



September 15, 2006

To: Interested Parties:

Re: AESO's Response to comments provided on the Micro-Generation Change Consultation Paper

On July 27th, 2006, the AESO issued a paper on an interim process change related to micro-generators. The AESO proposed changes for micro-generators that have a total site capacity of less than 150kW, and do not export greater than 25kW to the grid. The proposed changes are intended to provide clarity and additional flexibility for Distribution-connected Generator Owners (DGO's).

The AESO is appreciative of the comments received from stakeholders, and is responding to the comments that are within the parameters of this proposal. Many of the comments received were outside of the AESO's jurisdiction to address and go well beyond the scope of this paper. All those comments will be forwarded to the DOE for their consideration in developing an overall Distribution-connected Generator Policy. The DOE is in the process of developing policies or regulations that will apply to distribution connected generators which may address more of the issues that are of a concern to stakeholders.

The comments and concerns from stakeholders have been consolidated into the following categories and the AESO provides the following responses:

1) Metering Requirements

The AESO indicated that all generation must be metered. There were comments from the industry regarding the AESO's involvement on metering and financial issues, which should be between the wires service provider (WSP) and the DGO. The AESO will now advise that metering requirements for the exported energy will be solely at the discretion of the WSP if the micro-generator is opting out of market participation. If the micro-generator is not opting out of market participation, then the requirements of Settlement System Code (SSC) 4.6.1 for metering still apply.

2) Net Billing or Net Metering

There were numerous comments provided that requested or supported net billing, net metering, and billing functions as a whole. Regulations regarding billing and metering are under jurisdiction of the Government of Alberta. The AESO must comply with the government regulations and acts.

3) Settlement

There were questions concerning settlement between the DGO, the AESO, and the WSP. Should the DGO choose not to be a Pool Participant, there will be no financial settlement between the DGO and the AESO. This confirms that the distribution generation data will not be accounted for in the load settlement process. Settlement for load consumption will be arranged as per the Wire Owners Terms & Conditions.

4) Size Requirements

The proposed changes will only be applicable to generators that have a total site capacity of less than 150kW, and export less than 25kW. There was a request to consider micro-generators as any generator with a nameplate rating of less than 25kW, instead of the 150kW capacity per site. The AESO is using these values to align with the metering requirements, per the SSC 4.6.1. The maximum site capacity is defined as “less than 150kW”. It is up to the WSP to determine the kW size, as long as it is within the defined range. The AESO is advising that the site capacity cannot be **greater** than 150kW.

AESO Recommendation:

Based on the stakeholder comments received, the AESO recommends to proceed with the following option, effective October 1st, 2006.

If a DGO with a total site capacity of less than 150kW in size, and exports less than 25kW to the grid agrees not to receive payment in the event that energy is exported to the AIES, the AESO provides the following recommendation:

- The DGO will not need to become a Pool Participant;
- the AESO will not require to receive generation metered data (DSM files);
- energy exported to the grid will not require metering;
- exported energy will not be financially settled with the AESO; and
- exported energy will not be accounted for by the AESO, the Load Settlement Agent, or the Wires Services Provider.

The AESO is recommending this proposal based on the AESO’s requirements. It is anticipated that the DGO will abide by all the terms and conditions as stated by its WSP. In a situation when a DGO is considering the proposed option, they must first discuss with their respective WSP. If the WSP is in support of the DGO’s request, then a letter (sample attached) detailing the DGO’s and WSP’s intent must be provided to the AESO for review. The WSP and the AESO will then jointly approve each DGO application. Once an approval is granted, the AESO will issue an Asset ID, and track all relevant information to ensure that un-metered generation volumes do not create a negative impact on the AIES.

If an instance exists, such as a situation where the distribution system is unable to accept energy exports from a DGO, or if the application does not adhere to a WSP’s business practices, then the WSP may not accept the DGO’s request. In this situation, all the requirements stated in the Settlement System Code will apply to the DGO.

If the Government of Alberta’s policy provides for alternative arrangements for distribution connected generation, then their policy will take precedence, and all industry participants will be required to be compliant.

The AESO will revisit this option at the end of 2007.

Sincerely,

Mary-Beth Hansen,
Account Coordinator, Energy Market
Alberta Electric System Operator (AESO)
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[DGO LETTERHEAD]

<Date>

Alberta Electric System Operator
2500, 330 - 5th Ave SW
Calgary, AB
T2P 0L4

Attention: Mary-Beth Hansen

Until such time that the Government of Alberta releases a policy on Micro-generation, this letter is to advise that <Insert DGO>, is requesting to connect a micro-generator, which is less than 150kW in size, and exports less than 25kW to the AIES, through their Wires Services Provider, <Insert WSP>.

It is agreed that the AESO will have no visibility of the Generator data. The (DGO) will not become a Pool Participant, and therefore will not receive payment for any excess energy exported to the AIES, from the AESO. The WSP is not required to provide generation metered data (DSM files) to the AESO or the LSA. The DGO has attached a Single Line Drawing (SLD) and a Generator Asset Addition Form, as part of this request, and will be issued an Asset ID from the AESO. If the size of the unit increases, or the export to the grid increases, it is the DGO's responsibility to advise the WSP, and the AESO.

By executing in the space below, <Insert DGO>, <Insert WSP> and the AESO agree to the foregoing provisions, until such a time that a formal DOE policy has been provided.

<Insert Distributed Generator Owner>

Per: _____
Name: _____
Title: _____

Date: _____

<Insert Wires Services Provider>

Per: _____
Name: _____
Title: _____

Date: _____

**Independent System Operator,
operating as AESO**

Per: _____
Name: _____
Title: _____

Date: _____