



Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process
March 31, 2011

| 1. Interest in Participating in AESO Consultation for a Proposed Competitive Process | | |
|---|--|--------------|
| Please indicate your interest in participating in this consultation | | |
| Stakeholder | Stakeholder Comment | AESO Replies |
| ABB Inc. (ABB) | | |
| AltaLink Management Ltd., in its capacity as general partner of AltaLink, L.P. (AltaLink) | Interested | |
| ATCO Electric Ltd. (ATCO) | Interested ATCO Electric letter submitted September 28/10 indicating intent to participate. | |
| Brookfield Asset Management Inc. (Brookfield) | Interest | |
| EPCOR Utilities Inc. (EPCOR) | Interested | |
| LS Power | Interested | |
| NaturEner Energy Canada Inc. (NaturEner) | Interested | |
| SNC-Lavalin Inc. (SNC-Lavalin) | Interested | |
| TransAlta Corporation (TransAlta) | Interested | |
| TransCanada Corporation | Interested | |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| (TransCanada) | | |
|--|--|--|
| Utilities Consumer Advocate (UCA) | Interested | |
| 2. Terms of Reference - In-Scope Section | | |
| Do stakeholders agree with the scope set out in the Terms of Reference? Are there any other documents the AESO should consider including in scope? | | |
| Stakeholder | Stakeholder Comment | AESO Replies |
| ABB | <input checked="" type="checkbox"/> Support | n/a |
| AltaLink | <input checked="" type="checkbox"/> Support Generally agree, as far as it goes. The scope ends after the RFQ process. Key components of a competitive process are the RFP itself and the contracts which would apply. These appear to have been left to some future date and it is unclear as to what the AESO has in mind as far as consultation on these elements. Given the importance of the design of the RFP and contracts, in ensuring a successful outcome from the competitive process, it would be helpful if the scope included consultation on the RFP itself, and the contract that would be associated with either of the alternatives presented. This would also resolve a number of the issues identified in Section 3 of the AESO discussion paper. Items such as end of contract term, force majeure and assignment rights, along with a myriad of other contract issues, many of which are interrelated, should be dealt with in the context of the contract. | <ul style="list-style-type: none"> The AESO considers the RFP and contractual arrangements arising out of the RFP to be a key component of the competitive process, and accordingly, the AESO anticipates seeking stakeholder comments on these key components. Section 5 of the draft recommendation paper provides a framework for further discussion on these matters. To enable further stakeholder consultation, the AESO has expanded the consultation scope and extended the consultation schedule. An updated schedule can be found in Section 3.3 of the draft recommendation paper. |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|-------------------|---|---|
| ATCO Electric LTD | <p>OTHER DOCUMENTS:</p> <ul style="list-style-type: none"> • Include documented learnings from similar endeavors, both in Alberta (early 2000's) and other parts of the world • Locate and include for analysis any available subject matter expert reports on similar undertakings (academic and independent consultant) • Engage an independent consultant to provide a report on these proposed changes in Alberta and potential impacts | <ul style="list-style-type: none"> • The AESO retained Power Advisory, LLC to undertake a review of other jurisdictions (UK, Texas, Ontario and Brazil) where transmission is being competitively procured. Key findings of the study that may be applied to the development of a competitive process in Alberta can be found in Section 3.3 of the draft recommendation paper. • The AESO has reviewed various documents regarding competitive processes within Alberta, including but not limited to the Transmission Administrator's RFP process in early 2000, processes utilized by Alberta Transportation and recent AUC changes which call for performance-based regulation. |
| Brookfield | No comment | |
| EPCOR | Support | |
| LS Power | Support | |
| SNC-Lavalin | <input checked="" type="checkbox"/> Support We are quite comfortable with the scope – while value could be obtained if it were expanded slightly to include the proposed structure and schedule of a Request for Proposal and/or a Request for Quote process. | <ul style="list-style-type: none"> • The AESO considers the RFP and contractual arrangements arising out of the RFP to be a key component of the competitive process, and accordingly, the AESO anticipates seeking stakeholder comments on these key components. Section 5 of the draft recommendation paper provides a framework for further discussion on these matters. |
| TransAlta | <p>While TransAlta appreciates that the scope is at this time limited to CTI projects, we suggest that a competitive procurement process can and should also be used for other significant projects, e.g. for projects \$100 million or more.</p> <p>The AESO also needs to consider what resources and competencies the AESO will have to put in place on an ongoing basis to undertake</p> | <ul style="list-style-type: none"> • At this time, the AESO will limit the scope of the Process to those CTI facilities referred to in Section 24(3) (a), (c) and (d) of the T-Reg. The application or adaptation of an approved Process to more than one transmission facility project, as contemplated in Section 24(8) of the T-Reg, may be considered at a future date. • The AESO agrees the development and implementation of a competitive process is a complex undertaking. |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|--|--|--|
| | and support the competitive procurement process. This could be a complex undertaking. | <ul style="list-style-type: none"> The AESO has retained additional internal and external resources to manage the development and implementation of the competitive process. |
| TransCanada | <i>In addition to the existing scope, consideration for how this competitive procurement process could be applied or adapted to other system or customer projects should be given, as contemplated in Section 24.2(8) of the Transmission Regulation</i> | <ul style="list-style-type: none"> At this time, the AESO will limit the scope of the Process to those CTI facilities referred to in Section 24(3) (a), (c) and (d) of the T-Reg. The application or adaptation of an approved Process to more than one transmission facility project, as contemplated in Section 24(8) of the T-Reg, may be considered at a future date. |
| UCA | <input checked="" type="checkbox"/> Support | |
| 3. Terms of Reference – Out-of-Scope Section | | |
| Do stakeholders agree with the out-of-scope section? | | |
| Stakeholder | Stakeholder Comment | AESO Replies |
| ABB | <input checked="" type="checkbox"/> Support | |
| AltaLink | <input checked="" type="checkbox"/> Support Agree. It would not be productive to revisit government policy and legislative decisions that have already been made. | |
| EPCOR | Support | |
| LS Power | Support | |
| NaturEner | NaturEner agrees that the scope should not include the discussion of the CTI legislation as this is a matter outside of the AESO's mandate. While NaturEner is not opposed to a discussion limited at this stage to | <ul style="list-style-type: none"> As the AESO develops the competitive process, it encourages stakeholders to provide input on this process. To enable further stakeholder consultation, the AESO has expanded the consultation scope and extended the consultation |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|--|---|--|
| | competitive procurement as a means for CTI development, we believe the AESO should remain open to considering other possible competitive procurement concepts than just the two identified. In other words, we encourage the AESO not to limit the development of alternatives before the consultation process with stakeholders really begins. | <p>schedule.</p> <ul style="list-style-type: none"> An updated schedule can be found in Section 3.3 of the draft recommendation paper. |
| SNC-Lavalin | <input checked="" type="checkbox"/> Support We respect and support remains focused on enabling the CTI legislation. | |
| TransCanada | Support | |
| UCA | Support | |
| 4. Terms of Reference - Consultation Activities, Documents and Schedule Section | | |
| Do stakeholders agree with the consultation activities, documents and schedule? | | |
| Stakeholder | Stakeholder Comment | AESO Replies |
| ABB | Yes | |
| AltaLink | General agreement, subject to the need to expand consultation and the schedule to recognize other comments and suggestions throughout this document. | <ul style="list-style-type: none"> To enable further stakeholder consultation, the AESO has expanded the consultation scope and extended the consultation schedule. An updated schedule can be found in Section 3.3 of the draft recommendation paper. |
| ATCO Electric LTD | Consultation activities should include studying experience from other jurisdictions – learnings could be very instructive and prevent potential problems and/or rework in rolling out any change in Alberta. Schedule should reflect this | <ul style="list-style-type: none"> The AESO retained Power Advisory, LLC to undertake a review of other jurisdictions (UK, Texas, Ontario and Brazil) where transmission is being competitively procured. Key findings of the study that may be applied to the development of a competitive process in Alberta can be found in Section 3.3 of the draft |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|------------|--|--|
| | | <p>recommendation paper.</p> <ul style="list-style-type: none"> The AESO has reviewed various documents regarding competitive processes within Alberta, including but not limited to, the Transmission Administrator's RFP process in early 2000, processes utilized by Alberta Transportation and recent AUC changes which call for performance-based regulation. To enable further stakeholder consultation, the AESO has expanded the consultation scope and extended the consultation schedule. An updated schedule can be found in Section 3.3 the draft recommendation paper. |
| Brookfield | No comment | |
| EPCOR | The proposed consultation process and schedule appears reasonable. However, substantial information is expected to be provided in the AESO's Recommendation paper on January 10 2011. Adjustments to the schedule and process at that time may be required to allow participants to fully respond. | <ul style="list-style-type: none"> To enable further stakeholder consultation, the AESO has expanded the consultation scope and extended the consultation schedule. An updated schedule can be found in Section 3.3 of the draft recommendation paper. |
| LS Power | <p>LS Power generally agrees with the consultation activities, documents and schedule. We believe that it might be more useful to stakeholders if steps 7 and 8 were reversed, such that the AESO issues the recommendation paper and then holds a stakeholder meeting to discuss the recommendation paper prior to stakeholder comments. Alternatively, we suggest that the AESO hold an additional stakeholder meeting after the release of the recommendation paper.</p> <p>Comments on the balance of the schedule are</p> | <ul style="list-style-type: none"> To enable further stakeholder consultation, the AESO has expanded the consultation scope and extended the consultation schedule. An updated schedule can be found in Section 3.3 of the draft recommendation paper. |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|-------------|--|--|
| | provided below. | |
| NaturEner | NaturEner requests that the AESO provide more visibility on the schedule by including the expected steps of the regulatory process. | <ul style="list-style-type: none"> To enable further stakeholder consultation, the AESO has expanded the consultation scope and extended the consultation schedule. An updated schedule can be found in Section 3.3 of the draft recommendation paper. |
| SNC-Lavalin | <input checked="" type="checkbox"/> Support We agree, please confirm the step 7 meeting is intended to include stakeholders. We feel a feedback loop is important, particularly if the clarification is required arises from comments and considerations collected from stakeholders prior to recommendation paper creation. | <ul style="list-style-type: none"> To enable further stakeholder consultation, the AESO has expanded the consultation scope and extended the consultation schedule. An updated schedule can be found in Section 3.3 of the draft recommendation paper. |
| TransCanada | <p><i>TransCanada believes that the Recommendation Paper should articulate the details of the Process and a pro forma Own Contract and therefore the proposed consultation schedule does not appear to allow for sufficient time to develop a comprehensive Recommendation Paper.</i></p> <p><i>The schedule for the AUC application process, possible legislative changes and an implementation schedule should also be documented and published.</i></p> | <ul style="list-style-type: none"> To enable further stakeholder consultation, the AESO has expanded the consultation scope and extended the consultation schedule. An updated schedule can be found in Section 3.3 of the draft recommendation paper. See Section 4.2 of the draft recommendation paper for a further discussion on legislative changes. |
| UCA | The UCA is concerned that a number of material issues have not been explored in sufficient depth in this discussion paper such that a single round of comments can lead immediately to the development of a recommendation paper. The UCA encourages the AESO to thoroughly examine issues raised by Stakeholders and take | <ul style="list-style-type: none"> To enable further stakeholder consultation, the AESO has expanded the consultation scope and extended the consultation schedule. An updated schedule can be found in Section 3.3 of the draft recommendation paper. |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | advantage of the opportunity for “further consultation” as contemplated in Step 6. | |
|---|---|---|
| 5. Terms of Reference - Other Comments | | |
| Do stakeholders have any other comments regarding the Terms of Reference for the competitive procurement process documents? | | |
| Stakeholder | Stakeholder Comment | AESO Replies |
| ABB | <input checked="" type="checkbox"/> Support | |
| AltaLink | AltaLink believes it would be useful to establish a working group of industry participants, to assist the AESO in developing the RFP process and the appropriate contracts. To the extent that long term contracts are to be used, it is critical that these contracts are financeable. The development of these contracts is not an insignificant undertaking. | <ul style="list-style-type: none"> • The AESO considers the RFP and contractual arrangements arising out of the RFP to be a key component of the competitive process, and accordingly, the AESO anticipates seeking stakeholder comments on these key components. Section 5.0 of the draft recommendation paper provides a framework for further discussion on these matters. • The AESO has expanded the consultation scope and extended the consultation schedule to allow further input from stakeholders. • An updated schedule can be found in Section 3.3 of the draft recommendation paper. |
| ATCO Electric LTD | More information required on AUC approval process | <ul style="list-style-type: none"> • An updated schedule can be found in Section 3.3 of the draft recommendation paper. |
| Brookfield | No comment | |
| EPCOR | Support | |
| SNC-Lavalin | Support | |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|--|---|--|
| TransCanada | <i>There is no discussion of the resources AESO intends on using to develop the Recommendation Paper or the process. The AESO is encouraged to consider engaging an organization that has designed and implemented such processes to manage this initiative.</i> | <ul style="list-style-type: none"> The AESO agrees the development and implementation of a competitive process is a complex undertaking. The AESO has retained additional internal and external resources to manage the development and implementation of the competitive process. |
| UCA | No comment | |
| 6. Discussion Paper | | |
| The AESO is seeking stakeholder comments regarding the proposed implementation schedule. | | |
| Stakeholder | Stakeholder Comment | AESO Replies |
| ABB | <input checked="" type="checkbox"/> Support | |
| AltaLink | <p>As discussed previously, the implementation schedule ends on March 9, 2011 with the AESO responding to comments on its Recommendation Paper. The only indication of scheduled activities beyond that date is that the AESO anticipates that the Process could be completed by autumn 2011. It is not clear what happens between March and the Autumn of 2011, when the process will have been completed. Some clarification of the activities expected in this period would be helpful.</p> <p>Step 6 of the proposed implementation schedule states that the AESO will determine “if further consultation is appropriate.” AltaLink feels that additional consultation definitely would be required, particularly relating to the design of the RFP and the required contracts.</p> | <ul style="list-style-type: none"> The AESO has expanded the consultation scope and extended the consultation schedule to allow further input from stakeholders. An updated schedule can be found in Section 3.3 of the draft recommendation paper. The AESO considers the RFP and contractual arrangements arising out of the RFP to be a key component of the competitive process, and accordingly, the AESO anticipates seeking stakeholder comments on these key components. Section 5 of the draft recommendation paper provides a framework for further discussion on these matters. |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|-------------------|---|---|
| ATCO Electric LTD | <p>1) Implementation Schedule: Include additional time to evaluate experience of other jurisdictions and seek independent consultant opinion (see specific recommendation in “Other Stakeholders Comments”).</p> <p>2) Additional information required on process steps between March 9 and Fall 2011 Implementation</p> | <ul style="list-style-type: none"> • The AESO retained Power Advisory, LLC to undertake a review of other jurisdictions (UK, Texas, Ontario and Brazil) where transmission is being competitively procured. Key findings of the study that may be applied to the development of a competitive process in Alberta can be found in Section 3.3 of the draft recommendation paper. • The AESO has reviewed various documents regarding competitive processes within Alberta, including but not limited to the Transmission Administrator’s RFP process in early 2000, processes utilized by Alberta Transportation and recent AUC changes which call for performance based regulation. • The AESO has expanded the consultation scope and extended the consultation schedule to allow further input from stakeholders. An updated schedule can be found in Section 3.3 of the draft recommendation paper. |
| Brookfield | No comment | |
| EPCOR | <p><input checked="" type="checkbox"/> Support</p> <p>The first CTI project to which the competitive procurement process could apply (Genesee to Fort McMurray area) has an in service date of 2014 in AESO’s 2009 Long Term Plan. It is not clear whether this new process can be fully implemented in time to allow the project to meet that in service date.</p> | <ul style="list-style-type: none"> • The schedule to develop, approve and implement the competitive process is currently being developed. • The AESO is examining ways to expedite the schedule. |
| LS Power | <p>The proposed implementation schedule appears to be adequate. However, LS Power submits that every effort should be made to expedite the schedule or ensue that there are no schedule delays. Because of the AUC process and the development timeframe for transmission lines, significant delays in this implementation process</p> | <ul style="list-style-type: none"> • The schedule to develop, approve and implement the competitive process is currently being developed. • The AESO is examining ways to expedite the schedule. |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|-------------|--|---|
| | now could limit competitive options later for the initial CTI project. | |
| NaturEner | The Discussion Paper does not show an implementation schedule. As noted in the comments to “Terms of Reference – Consultation Activities, Documents and Schedule Section”, more visibility on schedule and steps would be appreciated | <ul style="list-style-type: none"> The AESO has expanded the consultation scope and extended the consultation schedule to allow further input from stakeholders. An updated schedule can be found in Section 3.3 of the draft recommendation paper. |
| SNC-Lavalin | <input checked="" type="checkbox"/> Support Process improvement is good – while in this case, urgency is paramount. We recommend revisiting the schedule based on the merits of infrastructure need, not process improvements. | <ul style="list-style-type: none"> The schedule to develop, approve and implement the competitive process is currently being developed. The AESO is examining ways to expedite the schedule. |
| TransCanada | Oppose <i>The Discussion Paper does not contain an implementation schedule. Clarity is required from the Alberta Department of Energy on reasonable timeframes to make changes to the EUA and Transmission Regulation, if required. A Process training schedule for potential bidders should also be considered and should include RFP requirements, Facility Application requirements, other AESO and AUC rules and standards.</i> | <ul style="list-style-type: none"> To enable further stakeholder consultation, the AESO has expanded the consultation scope and extended the consultation schedule. An updated schedule can be found in Section 3.3 of the draft recommendation paper. The AESO will consider holding workshops regarding RFQ/RFP requirements and relevant ISO Rules, reliability standards and other AESO documentation/processes as part of the implementation of the competitive process. See Section 4.2 of the draft recommendation paper for a further discussion on legislative changes. |
| UCA | <input checked="" type="checkbox"/> Support The UCA encourages the AESO to thoroughly examine issues raised by Stakeholders and take advantage of the opportunity for “further consultation” as contemplated in Step 6 to support and expedite AUC processes. | <ul style="list-style-type: none"> To enable further stakeholder consultation, the AESO has expanded the consultation scope and extended the consultation schedule. An updated schedule can be found in Section 3.3 of the draft recommendation paper. |



