



## Stakeholder Comment and AESO Replies Matrix

### AESO Consultation – Competitive Process March 31, 2011

The AESO is asking market participants and interested parties to provide comments on the related Draft Recommendation Paper.

ATCO Electric submits these comments on a Without Prejudice basis.

Date of Request for Comment: <u>2010-MM-DD</u>	Contact: <u>Sett Policicchio</u>
Period of Consultation: <u>2010-MM-DD</u> through <u>2010-MM-DD</u>	Phone: <u>780-420-7731</u>
Comments From: <u>ATCO ELECTRIC LTD.</u>	E-mail: <u>sett.policicchio@atcoelectric.com</u>
Date [yyyy/mm/dd]: <u>2011-04-28</u>	

#### Risk Sharing Options – Cost Recovery / Pricing Arrangements

The AESO seeks stakeholder comments on other risk sharing options the AESO may consider for the AESO Own model.



## Stakeholder Comment and AESO Replies Matrix

### AESO Consultation – Competitive Process March 31, 2011

	Stakeholder Comment	
ATCO ELECTRIC LTD.	<p><i>ATCO Electric does not favor any specific risk sharing option as all options have advantages and disadvantages to both customers and owners. The potential impact of any risk will vary with the project and market conditions at the time of the project. Consequently, bidders should be allowed to propose how the risks should be allocated as part of their offer. This might include alternate pricing if the owner is prepared to accept some or all of the risks. The AESO would then select the offer which provides the lowest cost <u>on a risk adjusted basis</u>.</i></p>	
<b>Risk Sharing Options – Cost Recovery / Pricing Arrangements</b>		
<p>The AESO also seeks stakeholder comments on all aspects of its cost recovery / pricing scheme including:</p> <ul style="list-style-type: none"> <li>• the implied allocation of risk under Option 1 and Option 2</li> <li>• O&amp;M escalation provisions including proposed indices</li> <li>• Information the AESO could provide to assist with route estimation in advance of bid submissions</li> <li>• Performance specifications</li> <li>• Contract term</li> </ul>		



## Stakeholder Comment and AESO Replies Matrix

### AESO Consultation – Competitive Process March 31, 2011

Stakeholder	Stakeholder Comment	AESO Replies
ATCO ELECTRIC LTD.	<ul style="list-style-type: none"> <li>• <i>The implied allocation of risk under Option 1 &amp; 2</i> <ul style="list-style-type: none"> <li>○ <i>Based on our understanding of the options, ATCO Electric has no preference between Option 1 and Option 2.</i></li> <li>○ <i>ATCO Electric favors 10-year periods for a variable O&amp;M agreement.</i></li> </ul> </li> <li>• <i>O&amp;M escalation provisions including proposed indices</i> <ul style="list-style-type: none"> <li>○ <i>Bidders should be allowed to submit an escalation provision of their choice for labour and materials over the O&amp;M period</i></li> </ul> </li> <li>• <i>Information the AESO could provide to assist with route estimation in advance of bid submissions</i> <ul style="list-style-type: none"> <li>○ <i>ATCO Electric supports AESO providing only information about end points of the proposed route along with a functional spec – consistent with what is provided currently.</i></li> </ul> </li> <li>• <i>Performance Specifications</i> <ul style="list-style-type: none"> <li>○ <i>ATCO Electric supports the use of a functional specification rather than a detailed specification. A functional spec will allow bidders to be more innovative in their proposal</i></li> <li>○ <i>The functional spec should include</i></li> </ul> </li> </ul>	



## Stakeholder Comment and AESO Replies Matrix

### AESO Consultation – Competitive Process March 31, 2011

	<p><i>reliability and availability requirements for the performance of the facilities during the O&amp;M period which are consistent with current TFO standards.</i></p> <ul style="list-style-type: none"><li>• <i>Contract Term</i><ul style="list-style-type: none"><li>○ <i>ATCO Electric favors a 40-year contract term to match the lifetime of the assets involved.</i></li><li>○ <i>The specific treatment of O&amp;M after the initial period has not yet been finalized.</i></li></ul></li></ul>	
--	--	--



