

April 12, 2006

Delivered via Mail

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

Attention: Kent McDuffie Vice-President, Market Services

Dear Mr. McDuffie:

Re: TMR Price Reconstitution

AltaGas Ltd. (“AltaGas”) is writing in response to your letter of March 29,, 2006 in which you requested input with respect to appropriate methodologies for determining the TMR Reference Price. In your letter, you also outlined a number of outstanding issues related to Transmission Must Run (“TMR”) Price Reconstitution. Although you did not request input on the advisability of adopting a TMR Reference Price, AltaGas believes this is a fundamental question about which the ISO should be seeking stakeholder views in this consultation, before requesting input on its mechanics.

Advisability of TMR Reference Price

AltaGas does not believe that the ISO should adopt a TMR Reference Price. You state in your letter that “[T]he purpose of the reference price is to essentially “re-insert” this block of energy into the energy market merit order at a level that more appropriately represents the units providing the TMR energy.” [emphasis added]. It is AltaGas’s view that the ISO should first engage in TMR Price Reconstitution without any artificial interference with the price signal and, only if it becomes obvious that price fidelity has not resulted, then engage in developing rules that address the situation. Potential TMR generators should be free to offer their energy into the market in an unconstrained manner and these offer blocks should form the basis for re-constitution The chosen course of the ISO is to automatically insert into calculation of the Pool Price artificial constraints which are likely to have a different result than would be seen if actual offers were inserted into the merit order. If the ISO is truly attempting to achieve “Pool Price fidelity” then it should be allowing the market to operate in an unfettered manner and only interfere if it becomes apparent that market behaviours require some guidance through mechanisms such as a TMR Reference price. The MSA is clearly empowered to investigate market participant behaviour which is not supportive of a fair, efficient and openly competitive market.

Mechanics of TMR Reference Price

If the ISO continues to insist that a Reference Price is necessary and will not affect Pool Price fidelity, then AltaGas does not support the use of a dynamic number for determining the TMR Reference Price. There are too many opportunities for misperceptions to arise about the manner in which the ISO calculates the Reference

Price unless the ISO adopts a static number. However, AltaGas sees a number of problems with adopting a static price, as all of them result in unnecessary interference with the true competitive Pool Price.

Please feel free to contact me by telephone at (403) 269-5720 or by e-mail at lynn.meyer@altagas.ca if you wish to discuss these comments further.

Yours truly,

AltaGas Ltd.

Sent via e-mail

K. Lynn Meyer
Director, Regulatory