Stakeholder Comment and AESO Replies Matrix

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

| | | |
|--|--|--|
| | | |
|--|--|--|

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| 7. Discussion Paper | | |
|--|---|--|
| The AESO is seeking stakeholder comments regarding the objectives and principles to be used in the design of a competitive procurement process for CTI in Alberta. | | |
| Stakeholder | Stakeholder Comment | AESO Replies |
| ABB | It could be worthwhile to consider a similar approach to non CTI projects as well – unless there are valid reasons not to do so. | <ul style="list-style-type: none"> At this time, the AESO will limit the scope of the Process to those CTI facilities referred to in Section 24(3) (a), (c) and (d) of the T-Reg. The application or adaptation of an approved Process to more than one transmission facility project, as contemplated in Section 24(8) of the T-Reg, may be considered at a future date. |
| AltaLink | <p>Goal 2(a) should refer to minimization of lifecycle costs.</p> <p>Goal 2(c) is stated as “Create opportunity for new entrants.” This would be more appropriately phrased as “Create opportunity for competition”. While it is important to have broad participation to ensure competition, the goal as currently expressed, implies a preference for new entrants.</p> <p>As part of the discussion on design objectives and principles, Section 2.1.3(a) refers to the form of contract being based on the traditional rate base return. There should be some recognition of the fact that in having an asset constructed by a third party, based on a specification prepared by the AESO, and transferred to the incumbent TFO, with limited involvement of the TFO, the TFO may face additional performance and integration risks.</p> <p>Section 2.1.3(c) refers to allowing for innovation and creativity throughout the lifecycle of the contract. This would more appropriately refer to</p> | <ul style="list-style-type: none"> Goal 2(a) of the competitive process should reflect lifecycle costs. It is the AESO’s view that the competitive process be designed to allow for new entry into the market through the lowering of barriers. However, as described in its September 17, 2010 Discussion Paper, the AESO is not creating a process that has a preference for new entrants. The process will allow all qualified bidders to participate. Additionally, the process must result in a commitment to pricing on certain aspects of a project’s life cycle costs. As discussed in Section 2.1.3(a) of the Discussion Paper, the AESO acknowledges AltaLink’s view that an asset constructed by a third party, based on AESO specifications and transferred to an incumbent TFO with limited TFO involvement, may result in transfer risk. AltaLink notes these risks may take the form of performance and integration risks. The AESO takes note of this risk and the potential for increased cost that may arise because of this risk. |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|-------------------|---|--|
| | <p>the lifecycle of the asset, since, in the case of the EPC Alternative, the term of the contract will be quite limited.</p> <p>Consideration should be given to the issue of ensuring that municipalities and crown corporations are not advantaged as a result of their government ownership. In addition, consideration should be given to a requirement that there should be reciprocal arrangements in place, where government owned entities from other regulatory jurisdictions outside of Alberta are seeking to participate in the competitive process in Alberta.</p> <p>The AESO Paper, in the context of evaluating pros and cons of the options, makes a number of references to the importance of the relationship between landowners and the project proponent and the fact that procurement of land access and rights-of-way are critical components of the process. In light of this, it is suggested that the whole area of consultation, landowner relationships and land acquisition be highlighted by making appropriate treatment of landowners one of the goals of the process. It is important that landowners and other stakeholders under this process be treated in a consistent manner to others under existing processes.</p> | <ul style="list-style-type: none"> • As discussed in Section 2.1.3(c) of the Discussion Paper, the AESO seeks to design and develop a competitive process that results in innovation and creativity. • The AESO acknowledges AltaLink’s comment on the distinction between innovation and creativity over the lifecycle of the “asset” versus the lifecycle of the “contract”. • In the case of the EPC model, the lifecycle over which to innovate and be creative is short compared to the Own model, where the lifecycle spans the life of the asset, e.g., longer than 40 years. • See Section 4.5 of the draft recommendation paper for a discussion on a development of a fair and open process for all proponents. • The AESO recognizes the importance of the development and maintenance of long-term relationships between landowners, Aboriginal peoples, other stakeholders, and parties constructing and operating transmission facilities. • As the AESO develops the competitive process, proponents will be required to demonstrate that they have appropriate policies, practices and plans in place to consult with landowners, Aboriginal peoples and other stakeholders. |
| ATCO Electric LTD | <p>The following comments are also included as Attachment “A” for ease of reading.</p> <p>1. Introduction</p> | <ul style="list-style-type: none"> • The Alberta Government has examined and determined the means by which CTI facilities will be developed in the province. • The Alberta Government, through recent amendments to |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|--|--|--|
| | <p>ATCO Electric welcomes the opportunity to provide its views on this important question. The existing Alberta electricity grid was developed according to a regulatory and legislative framework which has served Albertans well. However, as the grid is undergoing significant expansion, as outlined in the government’s 2008 Provincial Energy Strategy, it is prudent to examine the means by which the new facilities will be engineered, constructed, and operated. From ATCO Electric’s perspective, the following principles and objectives should be used to guide the grid expansion. AESO’s goals from Section 2.1 of its Discussion Paper have been incorporated.</p> <p>2. Principle 1: maintain a clear line of accountability, authority, and liability</p> <p>The existing framework has evolved over decades and places a great deal of accountability, responsibility and liability on the TFOs to ensure prudence of costs and performance (both construction and operations) to the benefit of consumers. This same level of regulatory oversight must not be compromised in implementing broad changes, including the competitive procurement of transmission.</p> | <p>legislation regarding CTI, has clearly laid out the AESO’s roles and responsibilities in developing a competitive process.</p> <ul style="list-style-type: none"> • Pursuant to Section 24.2 of the T-Reg the AESO must develop a competitive process, meaning a fair and open process that allows any qualified person, as determined by the AESO, to submit a proposal in respect of a transmission facility to determine the entity who is eligible to apply for the construction and/or operation of certain transmission facilities which includes CTI. • The AESO has determined that a robust competitive process must include consultation with multiple stakeholders and experts in the field. • Given stakeholder comments received to date, the AESO has revised its goals. • The revised goals are set out in Section 3.2 of the draft recommendation paper. • See below for the AESO’s response to specific comments that are not addressed in the updated goals. <p><u>ATCO’s Principle 1</u></p> <ul style="list-style-type: none"> • The existing framework continues to evolve as seen by recent amendments to the <i>Electric Utilities Act</i> (“EUA”) and <i>Transmission Regulation</i> (“T-Reg”). • Under the EUA, the Government of Alberta (Government) has the ability to designate transmission facility projects as critical transmission infrastructure. Currently the Government has designated four transmission facility projects as critical |
|--|--|--|

