

September 27, 2011

Dear Market Participants and Interested Parties:

**Re: Stakeholder Consultation for Proposed Alberta Reliability Standard:
Resource and Demand Balancing *Contingency Reserves* BAL-STD-002-AB-0
("BAL-STD-002-AB-0")**

Section 19 of the *Transmission Regulation* requires the Alberta Electric System Operator ("AESO") to consult with market participants likely to be directly affected by the AESO's adoption or making of reliability standards, and also requires the AESO to forward the proposed reliability standard to the Alberta Utilities Commission ("Commission") for review along with the AESO's recommendation that the Commission approve or reject them.

Accordingly, the AESO is providing notice and seeking comments from market participants on the attached proposed BAL-STD-002-AB-0.

Following the AESO's receipt of and reply to comments from market participants regarding proposed BAL-STD-002-AB-0, the AESO intends to finalize proposed BAL-STD-002-AB-0 and forward it to the Commission for approval as a reliability standard that applies in Alberta.

Applicability of proposed BAL-STD-002-AB-0

Proposed BAL-STD-002-AB-0 is applicable to:

- the AESO, which may meet the requirements of proposed BAL-STD-002-AB-0 through participation in a reserve sharing group which the AESO has designated as its agent.

Summary of proposed BAL-STD-002-AB-0

The purpose of proposed BAL-STD-002-AB-0 is to ensure the AESO has the contingency reserve to meet the requirements of the western interconnection.

Background of Consultation on BAL-002-WECC-AB-1

On May 1, 2009, the AESO issued a [Letter of Notice](#) and commenced consultation on proposed reliability standard BAL-002-WECC-AB-1 *Contingency Reserve* and requested stakeholder comments on same.

BAL-002-WECC-1 was a revision to WECC BAL-STD-002-0 directed by the United States Federal Energy Regulatory Commission ("FERC") to address shortcomings they had noted. The first submission of BAL-002-WECC-1 did not get approved and was remanded by FERC.

The AESO received comments on proposed BAL-002-WECC-AB-1, however as the proposed standard is no longer proceeding, in the AESO's opinion, replies to stakeholder comments are not warranted.

Summary of Amendments to WECC Standard BAL-STD-002-0

Proposed BAL-STD-002-AB-0 has been amended as follows:

1. Aligned the purpose with the contents of proposed BAL-STD-002-AB-0. Operating reserve consists of regulating reserve and contingency reserve. Regulating reserve requirements are specified in BAL-001-AB-0 and contingency reserve requirements are specified in proposed BAL-STD-002-AB-0, accordingly, the title and purpose of proposed BAL-STD-002-AB-0 have been amended;
2. Entity terms have been amended to correctly identify the applicable entities in Alberta and to align with terms included in the AESO *Consolidated Authoritative Documents Glossary*;
3. The effective date of October 1, 2012 for proposed BAL-STD-002-AB-0 has been proposed to allow a reasonable amount of time for Alberta entities to implement proposed BAL-STD-002-AB-0;
4. WECC requirement WR1 a. has been split into Alberta requirements R1, R2 and R2.1 to clarify the requirement in proposed BAL-STD-002-AB-0;
5. WECC requirement WR1 sub-requirement a(i) is redundant with the requirements of BAL-001-AB-1 and therefore has not been included proposed BAL-STD-002-AB-0;
6. WECC measure WM1 contains requirements regarding the sixty (60) minute timeframe for activating and re-establishing operating reserves and “over each clock hour”, which have been moved to Alberta requirement R1;
7. WECC measure WR1 c contains a requirement for the amount of operating reserves to be known at all times, this measure was included as a new Alberta requirement R4 in proposed BAL-STD-002-AB-0 and was further amended to ensure the requirement is measurable;
8. WECC requirement WR1 d has been deleted as it is effectively covered in Alberta requirement R1;
9. WECC measure WM1 contains requirements regarding the sixty (60) minute timeframe for activating and re-establishing operating reserves and “over each clock hour”, which have been moved to Alberta requirement R1;
10. Passive terms such as “shall” have been changed to “must”, to apply a consistent writing style, to clarify requirements, and to ensure that measures are appropriately aligned with requirements. In addition, defined terms now appear in bold font rather than italics; and the use of acronyms is limited to the ‘ISO’ and the ‘WECC’ with all other defined terms being written out in full.
11. Proposed BAL-STD-002-AB-0 has also been amended to include certain “Alberta variances” from the NERC standard. These variances have been included to ensure that proposed BAL-STD-002-AB-0 properly aligns with the industry structure in Alberta and is capable of being applied in Alberta. A summary of these variances are as follows:
 - a) WECC requirement WR1 has no requirements and therefore has been deleted from proposed BAL-STD-002-AB-0;
 - b) WECC sub-requirements WR1 a (iii) and (iv) have not been included in proposed BAL-STD-002-AB-0 as interruptible imports and on-demand obligations are not accommodated under the Alberta market structure; and
 - c) Alberta requirement R3 has been re-written to describe allowable contingency reserves based on the terms in the AESO *Consolidated Authoritative Documents Glossary* and in alignment with the ISO rules. WECC R1 b(ii) has not been included in Alberta requirement R3 of proposed BAL-STD-002-AB-0 as interruptible exports are not accommodated in the Alberta market; and
12. The AESO recognizes that there is content overlap and some minor duplication with requirements in proposed BAL-STD-002-AB-0 and provisions in existing ISO OPP 402 *Supplemental and Spinning Reserve Services* and ISO OPP 406 *Firm Load Responsibility*. The AESO accepts that this duplication exists and will address this duplication when ISO OPP 402 and ISO OPP 406 are transitioned as part of the Transition of Authoritative Documents (“TOAD”) project in 2012.