## Stakeholder Comment and AESO Replies Matrix

### AESO Consultation – Competitive Process March 31, 2011

Arrangements Arising out of Implementation of the Process		
<p>With regard to contractual arrangement arising from the Process, the AESO is seeking stakeholder identification of key project risks and commentary on ways of allocating or otherwise addressing these risks in a fair and equitable manner.</p>		
Stakeholder	Stakeholder Comment	AESO Replies
ATCO ELECTRIC LTD.	<p><i>There are many risks that an owner faces in developing and constructing a project. This response will only address material risks that should be discussed between the owner and AESO.</i></p> <p><i>Schedule risk is the risk of not completing the project by the planned in-service date. This may occur as a result of</i></p> <ul style="list-style-type: none"> <li><i>• Delay in obtaining landowner or regulatory approvals</i></li> <li><i>• Unforeseeable geotechnical or environmental problems are encountered</i></li> <li><i>• Construction delays due to unusual weather conditions or labour shortages</i></li> <li><i>• Delay in delivery of equipment due to factors beyond the owner's control</i></li> <li><i>• An unrealistic schedule that fails to allow adequate float time</i></li> </ul> <p><i>Capital cost risk is the risk of not completing the project within the approved budget. This may occur as a result of</i></p> <ul style="list-style-type: none"> <li><i>• Lack of information prior to finalization of route and design concept.</i></li> <li><i>• Unforeseeable requirements that arise</i></li> </ul>	



## Stakeholder Comment and AESO Replies Matrix

### AESO Consultation – Competitive Process March 31, 2011

	<p><i>during the P&amp;L approval process</i></p> <ul style="list-style-type: none"> <li>• <i>Unforeseeable geotechnical or environmental problems are encountered</i></li> <li>• <i>Construction cost increases due to unusual weather conditions or labour shortages</i></li> <li>• <i>Increases in cost of materials due to unexpected changes in global markets</i></li> </ul> <p><i>Financing risk is the risk of being unable to raise sufficient debt to pay the capital cost or having to pay higher than expected interest on debt. This became a significant issue in the recent recession when long term debt was not always readily available and interest rates for short term debt increased. The current turmoil in global markets makes it extremely difficult to accurately predict interest rates.</i></p> <p><i>Project cancellation risk is the risk of AESO canceling the project after the owner has commenced work and prior to the in-service date. This risk can occur if transmission requirements change during the lengthy planning, approval and construction stages.</i></p> <p><i>The potential impact of any risk will vary with the project and market conditions at the time of the project. Consequently, bidders should be allowed to propose how the risks should be allocated as part of their offer. This might</i></p>	
--	--	--



## Stakeholder Comment and AESO Replies Matrix

### AESO Consultation – Competitive Process March 31, 2011

	<p><i>include alternate pricing if the owner is prepared to accept some or all of the risks. The AESO would then select the offer which provides the lowest cost <u>on a risk adjusted basis</u>.</i></p>	
<b>Fort McMurray Project Components Subject to Bid</b>		
<p>The AESO seeks stakeholder comments, including advantages and disadvantages, on whether the stages of the project should be bid out as one project or whether each stage should be bid out separately.</p>		
<b>Stakeholder</b>	<b>Stakeholder Comment</b>	<b>Replies</b>
ATCO ELECTRIC LTD.	<p><i>ATCO Electric believes there should be one tender package that would include all three stages of the project. This would allow proponents to bid on any or all of the three stages. One project would simplify contract administration and coordination between potential multiple owners as well as possibly streamline the approval process.</i></p> <p><i>One project could reduce costs through economies of scale. For example, common permitting and overhead costs will not be duplicated by several owners.</i></p>	
<b>Draft Recommendation Paper - Other Comments</b>		
<p>Do stakeholders have any other comments regarding the Draft Recommendation Paper?</p>		
<b>Stakeholder</b>	<b>Stakeholder Comment</b>	
ATCO Electric Ltd.	<p><b><u>AESO is seeking comments on Appendix D</u></b></p>	



## Stakeholder Comment and AESO Replies Matrix

### AESO Consultation – Competitive Process March 31, 2011

	<p><i>With regard to Proponent Security, please clarify what is meant by a responsive bid in Clause 7. A comprehensive bid (compliant or not) that is consistent with the intent of the RFP should be all that is required to receive reimbursement of the payment under Clause 7 (a).</i></p> <p><i>ATCO suggests that the second payment be returned upon confirmation the bidder is unsuccessful or when the bidder enters into a contract with the AESO. If the bidder fails to enter into a contract in accordance with its proposal, then the second payment should be forfeited.</i></p> <p><b><u>AESO is seeking comments on other selection criteria for the RFQ, see Appendix E</u></b></p> <p><i>Clarity is required on the RFQ process, including definition of what is required from interested parties to meet the expectation of the RFQ.</i></p> <p><i>Other criteria for the RFQ could include</i></p> <ul style="list-style-type: none"> <li><i>• Evidence of respondent's successful experience in obtaining landowners' consent and all regulatory approvals for similar projects</i></li> <li><i>• Evidence of respondent's successful experience with integrating a similar</i></li> </ul>	
--	--	--



## Stakeholder Comment and AESO Replies Matrix

### AESO Consultation – Competitive Process March 31, 2011

	<i>project into an interconnected electrical system and successfully operating the project thereafter.</i>	
--	--	--