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|--|---|--|
| | <p>Therefore, new entrants and new relationships must not lessen or blur the following key responsibilities, not only in capital project development, but in system operations as well:</p> <ol style="list-style-type: none"> System reliability, safety and quality of service Lifecycle costs and consumer tariffs Responsibilities for management of costs -- prudence, changes to cost and scope of work, consequences for non-performance, and potential disallowances Knowledge of and compliance with operating and reliability standards and any subsequent changes (costs incurred and liabilities assumed) Community, Aboriginal, landowner and customer relationships Project management and construction practices <p>Under its suggested models, AESO would clearly have to assume these responsibilities as a counter party to a contract. In essence, AESO would be taking on the full responsibility and liability of the TFOs with respect to these projects.</p> | <p>transmission infrastructure.</p> <ul style="list-style-type: none"> Amendments to the T-Reg require the AUC to approve the competitive process. The competitive process will be used to inject competitive pressures into the Alberta transmission market structure with regard to certain projects. The process will also clearly lay out the tendering and award rules. Once the competitive process is approved by the AUC, the AUC must consider any resulting arrangements as prudent. The winning bidder must make a facilities application to the AUC in order to receive a permit to construct and a license to operate a CTI facility. AUC oversight of route selection and the ultimate decision on whether to issue a permit to construct and a license to operate will not diminish under the competitive process. The AUC may, as it has done in the past, approve or suggest amendments to the proposed siting, and may hold public hearings on the facilities application at which affected stakeholders may intervene In developing the competitive process, the AESO will ensure existing technical, reliability, operational and safety standards are adhered to. <p><u>ATCO's – Principle 2</u></p> <ul style="list-style-type: none"> As the AESO develops the competitive process, it is giving consideration to the impact of the competitive process on all market participants and stakeholders. |
|--|---|--|

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|--|--|---|
| | <p>3. Principle 2: ensure full protection from harm to existing grid assets</p> <p>Due to the interconnected nature of electricity grids, non-performance in any area – from development and construction through operations – has the potential to do physical and financial harm to the connected elements, on both the supply side and the consumption side. The dramatic changes that are being contemplated must not compromise these existing investments, and therefore there should be an explicit recognition of parties’ rights, liabilities, and mitigation options.</p> <p>4. Principle 3: ensure a level playing field for all participants</p> <p>AESO’s Alternative 1 (“Own”) opens the market to new TFOs as an alternative to meet AESO’s goal to “create opportunity for new entrants”. New TFOs are not inherently “better”, and ATCO Electric questions why the AESO would state as a goal to “create opportunity for new entrants”. This implies a bias against incumbents. If new TFOs are to be encouraged to participate in the Alberta market, with whatever bidding strategies they may bring, the incumbent TFOs must be allowed to compete on the same</p> | <ul style="list-style-type: none"> • With regard to existing grid investments, the AUC has regulatory authority over existing TFO’s. It also has authority over the approval of the competitive process and has authority to issue a permit to construct and a license to operate to winning bidders. • TFO’s may raise issues such as harm in the course of the regulatory proceeding for the competitive process. • The revised goals are set out in Section 3.2 of the draft recommendation paper. • The AESO is of the view that the competitive process for CTI must be designed to allow for new entry into the market through the lowering of barriers. • The process must also result in a commitment to pricing on certain aspects of a projects life cycle costs. • However, as described in its September 17, 2010 Discussion Paper, the AESO is not creating a process that has a preference for new entrants. The process will allow all qualified bidders to participate. <p><u>ATCO’s – Principle 3</u></p> <ul style="list-style-type: none"> • See Section 4.5 of the Draft recommendation paper for a discussion on the development of a level playing field for all proponents. <p><u>ATCO’s – Principle 4</u></p> <ul style="list-style-type: none"> • In developing the competitive process, the AESO seeks to |
|--|--|---|

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|--|---|--|
| | <p>basis unencumbered by any discriminatory measures. For example, economies of scale and other features of the incumbent TFOs should not be treated as unfair advantages that must somehow be adjusted for in favour of new entrants. Clearly, all bidders must be compliant with AESO standards.</p> <ul style="list-style-type: none"> a. AESO's "new entrants" goal should not be stated as a goal. It might be suggested by some to be a contributing factor to the goal of cost minimization (which is clearly a goal). b. Opportunities for innovation – technical, project management, labour relations, etc - must be available to all participants. Incumbents can't be restricted from these opportunities solely as a consequence of their incumbent status. c. Over the years, the construction of power lines by others with eventual transfer of ownership to the utilities has not necessarily resulted in cost and/or schedule advantages. <p>5. Principle 4: ensure a stable utility investment climate</p> <p>ATCO is a financially strong, creditworthy, long-term player in the Alberta market as</p> | <p>balance the interests of all parties.</p> |
|--|---|--|

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|--|--|--|
| | <p>evidenced by our consistently strong corporate debt ratings. In determining these ratings, the financial community considers the stability of the regulatory and legislative framework within which we operate. Related to this is a history of regulatory transparency and consistency that has resulted in generally predictable utility rates for service. Regulatory innovation involving rate design is possible, but with appropriate regulatory rule changes.</p> <p>6. Recommendations:</p> <p>With these principles in mind, ATCO Electric suggests the following guidelines for going forward:</p> <ul style="list-style-type: none"> a. Understand the Risks: Changes must be thought through and introduced in a measured way. Risks should be examined and understood prior to adopting changes because of the potential for increased costs. b. Learnings from Others: Learn from the experience of others, and from Alberta's own experience with competition earlier this decade. The AESO notes in its Discussion Paper that it will consider applicable lessons from other jurisdictions. To this | |
|--|--|--|

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|-------------------|--|---|
| | <p>end, ATCO Electric strongly suggests that the AESO conduct a “workshop” including an independent consultant, representatives of other jurisdictions and perhaps even customers who have built their own transmission for transfer to TFOs.</p> <p>c. Staged Approach: CTI may be the worst place to start. By definition, these projects are critical to the operation of the grid. It would seem prudent to adopt a staged approach, testing the concepts on smaller projects to minimize risks to the system.</p> | |
| <p>Brookfield</p> | <p>2f – We suggest that costs be allocated to those best able to cost effectively manage them rather than ‘fairly’. The question is whether the rate payers or shareholders should bear scope, schedule and cost risks related to the CTI projects.</p> <p>3 – We believe the issue is whether Alberta wishes to create (i) new TFOs; (ii) next generation TFOs, perhaps with different duties and responsibilities (and hence incentives and rate structures) than the existing TFOs; or (iii) introduce some new quasi-merchant concession model. If the direction is new TFOs, it is reasonable to extend current practices related to transmission development and construction rather than creating new contract protocols.</p> | <ul style="list-style-type: none"> • The AESO agrees that risk should be allocated to those best able to cost effectively manage it and has revised this goal accordingly. • As discussed in the draft recommendation paper, the AESO supports the Own model as it best fits with the goals set out in the Discussion Paper. • Section 5.1 of the draft recommendation paper provides a framework for further discussion on risk sharing concepts and associated cost recovery models. • See Section 4.5 of the draft recommendation paper for a discussion on the development of a level playing field for all proponents. |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|--------------|--|---|
| | <p>As a principle, the incumbent TFOs should not be allowed to cross-subsidize participation in new CTI from their existing regulated businesses in order to allow a fair comparison among proponent proposals.</p> | |
| <p>EPCOR</p> | <p><input checked="" type="checkbox"/> Support EPCOR is generally supportive of a competitive procurement process that would reduce the life cycle costs of major capital builds if it does not expose the system to increased risks regarding system reliability, availability or the financial stability of participants. In addition to the more specific comments below, EPCOR suggests that a guiding principle/objective should be that this process results in better outcomes than the current process for building major projects.</p> <p>Regarding Objective/ Principle 2 a) – EPCOR suggests clarification that the objective of cost minimization should be on a life cycle basis</p> <p>Regarding Objective/ Principle 2 f) – EPCOR suggests that a fair allocation of risks is insufficient. The process should also have as an objective to appropriately compensate for risks undertaken.</p> <p>Regarding Objective/ Principle 2 g) – EPCOR is unclear as to how a process for provision of transmission facilities can foster efficient use of the assets. In EPCOR's view, facility usage is considered in determination of the need for the facility, which is necessarily contemplated in its</p> | <ul style="list-style-type: none"> • It is the AESO's view system reliability must not be negatively impacted as a result of the competitive process. • At this time, the AESO will limit the scope of the Process to those CTI facilities referred to in Section 24(3) (a), (c) and (d) of the T-Reg. The application or adaptation of an approved Process to more than one transmission facility project, as contemplated in Section 24(8) of the T-Reg, may be considered at a future date. • The revised goals are set out in Section 4.2 of the draft recommendation paper. • As part of the RFQ process, interested parties will only become qualified bidders if they can they demonstrate they are technically and financially sound. See the RFQ selection criteria in Appendix D of the draft recommendation paper for further detail. • Likewise, the RFP process will only advance qualified bidders whose proposals do not negatively impact system reliability. See Appendix F of the draft recommendation [paper for further information on RFP selection criteria details. • The AESO agrees that cost minimization over the life cycle of the asset is a more appropriate goal for Goal 2(a). • The AESO will revise Goal 2(f) such that risk is allocated to |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|-------------|---|--|
| | <p>designation as CTI and within the legislative framework. Please explain what the AESO intends by inclusion of efficient “use” of assets within this context.</p> <p>Regarding Objective/Principle 2 h) – EPCOR suggests that in addition to “clear accountabilities” it should be clear as to the compensation various parties receive for accepting those accountabilities.</p> | <p>those best able to cost effectively manage it.</p> <ul style="list-style-type: none"> • Additionally, the AESO recognizes that increased risk must be commensurate with increased reward. • Section 5.1 of the draft recommendation paper provides a framework for further discussion on risk sharing concepts and associated cost recovery models. • The AESO agrees with EPCOR’s comments regarding “use” of the asset and has revised Goal 2(g) to eliminate this term. • The RFP process will provide clarity on a winning bidder’s accountabilities, responsibilities and compensation expectations. |
| LS Power | <p>LS Power supports the objectives and principles described in the discussion paper. An additional goal of the process for CTI that should be considered is to create a fair and objective process that does not unfairly advantage one qualified party over another.</p> | <ul style="list-style-type: none"> • Pursuant to Section 24.2 of the T-Reg, the AESO must develop a competitive process, meaning a fair and open process that allows any qualified entity, as determined by the AESO, to submit a proposal in respect of a transmission facility to determine the person who is eligible to apply for the construction and/or operation of certain transmission facilities which includes CTI. |
| NaturEner | <p>NaturEner supports the objectives and principles identified</p> | |
| SNC-Lavalin | <p>SNC T&D is aligned with the intent of the Objectives and Principles outlined however we feel that Goal 2.2.a <u>cost minimization without affecting system reliability</u> might be changed to <u>Minimizing cost while minimizing system stability</u>.</p> <p>Introduction of new entrants (goal 2c) and the adoption new technology (goal 3c) <u>will</u> adversely affect system reliability particularly in the short</p> | <ul style="list-style-type: none"> • SNC-Lavalin has clarified that its statement should read: “Goal 2.2. (a) Create cost minimization without affecting system reliability might be changed to minimizing costs while maximizing (versus minimizing) system stability”. • The revised goals are set out in Section 3.2 of the draft recommendation paper. • It is the AESO’s view that system reliability must not be |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|-------------|--|---|
| | term. | negatively impacted as a result of the competitive process. |
| TransAlta | <p>Under goals in 2. We would suggest adding an objective relating to the “timely” addition of transmission assets. The ability of a qualified bidder to meet a specified in-service date should be both a selection criteria and a contractual term and as such timeliness should be a goal of this process. See for example Step 7 b) of the Own Alternative.</p> <p>3. a) assumes certain characteristics of a non-traditional rate base return contract. This may conflict with 3. C) for example.</p> <p>We suggest generalizing the “form of contract” and that the word “shall” not be used when the items a) through d) have significant flexibility in them.</p> <p>It would be useful to describe and contrast traditional rate base regulation to competitive approaches. Traditional rate base regulation, for example, provides that the return an investor receives is directly proportional to the size of the ratebase, i.e. the aggregate net original capital cost of projects, and this provides perverse incentives to maximize capital costs.</p> | <ul style="list-style-type: none"> • The AESO agrees that an expected in-service date be part of the RFP and a provision of any contractual arrangements arising from the RFP. • Comment 3. c) was intended to address the overall framework of the competitive process being designed by the AESO. Comment 3. a) describes the possible implementation mechanism being envisaged for transforming the financial bid into the realized revenue stream. • The AESO agrees items a) through d) have significant flexibility in them. However, because of the general nature of the comments, we do not see the word “shall” as causing an issue. |
| TransCanada | <p><i>Item 2.1.2 d) TransCanada would like to understand more about how the AESO believes the Process can foster regulatory predictability.</i></p> <p><i>Item 2.1.3(c) The duty to consult aboriginal</i></p> | <ul style="list-style-type: none"> • Subsequent to the publication of the Discussion Paper, amendments to the T-Reg clearly lay out the roles and responsibilities of the AUC and the AESO for the development and implementation of the competitive process, which has |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|---|--|--|
| | <p><i>people on their rights under section 35 of the Canadian constitution is a government duty. Although some procedural aspects of consultation may be delegated to industry by government directly or through a regulatory process, the duty itself continues to rest with the Crown. The Selected Entity must meet the consultation requirements put in place by the regulators or permit grantors.</i></p> | <p>fostered regulatory predictability.</p> <ul style="list-style-type: none"> • Completion of the development of the competitive process and its filing and approval by the AUC will provide further regulatory predictability for all stakeholders and market participants. • The AESO agrees with the comment at 2.1.3 c). The RFQ and the RFP will ensure the obligation will be met while facilitating to the extent possible all relevant procedures. |
| UCA | <p><input checked="" type="checkbox"/> Support Of the ten Goals listed, the overriding purpose of legislation, regulatory changes and a competitive procurement process must be to satisfy Goals (a) and (g) in the interests of electric customers in Alberta. In this regard the UCA would also expect that Goals (a) and (g) would be taken together to achieve “cost minimization” over the full asset life.</p> | <ul style="list-style-type: none"> • The AESO agrees that efficient investment, maintenance and operation of transmission assets, and minimizing life cycle cost are important process goals. However, the AESO believes a focus on only these two goals will not result in a successful competitive process. |
| 8. Discussion Paper | | |
| The AESO is seeking stakeholder comments regarding additional alternatives including associated advantages and disadvantages for the competitive procurement process. | | |
| Stakeholder | Stakeholder Comment | AESO Replies |
| AltaLink | It is suggested that a variation of the EPC Alternative be considered to mitigate key potential disadvantages associated with the proposed EPC Alternative. Under this alternative (TFO/EPC Alternative) the incumbent TFO would be responsible for the front end development work, including stakeholder consultation, facility applications and land acquisition. Once this was | <ul style="list-style-type: none"> • The AESO’s response to stakeholder comments on alternative models can be found in the draft recommendation paper, Section 3.4. Additionally, Appendices C, Section C.1, C.2 and C.3 to the draft recommendation paper provides a summary of the stakeholder comments on the advantages and disadvantages of the AESO EPC, TFO EPC and AESO Own models. |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|--|--|--|
| | <p>completed, the remainder of the process would be as described in the EPC Alternative and the competitive portion of the process would be managed by the AESO.</p> <p>This approach, in AltaLink’s view, has some key advantages over the EPC Alternative identified in the discussion paper, as follows:</p> <ul style="list-style-type: none"> • As with the EPC Alternative, the TFO/EPC Alternative would provide the same advantages of a competitive turnkey price by the EPC including a premium to manage risks associated with unforeseen situations. However, the risk premium would be substantially reduced in this option, compared to the EPC Alternative, since cost and timing uncertainties associated with the routing and permitting process would be eliminated from the competitive bid. • As in the EPC Alternative, the TFO’s operational familiarity would continue to be employed in ongoing operation and maintenance of the facility. • The TFO/EPC Alternative would be better in terms of stakeholder consultation and coordination, and establishing and maintaining long-term relationships with landowners and other stakeholders. The TFO, in this case, would ensure effective management and mitigation of landowner and other stakeholder impacts. This would also address the disadvantage of the EPC Alternative related to “hand-off” of the | |
|--|--|--|