Implementation of Alberta Reliability Standards

All reliability standards proposed for approval or rejection by the AESO are based on the reliability standards and definitions developed, or approved, and enforced by the North American Electric Reliability Corporation (“NERC”). NERC was certified as the Electric Reliability Organization (“ERO”) for the United States by the Federal Energy Regulatory Commission (“FERC”) under the US *Energy Policy Act of 2005*. NERC has been granted recognition as the ERO by the Minister of Energy in Alberta pursuant to Section 20 of the *Transmission Regulation*.

In accordance with Section 19 of the *Transmission Regulation*, the reliability standards that apply in Alberta are those of the ERO or any other reliability standards to the extent that such reliability standards are adopted by the AESO after consultation with market participants and after receipt of Commission approval.

Further information regarding the AESO’s adoption of reliability standards is available on the AESO website at <http://www.aeso.ca/rulesprocedures/17004.html> .

Request for Stakeholder Comments

Comments and suggestions on proposed BAL-STD-002-0 are encouraged.

The attached Stakeholder Comparison Comment Rationale Matrix sets out the following:

- a) the complete text of WECC BAL-STD-002-0, with the exception of the compliance section D. The Alberta reliability standards do not contain a compliance section. Compliance with all Alberta reliability standards is completed in accordance with the Alberta Reliability Standards Compliance Monitoring Program, available on the AESO website at: <http://www.aeso.ca/loadsettlement/17189.html>. For information, a link is provided to NERC compliance section D in the Stakeholder Comparison Comment Rationale Matrix;
- b) the proposed Alberta requirements and measures of proposed BAL-STD-002-AB-0;
- c) the AESO’s rationale with regard to any Alberta variances or other modifications to the NERC wording;
- d) a ‘stakeholder comments’ section to be used by market participants when providing written comments to the AESO; and
- e) an ‘AESO replies’ section that will be used by the AESO to respond to comments received from market participants, if any.

Please use the attached Stakeholder Comparison Comment Rationale Matrix when submitting comments to the AESO on proposed BAL-STD-002-AB-0. Only written comments will be considered by the AESO in finalizing proposed BAL-STD-002-AB-0.

Please provide written stakeholder comments or questions by **October 14, 2011** to Neil Curtis at ars_comments@aeso.ca.

AESO Replies to Stakeholder Comments

The AESO will be publishing all stakeholder comments received for industry review shortly after the comment deadline. Stakeholder Comments received along with AESO replies to the comments will be published in November, 2011.

Please ensure that comments provided represent all interests within each stakeholder organization with respect to proposed BAL-STD-002-AB-0.

In the event that the AESO does not receive comments from stakeholders regarding proposed BAL-STD-002-AB-0, the AESO is expecting to forward along with its recommendation to approve proposed BAL-STD-002-AB-0 to the Commission in December, 2011.

Attachments

The following documents are attached:

- a) [Stakeholder Comparison Comment Rationale](#) for proposed BAL-STD-002-AB-0.

The full text of all NERC reliability standards, is available on the NERC website:

<http://www.nerc.com/page.php?cid=2|20>

Proposed Effective Date

The AESO proposes that proposed BAL-STD-002-AB-0 become effective on October 1, 2012.

Yours sincerely,

Original Signed By

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Attachments