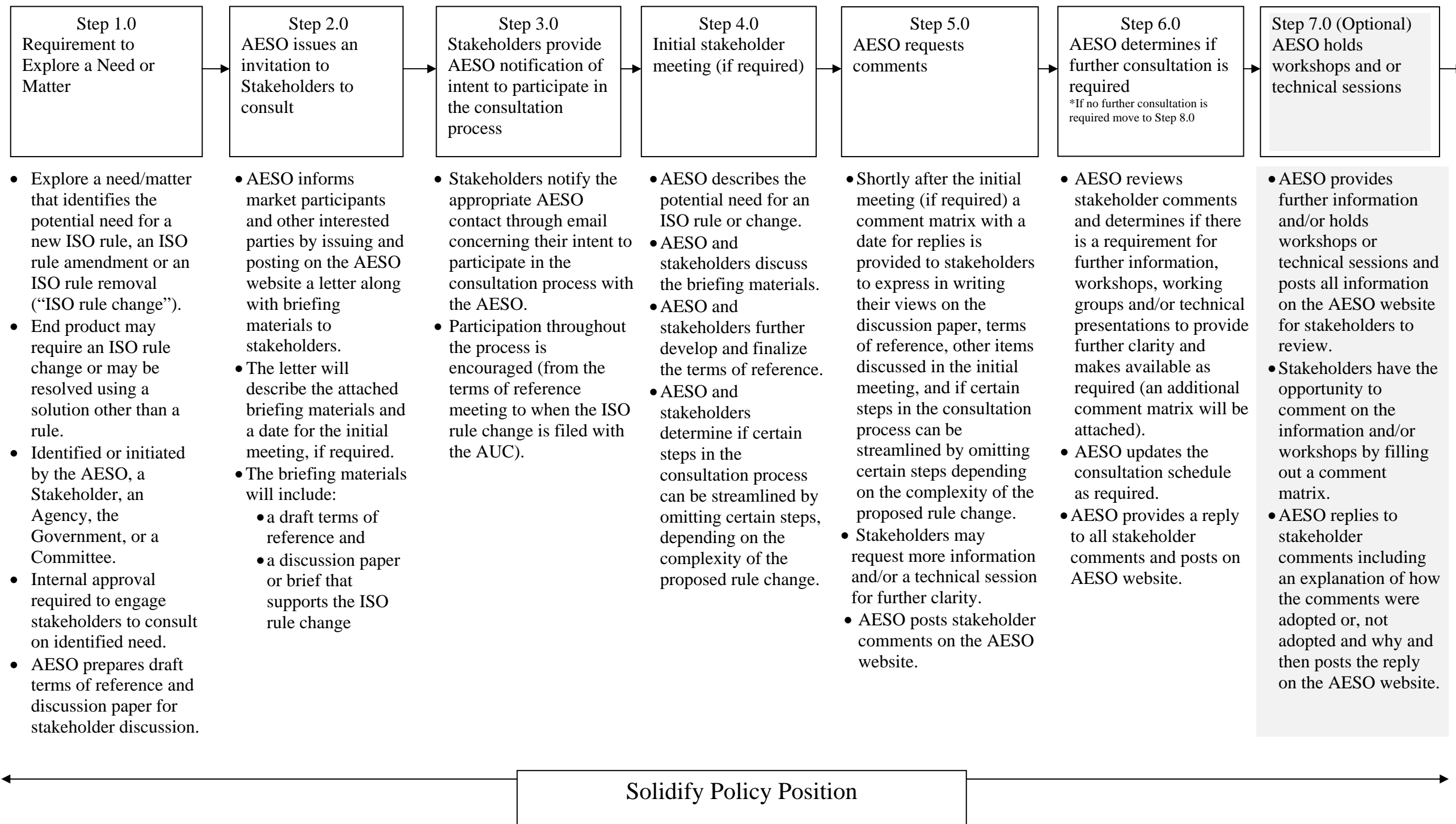
- 7. [The schedule will vary depending on the nature of the proposed Rule. It could include AESO discussion papers, technical conferences, working groups, dates for written submissions and responses to submissions, meeting dates, etc. If required, a preliminary paragraph will set out a critical “must meet” date by which the proposed Rule Change must be in place if the AIES is to be protected. Will state that the schedule could be changed over time with input from stakeholders.]**

- 8. Agreement of AESO and Stakeholders**

The AESO and stakeholders agree to adhere to the Terms of Reference.



Attachment 3 – ISO Rule Consultation Steps – Draft for Stakeholder Consultation October 1, 2009





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