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|-------------------|--|--|
| | <p>landowner relationships.</p> <ul style="list-style-type: none"> • The TFO has familiarity with the regulatory process and associated rules and practices and can therefore ensure consistency in consultation and land acquisition practices between projects done under this competitive process and other transmission projects in Alberta. • Under the oversight of the AESO, this alternative would effectively mitigate the potential for significant risk premiums associated with delays and protracted negotiations with landowners by utilizing current mechanisms for cost control without the need for implementing “special provisions” or “risk-sharing” mechanisms to deal with the associated uncertainties. • The TFO/EPC Alternative would reduce the need for bidders to heavily qualify their bids on the assumption that the AESO will backstop all associated risks. This alternative will also reduce the complexity of evaluating the bids. | |
| ATCO Electric LTD | <p>The following Alternative is also included as Attachment “B” for ease of reading.</p> <p>Alternative 3: EPCM/EPC Managed by TFO</p> <p>ATCO Electric submits this alternative which provides the benefits of competition with respect to the most significant component of the overall lifecycle costs of a project, and preserves the advantages of legacy knowledge, experience</p> | <ul style="list-style-type: none"> • The AESO’s response to stakeholder comments on alternative models can be found in the draft recommendation paper, Section 3.4. Additionally, Appendices C, Section C.1, C.2 and C.3 to the draft recommendation paper provides a summary of the stakeholder comments on the advantages and disadvantages of the AESO EPC, TFO EPC and AESO Own models. |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|--|--|--|
| | <p>and culture of Alberta corporations, to the benefit of Albertans.</p> <p>ATCO Electric’s preliminary research of the experience and directions in other jurisdictions suggests these initiatives are not yet fully operating models and may not necessarily be applicable to Alberta due to their narrow scope, i.e. these other jurisdictions are not attempting to apply their concepts to anything near the magnitude and complexity of CTI. Keeping this in mind as well as the recent experience here in Alberta, ATCO Electric puts forward a model for consideration that aligns with our principles outlined in Attachment “A” and generally with AESO’s goals and objectives.</p> <p>Under this model, the AESO would assign a project to the incumbent TFO who would utilize either an EPCM or an EPC contracting strategy. EPCM/EPC would be bid out by the TFO who would manage the bid process and provide the AESO with transparency through regular cost and schedule updates. The TFO would retain and control the Right-of-Way (ROW) Planning and Permitting functions and own and operate the line after completion of construction. TFO control of these functions is key to ongoing and successful community and Aboriginal relations. This model differs from the AESO’s “EPC” alternative in two important aspects: who owns the ROW function, and who has responsibility for the bid process and becomes the counter-party to the selected entity. For both of these key</p> | |
|--|--|--|

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|--|---|--|
| | <p>areas, ATCO Electric suggests that these functions remain with the TFO.</p> <p>The Process for Alternative 3 would include similar steps as those listed in AESO Alternative 2. In Alternative 3, under the EPCM contracting strategy, engineering and procurement would be competitively bid, and construction management and project management services would be performed in-house and/or tendered, depending on the size and complexity of the project. This would provide the TFO with greater project control and visibility around costs and schedule than an EPC contracting strategy. There may be circumstances where the TFO determines an EPC strategy would be preferable, particularly if the scope of work is well defined.</p> <p>The AESO determines any additional reporting requirements of the TFO during the bid and construction process such that it is fully satisfied with the competitive process undertaken by the TFO.</p> <p>Advantages and disadvantages of Alternative 3 are summarized below, generally using the AESO's Goals for the Process for CTI :</p> <p>Advantages</p> <p>a) Cost minimization without adversely affecting system reliability</p> <p>ATCO Electric's Alternative 3 would create</p> | |
|--|---|--|

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|--|---|--|
| | <p>incentive for innovation in design, development and construction methods, and ensure competitive prices from the EPCM/EPC Entities, which will minimize development and construction costs.</p> <p>Alternative 3 can be shown to be cost efficient. Assigning the project to the TFO and placing the costs in the rate base should result in the lowest long term costs as the TFO does not have to add risk margins to cost estimates.</p> <p>b) Safety, Reliability and Adherence to AESO and TFO Standards</p> <p>TFOs can use their own designs to ensure optimization of life cycle facility costs, ensure that safety is addressed in the design and deal with the complexities of emergency response planning and operation coordination issues with other parties.</p> <p>Having suppliers and contractors bid on all equipment ensures the latest innovations are utilized. Having the TFOs manage the EPCM/EPC process will ensure that such choices are always made in the interest of long term sustainability of the network, optimal lifecycle asset costs and benefits to customers.</p> <p>c) Efficient investment, operation,</p> | |
|--|---|--|



Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|--|--|--|
| | <p>maintenance and use of transmission assets and Regulatory predictability</p> <p>Fully utilizes incumbents' institutional legacy knowledge, particularly with respect to Alberta.</p> <p>EPCM/EPC contracting is an established practice, understood by current participants and the regulator. In addition, it has been proven to work successfully. As an example, in recent years ATCO Electric has effectively procured SVCs through competitive turnkey contracts. Also, our current practice is to competitively procure engineering and other services with many of our transmission projects. Currently, we are pursuing competitive bids on the converter stations, which is a significant component of the east DC transmission line.</p> <p>The TFO has experienced people, significant financial and support resources, proven processes and systems in order to set standards, run bid processes and manage performance of contractors and equipment suppliers. The expertise includes a well-developed commercial understanding of contract law and remedial contract actions that achieve well-designed and constructed facilities at reasonable life-cycle costs.</p> <p>If the AESO was to manage the EPC bidding, it would be assuming</p> | |
|--|--|--|

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|--|---|--|
| | <p>accountability to customers for project cost and schedule deliverables as well as associated legal liabilities for contract performance. In addition, AESO would have to staff up dramatically to be able to manage this work, in a market of growing scarcity of the requisite skills and experience. In the absence of an organizational track record of delivering substantial infrastructure projects, this would add unnecessary project risk and related cost to the process.</p> <p>d) Transparency and Enhanced Reporting</p> <p>The contractual provisions and relationships between the TFO and the EPCM/EPC entity would introduce opportunity for enhanced reporting and increased transparency. This could save time in hearings and help promote continuity, efficiency and flow of project responsibility.</p> <p>e) Opportunity for Innovation</p> <p>ATCO Electric has always complied with the traditional regulatory cost of service model to include capital costs in tariff. Contrary to the disadvantage stated in AESO’s EPC model that “this limits the opportunity for financial innovation”, such innovation is possible under the EPCM/EPC model with appropriate</p> | |
|--|---|--|

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|--|--|--|
| | <p>regulatory rule changes.</p> <p>f) Consistency, Administratively Straightforward and Efficient</p> <p>Make Use of Existing Processes – This model would avoid the need for the AESO to duplicate systems, processes and capabilities that already exist at the TFO's, and would avoid the associated extra work, costs, schedule delays, and uncertainty. Having the AESO develop and administer a new process would take time, cost money and introduce unnecessary development risk that would ultimately be paid for by customers. Most of the cost of infrastructure is currently in engineering and construction.</p> <p>Continuity and Efficiency - Provides continuity of process within one entity and does not require significant changes to established AESO and AUC roles and practices</p> <p>Staged Approach - Supports a staged approach, allowing opportunity to evaluate the extent to which objectives have been met without introducing drastic changes to existing system, potentially putting critical infrastructure timelines at risk.</p> <p>g) Long-Standing Stakeholder Relations with Landowners and Aboriginal Groups</p> | |
|--|--|--|

