



July 8, 2010

Dear Market Participants and Interested Parties:

**Re: Letter of Notice – Proposed Changes to Existing ISO Rules:
a) 6.3.5 Long Lead Time Energy, and
b) 8.1.1 Settlement at Pool Price (consequential changes)
(collectively the “Proposed ISO Rules Changes”)**

The Alberta Electric System Operator (“AESO”) is providing notice and seeking feedback from market participants on the attached Proposed ISO Rules Changes pursuant to Section 2 of the Alberta Utilities Commission (“AUC” or “Commission”) Rule 017.

Applicability

The Proposed ISO Rules Changes apply to all market participants and will be of specific interest to pool participants and specifically owners of generating units.

Summary of ISO rule 6.3.5 and ISO rule 8.1.1

ISO rule 6.3.5 contains requirements relating to long lead time energy and, specifically, the authority of the system controller to issue a long lead time energy directive.

ISO rule 8.1.1, Settlement at Pool Price contains requirements relating to the settlement of pool price for source assets.

ISO rule 6.3.5 and ISO rule 8.1.1 are being amended to incorporate the new defined term “incremental generation costs” and to incorporate content specific to long lead time energy that was previously included in ISO Rules Appendix 7 “Payment for Incremental Generation Costs for Long Lead Time Energy Directive and Reporting” (“Appendix 7”).

Background

The definition for “incremental generation costs” and the removal of Appendix 7 were proposed by the AESO in its July 6, 2010 Notice of Filing for the Final Proposed New ISO Rule 5 Provisions. The Proposed ISO Rules Changes are to ensure long lead time energy provisions included in ISO Rules Appendix 7 are incorporated into ISO Rule 6.3.5, and that references to “incremental generation costs” have been updated appropriately in ISO Rule 6.3.5 and ISO Rule 8.1.1.



Proposed ISO Rules Changes

The Proposed ISO Rules Changes are as follows:

1. ISO rules section 6.3.5.2 (f) and (g) are being amended to identify “incremental generation costs” as a defined term where such references were previously undefined;
2. New ISO rules sections 6.3.5.3, 6.3.5.4 and 6.3.5.5 are added to incorporate content specific to long lead time energy from Appendix 7 in anticipation of the removal of Appendix 7. Minor amendments have been made to ensure clarity; and
3. ISO rule 8.1.1 is amended by deleting the words “the terms set forth in Appendix 7” in the last line of those rules and substituting the words, “the definition of **incremental generation costs**”.

AESO Papers and Other Related Communications

There were no previous AESO papers or other related communications issued respecting the Proposed ISO Rule Changes.

Request for Stakeholder Comments

Comments and suggestions on the Proposed ISO Rule Changes are encouraged.

Please use the attached comment matrix provided when submitting comments to the AESO on the Proposed ISO Rule Changes. The AESO’s rationale for the key amendments has been provided within the comment matrix. Only written comments will be considered in finalizing the Proposed ISO Rule Changes.

Please provide written stakeholder comments or questions by **July 23, 2010**, to Ron Smith at ron.smith@aeso.ca.

The AESO will be publishing all stakeholder comments received for industry review shortly after the comment deadline. Stakeholder comments received along with AESO responses will be published with the final proposed ISO rules being recommended for internal AESO approval in August, 2010.

Attachments to Letter of Notice

In accordance with Section 4 of Commission Rule 017, the following documents are attached to this Letter of Notice:

- a) [Clean copy](#) of changes to ISO Rules 6.3.5 and 8.1.1;
- b) [Copy](#) of the comment-rationale matrix for the Proposed ISO Rule Changes.



Proposed Effective Date

The AESO proposes that the Proposed ISO Rules Changes take effect concurrently with the Commission approved effective date for the Final Proposed New ISO Rules 5 Provisions.

Yours sincerely,

Original Signed By

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Attachments

