



April 5, 2007

Kent McDuffie
Alberta Electric System Operator
2500, 330 – 5th Avenue S.W.
Calgary, Alberta T2P 0L4

Dear Mr. McDuffie

Re: Comments on Wind Integration in Alberta: Market and Operational Framework

The ADC offers the following comments for consideration on the recent wind paper “Wind Integration in Alberta: Market and Operational Framework”.

The ADC is a supporter of the development of wind power and other means of green generation; however, the ADC is concerned about the additional costs to the system that consumers will face as a result of increased wind generation. Although the ADC realizes that wind generation growth in the province will be gradual we are concerned about the additional operating reserve costs that load will be expected to incur given the existing policy of load paying all regulating reserve costs. The paper’s forecast estimates the annual cost of regulating reserves could increase by as much as \$60 million. This equates to an increase in operating reserve charges of roughly \$1/MWh, a \$1/MWh increase in electricity costs adds approximately \$5.2 million in annual operating costs to our Association’s respective companies. Further, the \$60 million estimate is based on a forecast of ancillary services cost of \$30/MWh that was projected based on a 5 year average pool price of \$62.53/MWh. Our expectations are that pool prices over the next 5 or more years have the potential to be significantly higher than the past 5 years which could increase the ancillary services costs well beyond \$30/MWh. Our companies compete in the global marketplace and are facing significant challenges to remain profitable as a result of Alberta’s current economy.

The ADC feels the existing policy of load paying all regulating reserve costs was based on the premise that ancillary services were in support of grid reliability for the benefit of load. Additional ancillary services costs which support development of a specific generation type seems to be a departure from the policy’s original intent. We feel now is the time to revisit the policy behind the cost allocation of regulating reserves.

The Wind Generators are a resourceful and creative group with the proven ability to discover and implement technology solutions that improve the reliability and efficiency of wind generation. The ADC suggests that by shifting wind generation related regulating reserve costs back to wind generators it places the appropriate economic signal with those who can best alleviate it.

Thank you for the opportunity to provide comments. We would be happy to meet with the AESO to discuss our views or answer any questions.

Kind regards,

(via e-mail)

Colette Karl
Executive Director
Alberta Direct Connect Consumers Association (ADC)