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|--|--|--|
| | <p>The Incumbent TFO will have direct responsibility for and manage the Right-of-Way Planning process and, as such, will continue to be involved in consultation to support siting, land acquisition and filing of the Facility Application.</p> <p>Requiring the TFO to perform the ROW and permitting processes builds on existing, successful practices and relationships with Aboriginal groups and landowners rather than having multiple new participants attempt to reinitiate this lengthy and sensitive process. The TFO has existing long-term relationships which go back for decades and will continue for decades.</p> <p>Given the critical nature of the facilities contemplated, ongoing access to those facilities is paramount in ensuring the long term integrity of those assets and hence the system. Securing the right of way is the first step in a very long term relationship between the owner/operator of facilities and those with an interest in the land. Access to facilities for inspections, vegetation management, maintenance and emergency response is fundamental to the ongoing safe reliable operation of the system.</p> <p>h) Opportunity for new entrants</p> | |
|--|--|--|

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|--|---|--|
| | <p>ATCO Electric’s Alternative 3 provides for new entrants through competitively bid EPCM or EPC in a controlled manner so that impacts to existing system and processes can be assessed, and risks of making significant changes can be properly managed.</p> <p>i) Clear accountabilities</p> <p>Clear accountabilities will be established through project plans, reporting protocols, cost monitoring functions, and any other appropriate mechanisms which are introduced.</p> <p>Disadvantages:</p> <p>a) ATCO Electric’s alternative could be seen as favouring the incumbent TFOs. However, this model supports a staged approach and does not necessarily preclude new transmission owners at a later date if the staged approach does not meet AESO goals. Given the criticality of the electrical transmission system, a staged approach is a prudent approach.</p> <p>b) The EPCM/EPC approach requires additional dedicated and experienced project management oversight to ensure adherence to cost and budget and to</p> | |
|--|---|--|

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|------------|---|---|
| | <p>manage contracts; however, the incumbent is well positioned to understand the resource requirements to undertake this work utilizing its project management principles and practices, and its experience and understanding of bid process, engineering, procurement and construction of transmission lines in Alberta.</p> | |
| Brookfield | <p>By extension of the Own Alternative, we recommend that the selected proponent be licensed as a TFO and as such have all the rights and obligations as the existing incumbents in the Province. This also avoids extensive changes to the underlying regulatory framework.</p> | <ul style="list-style-type: none"> • The AESO agrees that the selected proponent be, or be deemed to be a TFO. • Section 5.1 of the draft recommendation paper provides a framework for further discussion on risk sharing concepts and associated cost recovery models. |
| EPCOR | <p>EPCOR is concerned that each of the Own and EPC alternatives described by the AESO requires bids to be submitted and contractually agreed upon prior to establishment of a clear route or assured timing as to when approval would be received to begin construction. This lack of clarity as to what the participants are bidding on exposes the bidder to a considerable amount of risk. Bidders can be expected to add material contingencies to address unknowns regarding route changes and timing of the approval / construction process. This would make it difficult for comparable bids to be provided by qualified bidders, and would also result in material premiums built into final bids. An alternative that would allow for the completion of routing in advance of bidding would address much of the risk.</p> | <ul style="list-style-type: none"> • The AESO's response to stakeholder comments on alternative models can be found in the draft recommendation paper, Section 3.4. Additionally, Appendices C, Section C.1, C.2 and C.3 to the draft recommendation paper provides a summary of the stakeholder comments on the advantages and disadvantages of the AESO EPC, TFO EPC and AESO Own models. • Section 5.1 of the draft recommendation paper provides a framework for further discussion on risk sharing concepts and associated cost recovery models. |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|--------------------|--|--|
| <p>LS Power</p> | <p>An additional alternative that the AESO may want to consider is a hybrid between the Own Alternative and the EPC Alternative. Under this alternative the selected entity would develop construct and own the transmission facilities but the incumbent TFO would provide operations and maintenance services.</p> <p>Advantages to the hybrid alternative would be the same as the Own Alternative but would have the operational advantage of the EPC Alternative where existing crews and infrastructure required to operate and maintain the facilities are utilized in a more cost-effective manner.</p> | <ul style="list-style-type: none"> • The AESO considers this alternative as very similar to the AESO Own model. • The successful proponent has the option under the AESO Own model to contract out operations and maintenance services to an incumbent TFO or other providers of this type of service if this makes economic sense. • Proponents may determine how they will manage operating and maintaining the facility. |
| <p>NaturEner</p> | <p>NaturEner does not have an alternative to propose but supports leaving the process open and flexible enough to look into options that may be brought forth during this process.</p> | |
| <p>SNC-Lavalin</p> | <p>The existing TFO's EPC model is bound by competitive Procurement of materials and services. ~90% of the build costs within the EPC's scope of a CTI project meet all of the goals outlined above.</p> <p>The Process allocates the risk of Land Access, Consultations and Permit & Licensing back to the TFO's, who have the most control.</p> <p>Should the risk be assigned to an EPC, we would need to factor in a huge risk premium to effectively manage the Land, Permitting and Consultation process.</p> <p>We feel the existing Direct Assign process enable new entrance, and with some modifications to the procurement tender</p> | <ul style="list-style-type: none"> • The AESO's response to stakeholder comments on alternative models can be found in the draft recommendation paper, Section 3.4. Additionally, Appendices C, Section C.1, C.2 and C.3 to the draft recommendation paper provides a summary of the stakeholder comments on the advantages and disadvantages of the AESO EPC, TFO EPC and AESO Own models. |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|-----------|--|---|
| | <p>processes, larger blocks of material and services contracts could attract more non-traditional sources and entrance.</p> <p>Advantages to retaining the current Direct Assign with minor changes to the procurement process would be efficient deployment within the most aggressive build cycle in 30 years, appropriately distribute risk on the front end Land and Permitting/consultation activities, stability of the system.</p> <p>As all builds today are scrutinized through a fully transparent deferral account process, Goal 2.2.i Transparency and consistency over time is achieved immediately</p> | |
| TransAlta | <p>Another broad alternative for the AESO to consider is to allow for new entrants to become TFOs and be subject to the traditional regulatory process.</p> <p>This could be done by removing the geographic incumbency of existing TFOs by changing the Transmission Regulation by deleting 24(1) (a) and/or modifying 24(2) and 24(3). In the simplest terms the AESO should be able to choose any qualified person to construct, own and operate a transmission facility.</p> <p>The AESO needs to question whether the use of traditional franchise service territories (geographic service areas) stifle competition and if elimination of service territories would provide incentive to compete to invest and to be efficient</p> | <ul style="list-style-type: none"> • The AESO's response to stakeholder comments on alternative models can be found in the draft recommendation paper, Section 3.4. Additionally, Appendices C, Section C.1, C.2 and C.3 to the draft recommendation paper provides a summary of the stakeholder comments on the advantages and disadvantages of the AESO EPC, TFO EPC and AESO Own models. • The RFQ and RFP selection criteria will require bidders to demonstrate their capabilities on a number of fronts. See Appendices E and F for a listing of the selection criteria associated with each of these documents. • The AESO agrees that the competitive process must create an "opportunity" for proponents to invest in Alberta's transmission industry. • AESO will give due consideration to the inclusion of technology incentives as appropriate in the RFP. |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|-------------|--|--|
| | <p>and effective. Performance on existing facilities could be a selection criteria for qualifying to compete for future projects.</p> <p>The various incumbent TFOs and new entrants could then compete for the opportunity to invest in transmission facilities. Investment would be an opportunity and not a right.</p> <p>We suggest that such competition to invest combined with some form of incentive regulation may be workable. Such incentives should include technology use to incent real time optimization, use of devices and communications to control power flows, efforts to reduce losses, and smart grid initiatives. Such incentives could include the “risk sharing” concepts as alluded to in the discussion paper.</p> | <ul style="list-style-type: none"> Section 5.1 of the draft recommendation paper provides a framework for further discussion of risk sharing concepts and associated cost recovery models. |
| TransCanada | <p><i>Section 24.2(8) of the Transmission Regulation states that the Process may be used on other transmission projects. Depending on the project scope, known landowner sensitivities, and schedule requirements there may be occasions where a project is better suited to one process alternative than the other. Consideration of developing both alternatives may be warranted.</i></p> | <ul style="list-style-type: none"> At this time, the AESO will limit the scope of the Process to those CTI facilities referred to in Section 24(3) (a), (c) and (d) of the T-Reg. The application or adaptation of an approved Process to more than one transmission facility project, as contemplated in Section 24(8) of the T-Reg, may be considered at a future date. The AESO will fully develop the AESO Own model and the process required to implement the AESO Own model. The AESO Own model will be included in the AESO's application to the AUC for approval of the competitive process. Moving forward, the competitive process may be adjusted if an alternative model, e.g., an EPC type model, is determined more |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|--|--|---|
| | | appropriate for a specific transmission project. |
| UCA | <p>The Discussion Paper focuses on the determination of the type of process AESO will take forward to the AUC for approval. The UCA questions the selection of a single Process that would become entrenched in legislation to the exclusion of other alternatives at present and in the future. Such a predetermination may not provide customers with the best outcomes for all of the anticipated CTI projects. The UCA would like to see a competitive process that is flexible enough to allow eligible bidders to bring their most creative Own or EPC offering to the AESO if a situation arises where an incumbent TFO does not submit an Own bid. In this situation Own and EPC offerings could be compared in terms of the ultimate goal of minimizing asset life costs for Alberta electric customers.</p> <p>The UCA also notes that the paper is silent on the possibility of an “Own” option predicated on another entity securing a route upon which a competitively-procured transmission line is built. While this may not be a viable option, the lack of any discussion is a significant shortcoming if the next step is truly to lead to a recommendation paper.</p> | <ul style="list-style-type: none"> • The AESO will fully develop the AESO Own model and the process required to implement the AESO Own model. The AESO Own model will be included in the AESO's application to the AUC for approval of the competitive process. • Moving forward, the competitive process will be adjusted if an alternative model, e.g., an EPC type model is determined more appropriate for a specific transmission project. • The AESO believes it would be very difficult to compare, evaluate and choose a clear winner if it were to allow proponents to submit bids based on their preference of Own or EPC models. • Section 5.1 of the draft recommendation paper provides a framework for further discussion on risk sharing concepts and associated cost recovery models. |
| 9. Discussion Paper | | |
| The AESO is seeking stakeholder comments regarding the process steps in the Own Alternative. | | |
| Stakeholder | Stakeholder Comment | AESO Replies |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|-------------------|--|--|
| AltaLink | <p>Step 2 does not provide any indication of the criteria to be used by the AESO in establishing the short list of eligible bidders, nor does it indicate how many bidders would be on the short list. This information would be valuable to potential bidders in assessing their willingness to participate.</p> <p>In step 6 it would be useful to provide some guidance, as to the criteria to be employed in determining whether to accept a proposal, reject all proposals or repeat the entire process.</p> <p>Step 7 requires the Selected Entity to submit a tariff application to the AUC under section 37 of the <i>EU Act</i>. It is not clear to AltaLink why the AUC would need to approve the tariff, given that the tariff was determined under the competitive process developed by the AESO and previously approved by the AUC. The contract would be finalized through negotiation between the Selected Entity and the AESO, and the requirement for a further approval by the AUC, would be unusual and would increase the risk.</p> <p>It would seem that the AESO, as the counterparty to the contract, would file a tariff application to the AUC for inclusion of the payment obligations under the Own Contract as part of the AESO tariff.</p> | <ul style="list-style-type: none"> • The AESO is currently developing the RFQ and RFP documents. See Appendices D, E and F for the proposed structure of the RFQ and the selection criteria for the RFQ and RFP. • Section 5.1 of the draft recommendation paper provides a framework for further discussion on risk sharing concepts and associated cost recovery models. |
| ATCO Electric LTD | No comment at this time | |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|------------|--|--|
| Brookfield | Step 7 should be modified to require the selected proponent to apply for TFO status and then manage the development, construction and regulatory process as would any existing incumbent TFO. The ultimate relationship would be a common regulatory relationship between the new CTI-TFO and consumers/ratepayers/other TFO, rather than a commercial/contractual relationship exclusively between CTI-TFO and AESO. | <ul style="list-style-type: none"> Section 5.2 of the draft recommendation paper provides a framework for further discussion on contractual arrangements arising from the competitive process. |
| EPCOR | <input checked="" type="checkbox"/> Support See comments above. In addition, EPCOR asks that the AESO provide in the discussion paper a clear outline as to what is expected to be included in the RFP. For example, it is EPCOR's view that the RFP should designate a route for the proposed facility. Otherwise a direct comparison and evaluation of competing bids will be difficult. Also, if the RFP is to be based on a pre-established route, what process does the AESO propose to determine that route? | <ul style="list-style-type: none"> Section 5.1 of the draft recommendation paper provides a framework for further discussion on risk sharing concepts and associated cost recovery models. |
| LS Power | <p>The steps in the Own Alternative seem appropriate. However, the AESO may want to consider in Step 6 whether it should also be able split projects amongst developers. Most of the current CTI projects are very large in scope and may have more than one developer providing advantageous proposals. In some cases the AESO may want to assign portions of large projects to multiple developers to reduce overall counterparty risks.</p> <p>While LS Power believes the RFQ process followed by an RFP process will work, we</p> | <ul style="list-style-type: none"> See Section 5.4 of the draft recommendation paper where the AESO seeks stakeholder comment on bidding out all components of the Fort McMurray project versus bidding out components separately. The AESO will develop a competitive process that embraces both quality and expediency. The AESO will consider combining the RFQ and RFP processes. |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|-----------|---|--|
| | <p>suggest that the AESO consider combining the RFQ and RFP process to reduce the time of the overall process and to avoid eliminating bidders too early in the process. During the CREZ process in Texas it was ultimately found to be more efficient to combine the two.</p> | |
| NaturEner | <p>Step 1: In order to create efficiency, predictability and fair opportunity, whatever process the AESO develops for the Own Alternative should be the process used for all CTI competitive procurement. In other words, this should be done and approved once rather than for every CTI project.</p> <p>Step 2: NaturEner requests the AESO to consider whether it makes sense to have a standing list of prequalified eligible bidders rather than to have to undertake this for each CTI project. New entities should be allowed to apply to be qualified at any time and approved entities should have to reapply every few years. This could reduce the workload and shorten the timeframes for the CTI process.</p> <p>Steps 3, 4, 5, 6: Agree</p> <p>Step 7: General agreement, except that the term “making the transmission facility available in a timely manner” is too vague, and more defined time expectations need to be imposed with relevant penalties, if not achieved. The same should be required for cost estimates (included in the FA).</p> | <ul style="list-style-type: none"> • The AESO will fully develop the AESO Own model and the process required to implement the AESO Own model. The AESO Own model will be included in the AESO's application to the AUC for approval of the competitive process. • Moving forward, the competitive process will be adjusted if an alternative model, e.g., an EPC type model is determined more appropriate for a specific transmission project. • The AESO agrees there are advantages to having a standing list of prequalified bidders. |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|-------------|--|--|
| | In order to protect rate payers, there needs to be a financial incentive/consequence for exceeding estimated cost. | |
| SNC-Lavalin | <input checked="" type="checkbox"/> Support The process steps within this model do not impact us as stakeholders. | |
| TransAlta | <p>Given an incumbent TFO is eligible in Step 2, how does the AESO plan on ensuring that the preparation of the RFQ is not a cost to be recovered through the regulatory process and that such costs are at the risk of the shareholders of the TFO?</p> <p>The analogous process was that for the Purchase Power Arrangements (PPA) except that the facilities in question already existed. We would suggest that the AESO study that process and inform themselves of the ongoing issues with substituting a long term contract in place of traditional regulation. It must be remembered that the PPA process was undertaken to deregulate generation.</p> <p>TransAlta believes it is important that the AESO is clear on the intent and likely outcomes of competitive procurement.</p> <p>Competitive Procurement is being advanced as a solution or remedy to a perceived problem and implicitly that perception is that the traditional approaches to transmission are not working. Is deregulation of the bulk transmission system the intent of the Competitive Procurement process?</p> | <ul style="list-style-type: none"> • See Section 4.5 of the draft recommendation paper for a discussion on the development of a level playing field for all proponents. • The AESO is familiar with the Alberta Power Purchase Arrangements (PPA) and associated issues. • See the Discussion Paper and draft recommendation paper for a discussion of objectives, principles and goals of the competitive process. |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|--------------------|---|---|
| <p>TransCanada</p> | <p><i>Step 2: Note 6 on page 7 – the RFQ and determination of Eligible Bidders process should be consulted on as part of the Recommendation Paper. Consideration should be given to a cyclical RFQ process so bidders do not need to apply every time an RFP is identified. (See Ontario Energy Board “Licensed Transmitter” process).</i></p> <p><i>Step 5: In the past, the AESO has emphasized the need to work well with the Incumbent TFOs to implement transmission projects. If the AESO is awarding the bid, how could this impact AESO and Incumbent TFOs working relationship and day to day processes required to deliver all other transmission projects? TransCanada suggests considering contracting of the evaluation and recommendation of a Selected Entity to an independent third party.</i></p> <p><i>Step 6: Project schedules cannot afford to have the AESO reject all qualified Proposals – it is imperative that the AESO hold workshops for potential bidders before implementing the Process to increase the odds of receiving qualified Proposals.</i></p> <p><i>Step 7: Creation of the Own Contract template will require significant time in the Process creation schedule and consideration should be given to whether the Own Contracts will be made publicly available.</i></p> | <ul style="list-style-type: none"> • The AESO is currently developing the RFQ and RFP documents. See Appendices D, E and F for the proposed structure of the RFQ and the selection criteria for the RFQ and RFP. • The AESO agrees there are advantages to having a standing list of prequalified bidders. • The AESO may consider contracting portions of the approved competitive process to an independent third party. • The AESO is confident that it will continue to maintain strong, collaborative and professional relationships with industry participants on all matters under its jurisdiction. |
| <p>UCA</p> | <p>AESO identifies the estimated time required for the RFQ and RFP processes as a Disadvantage</p> | <ul style="list-style-type: none"> • The AESO will develop a competitive process that embraces both quality and expediency. |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | for the Own Alternative yet, at this point, the effect of this added time on the cost of the first CTI project would be extremely small and may be an advantage or disadvantage for consumers. Given the magnitude of CTI project costs, consumers would likely prefer a quality process to an expedient one. | |
|--|--|--|
| 10. Discussion Paper | | |
| The AESO is seeking stakeholder comments regarding the advantages, as well as any other advantages and disadvantages the stakeholder believes are appropriate for the Own Alternative. | | |
| Stakeholder | Stakeholder Comment | AESO Replies |
| ABB | <input checked="" type="checkbox"/> Support | |
| AltaLink | <p>One of the noted advantages of the Own Alternative is “more efficient negotiations” of ROW and land option agreements. This might be the case in comparison to the EPC Alternative, but would not be the case when compared to the TFO/EPC Alternative outlined earlier.</p> <p>The Own Alternative has a disadvantage when compared to the TFO/EPC alternatives in that landowner/stakeholder dealings are unlikely to be consistent with projects done under existing processes. This may result in specific groups of landowners being either advantaged or disadvantaged, as a result of the competitive process.</p> <p>The Own Alternative has significant risk and timing uncertainty associated with the siting and</p> | <ul style="list-style-type: none"> The AESO’s response to stakeholder comments on alternative models can be found in the draft recommendation paper, Section 3.4. Additionally, Appendices C, Section C.1, C.2 and C.3 to the draft recommendation paper provides a summary of the stakeholder comments on the advantages and disadvantages of the AESO EPC, TFO EPC and AESO Own models. |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|--------------------------|---|--|
| | <p>permitting and would attract a significant risk premium. Potential risk-sharing mechanisms could help mitigate the cost of the permitting work to some degree, but do nothing to address timing uncertainties and their potential cost impacts.</p> | |
| <p>ATCO Electric LTD</p> | <p>Comments on AESO's stated advantages and disadvantages re Own Alternative:</p> <ul style="list-style-type: none"> • The introduction of another party owning major transmission infrastructure would clearly require a duplication of operations and maintenance organization -- local skilled staff, tools, heavy equipment, ARS compliant processes and procedures, administrative and overhead -- required to operate and maintain such facilities. • The introduction of another entity owning and operating major T facilities complicates operational interfaces and will require greater coordination in areas like emergency response planning and trouble shooting control and protection problems. • Potential for lifecycle efficiencies needs to be supported by analysis and it would be advisable to quantify the gains before proceeding on that assumption • Successful relationships are critical and take significant time and effort to build and maintain. Having one entity assume and manage these relationships throughout the project is a sound approach. However, new entrants will likely need additional time to | <ul style="list-style-type: none"> • The AESO's response to stakeholder comments on alternative models can be found in the draft recommendation paper, Section 3.4. Additionally, Appendices C, Section C.1, C.2 and C.3 to the draft recommendation paper provides a summary of the stakeholder comments on the advantages and disadvantages of the AESO EPC, TFO EPC and AESO Own models. |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|--|---|--|
| | <p>establish these relationships which, as a minimum, will add time to the schedule and may also put existing relationships at risk. The idea of several entrants approaching landowners will create confusion.</p> <ul style="list-style-type: none"> • Added process time associated with uncertainties of an untested model may have been underestimated – likely unacceptable risk for a CTI project <p>Other Disadvantages:</p> <ul style="list-style-type: none"> • Significant change to existing role of AESO; in fact, AESO would be taking on the full responsibility and liability of the TFOs with respect to these projects. • Greatly increased AESO workload, responsibilities and staffing requirements will lead to additional customer costs • Additional time required for new transmission owners to become familiar with Alberta regulatory environment and to develop landowner and First Nations relationships • Inefficiency of introducing non-standard designs, and inconsistent construction practices • Participants in bid process may build and sell a project -- not necessarily in the best interests of Albertans • Very difficult to clearly define scope of work at early stages therefore bids will reflect this and lead to costly extras <p>Current proposal does not allow for a test period on non-critical infrastructure; applying test on</p> | |
|--|---|--|

