

January 26, 2012

Dear Market Participants and Interested Parties:

**Re: Letter of Notice – Consultation on Proposed Removal of Existing ISO OPP 703 Loss Management (“ISO OPP 703 Removal”)**

Pursuant to Section 2(1) of the Alberta Utilities Commission (“AUC” or “Commission”) Rule 017, the Alberta Electric System Operator (“AESO”) is providing notice and seeking feedback from market participants on the attached proposed [ISO OPP 703 Removal](#).

**Applicability**

The proposed ISO OPP 703 Removal applies to legal owners of transmission facilities, legal owners of generating facilities and the AESO.

**Summary of Existing ISO OPP 703**

Existing ISO OPP 703 sets out the processes used to manage losses on the transmission system. As well, existing ISO OPP 703 states that generator facility owners and transmission facility owners will comply with requests from the AESO regarding tap settings, switching of lines, capacitor banks and reactors and changing set point on static VAR compensators and voltage set points. Existing ISO OPP 703 also states that transmission facility owners will seek to minimize losses on their facilities.

**AESO Papers and Other Related Communications**

On October 20, 2010, the AESO issued the [Proposed Rules Framework and Transition Approach for Market Rules discussion paper](#) setting out the AESO’s proposed phased approach for the redrafting and transitioning of the market rules and ISO OPPs.

On April 7, 2011 the AESO issued the [Transition of Market Rules – New Framework Transition Approach and Update on Status of the TOAD Project recommendation paper](#) finalizing its approach to redrafting and transitioning the market rules and ISO OPPs, including the transition of existing ISO OPP 703.

**Summary of ISO OPP 703 Removal**

The AESO is proposing to remove existing ISO OPP 703 in its entirety for the following reasons:

1. In accordance with Section 31(1) of the *Transmission Regulation*, the AESO developed ISO rules 9.2 *Transmission Loss Factors* and ISO rules Appendix 6 *Transmission loss Factor Methodology & Assumptions* (“ISO rules 9.2”). ISO rules 9.2 describes the means by which the AESO determines annual loss factors to provide for the reasonable cost recovery of transmission line losses, sets out the loss factor methodology, sets out provisions relating to the payment of costs or receipt of credits and sets out requirements for the AESO to make the loss factor information publicly available.

In the AESO’s opinion, ISO rules 9.2 meets the requirements of Section 31(1) of the *Transmission Regulation* and it is unnecessary to duplicate the reporting requirements in ISO OPP 703.

2. Certain provisions in ISO OPP 703 are obsolete or vague, these include:

- a) ISO OPP 703 requires that legal owners of transmission facilities and generating facilities comply with AESO requests. Legal owners comply with dispatches and directives from the AESO unless certain conditions set out in legislation apply.
- b) ISO OPP 703 makes reference to a Optimal Power Flow tool. This tool is obsolete and therefore this reference should be removed;
- c) ISO OPP 703 sets out a requirement for the AESO to report internally on transmission losses, the requirement for the AESO to report internally on any matter does not need to be contained in ISO rules;
- d) ISO OPP 703 states that the AESO is responsible for scheduling resources to meet transmission system losses. The AESO manages resources to ensure reliable operations of the interconnected electric system and not only to meet transmission system losses.
- e) ISO OPP 703 states that legal owners of transmission facilities will seek to minimize losses on their facilities. This provision is vague and minimizing losses is addressed through other functions administered by the AESO.

### **Request for Stakeholder Comments**

Comments and suggestions on the proposed ISO OPP 703 Removal are encouraged.

Please use the attached comment matrix when submitting comments to the AESO on the proposed ISO OPP 703 Removal. The AESO's rationale for the proposed ISO OPP 703 Removal has been provided within the comment matrix. Only written comments will be considered in finalizing the proposed ISO OPP 703 Removal.

In keeping with the [AESO Principles for Consultation on ISO Rules Changes](#) please ensure that comments provided represent all interests within each stakeholder organization with respect to the proposed ISO OPP 703 Removal.

Please provide feedback or questions by **February 10, 2012** to Evelyn Kelly, (403) 539 - 2468 at [rules\\_comments@aeso.ca](mailto:rules_comments@aeso.ca)

The AESO will be publishing all written stakeholder comments received for industry review in February 2012. Stakeholder comments received along with AESO replies will be published in February 2012.

### **AESO Reply to Stakeholder Comments**

In accordance with Section 8 of AUC Rule 017, the AESO is required to provide a reply to stakeholder comments received regarding the proposed ISO OPP 703 Removal.

If no comments are received by the AESO regarding the proposed ISO OPP 703 Removal, the AESO will proceed pursuant to AUC Rule 017 to file the proposed removal of ISO OPP 703 with the Commission. The AESO will be expecting to file with the Commission in March 2012.

In accordance with Section 20.4 of the *Electric Utilities Act*, market participants, may object to ISO rules filed with the Commission within 10 days of the publication by the Commission of the notice of filing of the ISO rules.

### **Attachments to Letter of Notice**

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

- a) [Copy](#) of existing ISO OPP 703 *Loss Management*, and
- b) Copy of the [comment-rationale matrix](#) for the proposed removal of ISO OPP 703.

**Proposed Effective Date**

The proposed effective date for the proposed ISO OPP 703 Removal is March 30, 2012.

Yours sincerely,

*Original Signed By*

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Attachments