

July 25, 2011

Monte S. Forster  
Barrister & Solicitor  
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Attention: Monte Forster, Senior Legal Counsel

Dear Mr. Forester:

**Re: Milner Power Inc. Complaint – Request for Information Concerning 2006-2011 Loss factors**

Further to your request following the loss factor technical meeting, and the AESO's calculation of ILF (Incremental Loss Factor) raw and normalized loss factors for the period 2006 to 2011, described in our letter to you of April 14, 2011, we wish to provide additional information.

Our assumption #2, copied below, indicates a difficulty in calculating ILF loss factors for generators connected to the same transmission bus.

2. ILF methodology provides a separate loss factor for each generator connected to the same bus. A single ILF loss factor has been calculated for busses where multiple generators exist but are connected at the same bus.

Our focuses at the time were to provide ILF calculations through our interpretation of the ILF information provided in your complaint and to problem solve the immediate technical problem of modifying the existing software to provide an ILF calculation in order to provide a timely response to your request.

The following has now come to light. A principle applied in AESO loss factor calculations is that loss factors will have a single number at each location. The reference for this principle is in *Transmission Regulation AR 174/2004* requirement 19(2)(d).

- (d) the loss factor in each location must be representative of the impact on average system losses by each respective generating unit or group of generating units relative to load;

The AESO Line Loss Rule applies this principle through selecting 'group of generating units' and thus provides a single loss factor at each transmission bus. This principle was discussed and accepted by stakeholders involved in the consultation at that time. The AESO is aware that Milner did not join the consultation process until much later.

Applying this principle to Milner's request, regardless of the complications of using the existing loss factor software, would mean the first MW is the first MW for all generators connected to a common transmission bus, and the last MW would be the last MW of the total generation at that bus. That is, the increment would be a plant-based calculation at locations where multiple generators are connected to the same transmission bus. Preliminary analysis indicates that significantly different loss factors would result using this approach.

To forestall a request to perform the ILF calculations using the principle described above, the task would not be achievable without significant time and effort by the AESO and our consultant Teshmont.

We therefore inform you, and by copy to the Commission and other interested parties, that comparisons between the AESO current loss factor methodology and the ILF loss factors provided on April 14, 2011 must be viewed with the foregoing information.

Please contact me at 403-539-2496 if you have any further questions.

Sincerely,

<original signed by>

Jerry Mossing  
Director, Transmission Support