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|------------|--|--|
| | <p>something less critical would be advisable and allow time and evaluation to either make improvements or more easily withdraw from an unworkable process</p> | |
| Brookfield | <p>Some additional advantages of engaging new entrants include:</p> <ul style="list-style-type: none"> (i) New sources of capital and access to global supply chains (ii) Project discipline to ensure committed scope, schedule and costs aspects of the CTI are delivered (iii) incentivizing optimization of the whole-life cost of the new transmission facility, not just minimizing its initial cost; (iv) opportunity to transfer risks currently assumed by ratepayers onto the transmitter and its shareholders <p>opportunity to partner among the TFOs to provide more efficient O&M support post COD</p> | <ul style="list-style-type: none"> • The AESO's response to stakeholder comments on alternative models can be found in the draft recommendation paper, Section 3.4. Additionally, Appendices C, Section C.1, C.2 and C.3 to the draft recommendation paper provides a summary of the stakeholder comments on the advantages and disadvantages of the AESO EPC, TFO EPC and AESO Own models. |
| EPCOR | <p><input checked="" type="checkbox"/> Support</p> <p>a) EPCOR supports the use of life cycle efficiencies as the standard for evaluation of bids. EPCOR furthermore suggests that not only costs, but also safety, resistance to force majeure events and management of rerouting risk be considered over the life of the asset as well.</p> <p>EPCOR also seeks confirmation that 'tradeoffs' between capabilities as mentioned in the second paragraph does not imply that minimum</p> | <ul style="list-style-type: none"> • The AESO's response to stakeholder comments on alternative models can be found in the draft recommendation paper, Section 3.4. Additionally, Appendices C, Section C.1, C.2 and C.3 to the draft recommendation paper provides a summary of the stakeholder comments on the advantages and disadvantages of the AESO EPC, TFO EPC and AESO Own models. |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|----------|--|--|
| | <p>standards for landowner consultation, financial strength, environmental approvals, etc are to be relaxed in the name of efficiency.</p> <p>EPCOR sees more advantages of the “Own” vs the EPC model. In EPCOR’s view, the Own model is likely to attract more bidders, and therefore produce a better outcome relative to EPC option in a competitive process. Furthermore, the Own option provides one more bid element for bidders to demonstrate efficiencies relative to EPC option.</p> <p>As explained above, EPCOR sees the uncertainty of project specifics and seeking regulatory approvals for the line route after submitting a bid as adding risk to the project, and therefore resulting in the addition of a risk premium by qualified bidders.</p> | |
| LS Power | <p>The Own Alternative better fits with the goals of the Process outlined in Section 2.0, Paragraph 2, including (a) create cost minimization without adversely affecting system reliability, (b) create opportunity for innovation, and (c) create opportunities for new entrants.</p> <p>LS Power’s experience is that most of the entities that are capable of developing and constructing large infrastructure projects while bringing ratepayer benefits and innovation are also primarily interested in a long-term return on investment that comes through ownership. Hence, an additional benefit of the Own Alternative is that it will attract a larger pool of</p> | <ul style="list-style-type: none"> The AESO’s response to stakeholder comments on alternative models can be found in the draft recommendation paper, Section 3.4. Additionally, Appendices C, Section C.1, C.2 and C.3 to the draft recommendation paper provides a summary of the stakeholder comments on the advantages and disadvantages of the AESO EPC, TFO EPC and AESO Own models. |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|-------------|---|---|
| | <p>qualified entities.</p> <p>Schedule is listed as the first disadvantage in the Own Alternative yet is not listed as a disadvantage in the EPC Alternative. LS Power does not see the fundamental reason why the schedules for the Own Alternative and EPC Alternative should be drastically different. The discussion paper anticipates six months to one year to develop and finalize the process and approximately one year identify a Selected Entity and initiate a FA. This schedule of up to two years to develop a process and select an entity has room for improvement. LS Power suggests that finalizing the competitive process and identifying a Selected Entity could be done more quickly.</p> <p>The discussion paper also lists that added uncertainty is introduced with regulatory and other risks. LS Power submits that if qualified parties are selected to develop and own the facilities, the added uncertainty is minimal relative to the existing process or the EPC Alternative.</p> | |
| SNC-Lavalin | <p>A disadvantage to introducing more TFO's assuming that a CTI is awarded to someone other than the current cast of TFO's, is the complexity of P&C, Telecom and SCADA along the new asset.</p> <p>Alberta's current oligopoly creates a rather complex concurrent engineering and document control process on overlapping projects as it</p> | <ul style="list-style-type: none"> • Coordination amongst TFO's is an existing and ongoing requirement. • The AESO's response to stakeholder comments on alternative models can be found in the draft recommendation paper, Section 3.4. Additionally, Appendices C, Section C.1, C.2 and C.3 to the draft recommendation paper provides a summary of the stakeholder comments on the advantages and disadvantages of |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|-----------|---|--|
| | <p>stands. Add multiple additions of new TFO's and their corresponding EPC... this thing will become unmanageable quickly.</p> <p>Augmentations and system growth strategies complicate as well, creating the need to contemplate how mutations to the original transport link are to be managed</p> <p>Thought must be given to the system performance measures associated with a new entrant in the TFO realm. Given SAIFI and SAIDI measures dictate much for a TFO – are these measures effective for a potentially single facility owner?</p> <p>Finally, it is critical not to underestimate the inevitable instability that will be associated with unique designs and builds from new entrants.</p> <p>Some of this exposure could be mitigated within the RFQ process, by imposing a requirement of new entrance that they be an existing utility – thus of a similar mindset.</p> | <p>the AESO EPC, TFO EPC and AESO Own models.</p> |
| TransAlta | <p>It should be expected that if the Selected Entity is to take on increased risks than a traditional TFO then the rate of return requirements will increase.</p> <p>We wonder how a TFO who has both traditionally regulated transmission and an "Own Contract" will ensure separation of their regulated and unregulated businesses.</p> | <ul style="list-style-type: none"> • The AESO's response to stakeholder comments on alternative models can be found in the draft recommendation paper, Section 3.4. Additionally, Appendices C, Section C.1, C.2 and C.3 to the draft recommendation paper provides a summary of the stakeholder comments on the advantages and disadvantages of the AESO EPC, TFO EPC and AESO Own models. • See Section 4.5 of the draft recommendation paper for a discussion on the development of a level playing field for all |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|-----------------------------|--|---|
| | <p>Financial engineering is stated as a key driver for cost minimization. This assertion was provided without proof or evidence. Project financing is more expensive than balance sheet financing and requires higher interest rates given the non-recourse nature of such financing. The AESO should provide information on the relative merits of financial engineering to the traditional rate approach.</p> | <p>proponents.</p> <ul style="list-style-type: none"> Section 5.2 of the draft recommendation paper provides a framework for further discussion on contractual arrangements arising from the competitive process. |
| TransCanada | <p><i>An additional advantage of this alternative is that the Selected Entity may also be a market participant that has facilities or is building facilities in the area of the needed transmission infrastructure and therefore has already established landowner relationships.</i></p> <p><i>On page 9, the AESO states that it will take approximately one year to identify a Selected Entity. TransCanada is concerned with this timeframe and would like to see it reduced to the extent possible given the additional risk that it adds to projects. For example, in order to reduce the risks, and hence premiums, associated with route selection perhaps the AESO can establish a preferred route prior to the RFP being issued. This option would require a method for dealing with the substantial costs incurred in the route development stage in order to maintain the competitive aspect of the process.</i></p> | <ul style="list-style-type: none"> The AESO's response to stakeholder comments on alternative models can be found in the draft recommendation paper, Section 3.4. Additionally, Appendices C, Section C.1, C.2 and C.3 to the draft recommendation paper provides a summary of the stakeholder comments on the advantages and disadvantages of the AESO EPC, TFO EPC and AESO Own models. Section 5.1 of the draft recommendation paper provides a framework for further discussion on risk sharing concepts and associated cost recovery models. |
| UCA | No comment | |
| 11. Discussion Paper | | |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| The AESO is seeking stakeholder comments regarding efficient risk-sharing options that will optimize the overall cost of CTI projects. | | |
|--|--|---|
| Stakeholder | Stakeholder Comment | AESO Replies |
| AltaLink | <p>We agree that as much as it would be desirable to have fixed price bid or that at least bidders would submit a highly predictable price, this will be difficult given the risks involved, particularly with the front end work on the project.</p> <p>To meaningfully respond to this question there needs to be much greater clarity, as to the bidders' obligations and which party is expected to cover the relevant risks. This can be done by developing the full contract, which would consider the full spectrum of risks and how best to allocate them, between the parties.</p> <p>On page 9, the paper stated, in the context of risk involved in the FA process, that "Requiring the Selected Entity bear these risks may result in a significant risk premium". AltaLink agrees that the risk associated with the work leading up to approval of a facility application and land acquisition will definitely attract a significant risk premium.</p> <p>AltaLink does not think that the "risk-sharing" option as alluded to in AESO paper will effectively mitigate the uncertainties related to routing, permitting and land acquisition. Fundamentally, the bidder would have to submit a bid without knowing the route, the length of the line, landowner impact mitigation, land compensation costs, environmental mitigation and when the P/L permit will be received. This</p> | <ul style="list-style-type: none"> Section 5.1 of the draft recommendation paper provides a framework for further discussion on risk sharing concepts and associated cost recovery models. |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|-------------------|---|--|
| | <p>uncertainty would result in a high risk premium, or a highly qualified bid either of which would undermine the objective of optimizing lifecycle costs.</p> <p>It is unclear to AltaLink how either the “RFQ screening process” or the “AUC-approved Process” will effectively reduce these uncertainties associated with the Own Alternative, in any substantial way.</p> <p>The TFO/EPC Alternative proposed earlier would be a viable approach to dealing with this issue. Under this approach, EPC tendering will be done when the FA timing and route is substantially determined, which would allow a substantial portion of the risk premium to be removed from the EPC bids.</p> | |
| ATCO Electric LTD | No comment at this time | |
| Brookfield | <p>Three issues for further consideration include:</p> <p>(i) In other jurisdictions (e.g. Texas), the selection of the proponent did not take 1 year (CREZ plan approved by PUCT July 2008, TSPs selected January 2009) and there was commitment on both the proponent and agencies to expedite approvals to ensure timely completion of the projects. A similar process should be evaluated for Alberta</p> <p>(ii) Ensuring the ‘bids’ (offers) are sufficiently similar, especially when bidders are suggesting significant changes to the</p> | <ul style="list-style-type: none"> • See Section 3.3 of the draft recommendation paper for a discussion of issues raised by stakeholders relating to schedule. • The AESO agrees the bids need to be sufficiently similar to allow for meaningful comparison. • The AESO recognizes increased risk must be commensurate with increased reward. • Section 5.1 of the draft recommendation paper provides a framework for further discussion on risk sharing concepts and associated cost recovery models. |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|----------|---|---|
| | <p>allocation of risks between ratepayers and the TFO, to allow for meaningful comparison while not limited creativity and innovation;</p> <p>(iii) ensuring that the process does not attempt to allocate risks to the CTI TFO that no TFO would be willing or able to bear at a reasonable cost.</p> | |
| EPCOR | <p>As described above, EPCOR believes that removing routing from the bid process by having predetermined the route that will be included in the Facility Application for approval by the AUC will reduce the risk incorporated into the bid, resulting in an overall better allocation of risk and lower overall costs.</p> | <ul style="list-style-type: none"> Section 5.1 of the draft recommendation paper provides a framework for further discussion on risk sharing concepts and associated cost recovery models. |
| LS Power | <p>LS Power suggests that the process should not fix the structure for risk-sharing at this point. Instead, bidders should be allowed to propose what they see as the most advantageous risk-sharing approach. For example, with respect to the costs of the project bidders may choose to provide:</p> <ol style="list-style-type: none"> (1) a fixed price taking into account the risk premium (2) a rate-based proposal that places most of the risk on ratepayers but may have a lower price. (3) a hybrid solution where portions of the price are fixed and risks are shared between the developer and ratepayers. <p>The AESO would need to establish evaluation</p> | <ul style="list-style-type: none"> Section 5.1 of the draft recommendation paper provides a framework for further discussion on risk sharing concepts and associated cost recovery models. |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|-------------|--|---|
| | criteria that balance costs and risks and publish the criteria prior to the solicitation. | |
| NaturEner | <p>The amount of uncertainty involved in the Own Alternative (i.e. unknown routing, public opposition, unidentified environmental restrictions, unidentified historical resource restrictions, range of equipment options, possible protracted hearing process) could make reliable cost estimates difficult for bidders.</p> <p>While NaturEner supports a financial incentive/consequence concept for project pricing, we recognize the difficulty in doing so under the Own Alternative at a stage when virtually every pricing input is unknown.</p> | <ul style="list-style-type: none"> Section 5.1 of the draft recommendation paper provides a framework for further discussion on risk sharing concepts and associated cost recovery models |
