

**AESO Recommendation Paper – Intertie Framework**  
**Stakeholder Comment Matrix – NaturEner USA, LLC**

Section	AESO Recommendation/Feedback Requested	Stakeholder Response
<b>4.0 Policy Coherence</b>	The AESO is interested feedback as to the AESO's policy interpretation.	In general, NaturEner agrees with the AESO's policy interpretation summarized in the Recommendation Paper (the "Paper"). However, with respect to the second enumerated principle, NaturEner notes that in addition to the sections cited, the AESO's obligation to expand the transmission system to accommodate imports/exports is also supported by s.15(1)(g) of the Transmission Regulation ("TReg"). NaturEner interprets this provision as requiring the AESO to upgrade transmission facilities to provide import/export capacity "in excess of" the path ratings of transmission facilities existing on August 12, 2004.
<b>5.1 Real-Time Dispatch/Scheduling</b>	The AESO recommends implementing dynamic scheduling to enable real-time dispatch and to permit the submission of priced/bids and offers.	<p>NaturEner supports the AESO's efforts to implement a Dynamic Scheduling Service ("DSS"). Given the advanced stage of DSS among certain WECC members, and the resultant more limited demands on AESO time and resources when compared to an AESO specific or AESO initiated process, NaturEner encourages the AESO to prioritize its efforts to the DSS initiative.</p> <p>Also on the topic of dynamic scheduling, the AESO states in the Paper that wheel-through schedules should be excluded from pro rata curtailments to system ATC as they are net zero to the system. Accordingly, NaturEner requests that the AESO enable dynamic wheel-through schedules in advance of the implementation of DSS as they too would be net zero to the system. As this type of transaction is currently available and deployed throughout the Pacific Northwest, enabling it would further address the Alberta market seams issues.</p>
<b>5.2 Transmission Rights - Policy</b>	The AESO recommends that it plan the transmission system so that each intertie can transfer up to its path rating simultaneously.	NaturEner is aware that the TReg references restoration up to "path ratings". Path rating is a theoretical number that may not reflect the actual operating limits of an intertie. In the case of the BC Intertie, for

		<p>example, the path rating for imports to Alberta is 1200 MW. However, no amount of transmission planning in Alberta will enable flows on this line up to that level as at least some of the constraints originate within the BC Hydro system. The AESO should seek clarification from the DOE. NaturEner's view is that the AESO's obligation should be limited to resolving the constraints within Alberta up to the Total Transfer Capability of the applicable intertie.</p>
<p><b>5.3 Transmission Products</b></p>	<p>The AESO recommends that a merchant transmission service (MTS) be added to the AESO tariff, offered to the merchant transmission asset owner, which appropriately reflects system access service to inject/withdraw at the border.</p>	<p>As noted by AESO in the Paper, the TReg (s. 15) and <i>Electric Utilities Act</i> ("EUA") (s. 17(c)) already require the AESO to plan the transmission system to accommodate all in-merit energy, which includes imports. If the obligation already exists, why is it necessary to create another layer of obligation?</p> <p>In the specific case of MATL, it received an EUB permit in 2008 and announced earlier this year that it had begun physical construction with a projected construction completion date of Q3 2011. Simply put, it is unfair at this stage to request an upfront payment, particularly without a mandatory timeline for delivering a solution.</p> <p>While AESO has indicated that payments made under an MTS might be used to improve the physical infrastructure of the system to increase ATC for each intertie, the value of this solution is undermined if there is no certainty of timing as to when the physical improvements would occur. To address this, NaturEner encourages the AESO to explore having MTS customers in charge of the regulatory and construction process once there is consensus between the customer and AESO as to what the appropriate solution is.</p> <p>In addition, NaturEner has the following concerns about MTS as currently proposed:</p> <ul style="list-style-type: none"> <li>• As the AESO appears to already have the obligation to plan the system to accommodate imports, it is not clear why a transmission asset owner would volunteer to make an upfront</li> </ul>