| SNC-Lavalin | <p>Risk should only be distributed if it is reasonable and can be calculated - and then it should be distributed to those that have the most control on it.</p> <p>If it is open ended, transferring this to the open market will simply result in extremely high estimates to cover the portfolio risk.</p> <p>Soliciting for a Fixing price contract for the Land Acquisition, Consultation and Permitting costs is not reasonable</p> | <ul style="list-style-type: none"> Section 5.1 of the draft recommendation paper provides a framework for further discussion on risk sharing concepts and associated cost recovery models |
| TransAlta | <p>The risk sharing has to be designed not only on the development and construction phase but for the operational and maintenance phase for the transmission facilities. The tradeoffs between capital costs and operational costs must be</p> | <ul style="list-style-type: none"> Section 5.1 of the draft recommendation paper provides a framework for further discussion on risk sharing concepts and associated cost recovery models. |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | considered. | |
|--|--|--|
| UCA | This section could be paraphrased to indicate that risk premiums will be expected due to uncertainty in routing, regulatory approvals and land acquisitions, but they will be minimized to the extent possible by screening eligible bidders to only those with significant experience. Given the complexity of risk sharing arrangements, far more narrative from the AESO is required if input on this issue is to be meaningful. Also, the alternative of competing for a project on a known and secured right of way is not discussed. | <ul style="list-style-type: none"> Section 5.1 of the draft recommendation paper provides a framework for further discussion on risk sharing concepts and associated cost recovery models |
| 12. Discussion Paper | | |
| The AESO is seeking stakeholder comments regarding the process steps in the EPC Alternative. | | |
| Stakeholder | Stakeholder Comment | AESO Replies |
| ABB | <input checked="" type="checkbox"/> Support In this section, item c it may be inferred that an incumbent TFO will have to be engaged early, (pre bidding?) with all potential EPC bidders. This may be an unreasonable expectation put on an incumbent TFO | <ul style="list-style-type: none"> The AESO's response to stakeholder comments on alternative models can be found in the draft recommendation paper, Section 3.4. Additionally, Appendices C, Section C.1, C.2 and C.3 to the draft recommendation paper provides a summary of the stakeholder comments on the advantages and disadvantages of the AESO EPC, TFO EPC and AESO Own models. |
| AltaLink | This section appears to make a distinction from the Own Alternative by defining the development work as being included in a "competitive turnkey bid". This turnkey bid will still include a "significant risk premium" associated with the FA work, although it will be reduced relative to the Own Alternative, as the TFO will be more motivated to assist in this work. As discussed previously, this risk premium can be eliminated | <ul style="list-style-type: none"> The AESO's response to stakeholder comments on alternative models can be found in the draft recommendation paper, Section 3.4. Additionally, Appendices C, Section C.1, C.2 and C.3 to the draft recommendation paper provides a summary of the stakeholder comments on the advantages and disadvantages of the AESO EPC, TFO EPC and AESO Own models. |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|-------------------|--|--|
| | <p>by designating the TFO's to perform FA related work prior to the competitive EPC tender. The TFO's would be motivated to make sure the FA related work is done effectively, since they would ultimately own the assets and all the landowner and stakeholder relationships for the life of the asset. The TFO's understand the need for consistency with the many other projects being executed throughout Alberta under the existing TFO process.</p> <p>Step 7 indicates that the EPC Entity would enter into a contract. It is not clear who the counterparty would be (the AESO or the TFO). This step goes on to state that the contract would oblige the TFO to coordinate with the EPC Entity to prepare and file the FA. This appears to create contractual obligations on the part of the incumbent TFO even though the TFO may not be a party to the contract.</p> <p>The concept of the incumbent TFO providing construction financing is workable but would necessitate a contractual arrangement between TFO and EPC Entity, which would have been selected by the AESO.</p> | |
| ATCO Electric LTD | No comment at this time | |
| Brookfield | There needs to be greater clarity over the process for transferring the asset from EPC Entity to Incumbent TSO, and how this would be treated for rate making purposes. In particular, two issues: (i) the returns being allowed to TFO shareholders must be sufficient to attract capital | <ul style="list-style-type: none"> The AESO's response to stakeholder comments on alternative models can be found in the draft recommendation paper, Section 3.4. Additionally, Appendices C, Section C.1, C.2 and C.3 to the draft recommendation paper provides a summary of the stakeholder comments on the advantages and disadvantages of the AESO EPC, TFO EPC and AESO Own models. |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|-------------|--|---|
| | to buy the new facilities; and (ii) the regulatory treatment of the profit made by the EPC Entity over and above the book asset value of the transmission facilities transferred. | |
| EPCOR | <input checked="" type="checkbox"/> Oppose In addition to the general comments above, EPCOR would view this alternative as similar to the process today where the incumbent TFO bids out capital expenditures above \$50,000 as per AESO Rule 9.1.5.2. EPCOR also seeks clarification as to the contract form. Does the AESO envision a standard form contract or individually negotiated contracts on case by case basis? | <ul style="list-style-type: none"> The AESO's response to stakeholder comments on alternative models can be found in the draft recommendation paper, Section 3.4.. Additionally, Appendices C, Section C.1, C.2 and C.3 to the draft recommendation paper provides a summary of the stakeholder comments on the advantages and disadvantages of the AESO EPC, TFO EPC and AESO Own models. Section 5.1 of the draft recommendation paper provides a framework for further discussion on risk sharing concepts and associated cost recovery models |
| NaturEner | Steps 1-6: Same comments as for Own Alternative. Step 7: The contract to “design and build” would have to be very specific about some details. A few examples are: <ul style="list-style-type: none"> - land agreements, in terms of structure and rates; - standards of engineering, to create an incentive to minimize long-term O&M cost as well as need for review and rework; and - consultation standards, to preserve long term relationships with stakeholders of owning and operating entity. | <ul style="list-style-type: none"> The AESO's response to stakeholder comments on alternative models can be found in the draft recommendation paper, Section 3.4. Additionally, Appendices C, Section C.1, C.2 and C.3 to the draft recommendation paper provides a summary of the stakeholder comments on the advantages and disadvantages of the AESO EPC, TFO EPC and AESO Own models. Section 5.1 of the draft recommendation paper provides a framework for further discussion on risk sharing concepts and associated cost recovery models. |
| SNC-Lavalin | The process steps within the EPC Alternative identify the AESO develops an RFP for the CTI project – the term RFP requires detail as many definitions of a Request for Proposal exist. The process for determining the scope of this RFP will be a critical component in the achieving | <ul style="list-style-type: none"> The AESO's response to stakeholder comments on alternative models can be found in the draft recommendation paper, Section 3.4. Additionally, Appendices C, Section C.1, C.2 and C.3 to the draft recommendation paper provides a summary of the stakeholder comments on the advantages and disadvantages of the AESO EPC, TFO EPC and AESO Own models. |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|-------------|---|--|
| | <p>any of the Competitive Procurement Goals.</p> <p>In Step 7 the process envisions cooperation between the incumbent TFO and the EPC firm that the AESO awarded the CTI Design build contract to. This appears to be flawed. If the EPC is contracted with the AESO – then a separate agreement must be struck between the EPC and the Incumbent. Cooperation details will require general and special terms and conditions.</p> <p>If the original award and subsequent agreement is established between the incumbent and the EPC the Incumbent should issue and award the tender.</p> | <ul style="list-style-type: none"> The AESO is currently developing the RFQ and RFP documents. See Appendices D, E and F for the proposed structure of the RFQ and the selection criteria for the RFQ and RFP. |
| TransAlta | <p>We do not consider that the EPC Alternative provides any advantages over the existing traditional regulatory process</p> | <ul style="list-style-type: none"> The AESO's response to stakeholder comments on alternative models can be found in the draft recommendation paper, Section 3.4. Additionally, Appendices C, Section C.1, C.2 and C.3 to the draft recommendation paper provides a summary of the stakeholder comments on the advantages and disadvantages of the AESO EPC, TFO EPC and AESO Own models. |
| TransCanada | <p><i>Same comments as Own Alternative for Steps 1 to 6</i></p> <p><i>Step 7: In TransCanada's view, timely and cost efficient coordination between the EPC Entity and the Incumbent TFO is unlikely. Competitive advantages would then be reduced or lost.</i></p> <p><i>In addition, requiring that the AESO or its agent oversee all coordination and transactions between the EPC Entity and Incumbent TFO is inefficient and increases timelines, as proven in</i></p> | <ul style="list-style-type: none"> The AESO's response to stakeholder comments on alternative models can be found in the draft recommendation paper, Section 3.4. Additionally, Appendices C, Section C.1, C.2 and C.3 to the draft recommendation paper provides a summary of the stakeholder comments on the advantages and disadvantages of the AESO EPC, TFO EPC and AESO Own models. |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | <p><i>the current Connection Process models.</i></p> <p><i>There is no incentive for the Incumbent TFOs to make this alternative a success. For the model to be a success, the incumbent TFO would have to be willing to facilitate competition against itself, which is unlikely to occur.</i></p> | |
|--|--|---|
| UCA | No comment | |
| 13. Discussion Paper | | |
| The AESO is seeking stakeholder comments regarding the advantages, as well as any other advantages and disadvantages the stakeholder believes are appropriate for the EPC Alternative. | | |
| Stakeholder | Stakeholder Comment | AESO Replies |
| ABB | <input checked="" type="checkbox"/> Support | |
| AltaLink | <p>AltaLink believes that there are several additional advantages for EPC Alternative in comparison to the Own Alternative.</p> <ul style="list-style-type: none"> • There is a much wider range of entities who can do EPC bidding, and therefore the EPC Alternative will have access to a larger pool of participants than with the Own Alternative, which should lead to a more competitive outcome; • Utility cost of debt will be lower than would be expected under the Own Alternative, this is apparent from recent comparisons of debt issued to P3 projects and Utility financings. • The EPC Alternative strikes a better balance of achieving competition on the biggest portion of the cost, without compromising landowner/stakeholder relations, reliability, | <ul style="list-style-type: none"> • The AESO's response to stakeholder comments on alternative models can be found in the draft recommendation paper, Section 3.4. Additionally, Appendices C, Section C.1, C.2 and C.3 to the draft recommendation paper provides a summary of the stakeholder comments on the advantages and disadvantages of the AESO EPC, TFO EPC and AESO Own models. • Section 5.2 of the draft recommendation paper provides a framework for further discussion on contractual arrangements arising from the competitive process. |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|-------------------|--|--|
| | <p>safety, environmental issues, and recognizing the need to operate this critical infrastructure on an integrated system basis.</p> <p>AltaLink does not agree that financial engineering is a disadvantage of the EPC Alternative. The opportunity to provide financial engineering is a result of the use of a long-term contract, instead of short term regulation. A long-term contract approach could just as easily be used in the case of TFO ownership, to produce similar financial engineering benefits to the Own Alternative.</p> | |
| ATCO Electric LTD | <p>Comments on AESO's stated advantages and disadvantages re EPC Alternative:</p> <ul style="list-style-type: none"> • This model would very likely introduce additional costs to customers in the long term. This proposal addresses some of the complexities of leveling the competition for the facilities between incumbent TFOs and new entrants by making TFO resources for long term operations and maintenance available. However, the more creative a respondent is in their design, the more likely that there will be additional costs for O & M long term. TFOs standardize so that costs associated with sparing, training, development of maintenance routines and procedures can be optimized and TFO designs are integral and linked to TFO operations and maintenance practices. • Standardization of design is also one of the ways in which we manage safety. Anytime | <ul style="list-style-type: none"> • The AESO's response to stakeholder comments on alternative models can be found in the draft recommendation paper, Section 3.4. Additionally, Appendices C, Section C.1, C.2 and C.3 to the draft recommendation paper provides a summary of the stakeholder comments on the advantages and disadvantages of the AESO EPC, TFO EPC and AESO Own models. |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|--|--|--|
| | <p>unique designs are out there and require different work methods our staff is exposed to a higher risk. The ability to safely maintain facilities is something that is engineered into the facilities we build.</p> <p>Other Disadvantages:</p> <ul style="list-style-type: none"> • Departure from traditional role of AESO who must be positioned, in short order, to put processes in place to evaluate an EPC bid process and accept various responsibilities with respect to the EPC contract • Greatly increased AESO workload, responsibilities and staffing requirements will lead to additional customer costs • AESO, as the counter-party to the EPC contract, would be assuming accountability to customers for project cost and schedule deliverables as well as associated legal liabilities for contract performance. • Less visibility of costs in an EPC model than in an EPCM model • Risk of communication and transition issues between EPC and TFO, which AESO would have to understand and manage • Right of-Way planning – potential customer issues which are transferred to TFO and over which TFO had no direct control to manage and mitigate because of no decision-making authority; this limits the TFO's ability to influence a positive outcome • First Nations Relationships is an ongoing | |
|--|--|--|