		<p>payment that provides no guarantee of changing the status quo on a timeline that the owner could bank on (i.e. fixed pricing construction and liquidated damages if the fix does not arrive on time). NaturEner does not believe that traditional project finance lenders would lend against AESO's obligation to reinforce in "a timely manner". The payment of the system contribution would need to trigger a guaranteed implementation of the system reinforcement at the time of the In-service-date of the intertie.</p> <ul style="list-style-type: none"> <li>• The Paper does not sufficiently justify why only merchant interties would be offered MTS. On what allowable basis is the AESO proposing more onerous financial commitments for merchant interties? In the case of MATL, the AESO has indicated that MATL is not expected to improve or degrade system ATC. If the anticipated system reinforcement will increase system ATC, and the AESO has a mechanism to charge that to interties, the obligations and tariff should be the same for all interties.</li> <li>• If MTS is intended to represent something similar to STS, how does the AESO reconcile that with then providing only opportunity service to shippers on an MTS line? Along this line, as previously discussed with AESO. NaturEner is of the view that discriminating against imports by providing a lower class of service may contravene the legislative division of powers set out in the <i>Constitution Act, 1867</i> and impair the vital function of a federal undertaking. AESO should be treating imported electricity on an equal basis to domestic sourced electricity which means that imports should not be cut before domestic generation.</li> </ul>
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<p><b>5.4 ATC Allocation</b></p>	<p>The AESO recommends when there is congestion on the interties, an ATC allocation rule be implemented that arbitrates by energy price and then pro-rata between remaining same priced schedule</p>	<p><u>ATC Allocation</u> NaturEner suggests the following detail for the ATC allocation mechanism:</p>
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	<p>requests.</p> <p>The AESO is interested in feedback as to what the best timing (xx:yy) for ATC curtailments to be made if not xx:45.</p>	<ul style="list-style-type: none"> <li>• The AESO should initially approve all submitted schedules. However, when performing the pro rata calculation, the AESO should apply a formula that recognizes the actual operating limits of the system and the lines. Example: <ul style="list-style-type: none"> <li>○ System ATC is 500 MW for an hour.</li> <li>○ Therefore no more than 500 MW from each line should be considered when performing the calculation.</li> <li>○ BC Intertie has schedules for 700 MW, MATL has schedules for 300 MW</li> <li>○ BC Intertie shippers – <math>500 \text{ MW} / (500 \text{ MW} + 300 \text{ MW}) = 62.5\%</math></li> <li>○ MATL shippers – <math>300 \text{ MW} / (500 \text{ MW} + 300 \text{ MW}) = 37.5\%</math></li> <li>○ BC Intertie shippers allocated 312.5 MW, MATL shippers allocated 187.5 MW</li> <li>○ BC Hydro and MATL carry out cuts to shipper schedules to the level of MW's allowed, taking into consideration their contractual commitments</li> </ul> </li>   <li>• Alternatively, if the AESO instead pro rates based on scheduled shipper volume, it must still recognize the limits on each line. Once the outcome of the calculation is determined, the AESO should allow the operator to curtail its shippers to the aggregate of shipper volumes for its line. In other words, although the AESO may determine ATC allocation based on shipper volumes, it should continue to leave to the operator the task of determining how to administer the volume reduction across its contracts.</li>   <li>• For example: <ul style="list-style-type: none"> <li>○ System ATC is 500 MW for an hour.</li> <li>○ Therefore no more than 500 MW from each line should be considered when performing the calculation.</li> <li>○ BC Intertie has schedules for 700 MW (200+200+300), MATL has schedules for 300 MW (100+200)</li> <li>○ Total schedules on which to perform pro rata, after removing the excess scheduled volume on BC Intertie, is 800 MW (MATL volume of 300 plus BC adjusted volume of 500).</li> <li>○ BC Intertie first reduces its schedules to recognize the</li> </ul> </li> </ul>
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<p><b>5.5 Next Steps</b></p>	<p>The AESO is interested in stakeholder comment on the AESO's next steps.</p>	<p>While NaturEner appreciates the AESO's efforts to move forward with the Intertie Framework process, we recommend that the AESO provide, and adhere to, detailed timelines (including anticipated order of steps involved). A general comment that everything will be implemented sometime in 2011 does not provide a great deal of comfort to industry, particularly given that (a) uncertainty regarding the ATC allocation proposal has been an issue for some time and (b) the process is already behind schedule compared to the timing indicated earlier this year.</p> <p>In addition, the Paper does not address steps to examine and implement, and associated timelines for, technical solutions that could have the effect of creating separate ATC for AC interties. NaturEner is aware that certain aspects of that could be addressed within the context of the Intertie Restoration Recommendation Paper. However, there are areas of overlap that are not sufficiently detailed for us to determine whether there are gaps remaining.</p>