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|------------|--|--|
| | function which requires significant time, effort and understanding to maintain; not a function which can be readily assumed or outsourced | |
| Brookfield | We are not in favour of the EPC alternative. There is no incentive to the EPC contractor to provide efficient pricing or margin control. The incumbent TFO/AESO will need to fully define in detail all technical aspects of the project to avoid many additional costs that will be incurred as extras due to “scope change”. The EPC contractor has no vested interest in the rate case or prudence arguments as they will be made virtually whole and the TFO will have to absorb any regulatory disallowance. It is not clear what the regulatory treatment would be if the cost of a CTI (including overruns) was significantly different from its value (or worth). This will place additional cost pressure on the TFO post COD to operate and maintain the assets. | <ul style="list-style-type: none"> The AESO’s response to stakeholder comments on alternative models can be found in the draft recommendation paper, Section 3.4. Additionally, Appendices C, Section C.1, C.2 and C.3 to the draft recommendation paper provides a summary of the stakeholder comments on the advantages and disadvantages of the AESO EPC, TFO EPC and AESO Own models. |
| EPCOR | As in the Own alternative above, EPCOR sees the uncertainty of project specifics and seeking regulatory approvals for the line route after submitting a bid as adding risk to the project, and therefore requiring addition of a risk premium. | <ul style="list-style-type: none"> The AESO’s response to stakeholder comments on alternative models can be found in the draft recommendation paper, Section 3.4. Additionally, Appendices C, Section C.1, C.2 and C.3 to the draft recommendation paper provides a summary of the stakeholder comments on the advantages and disadvantages of the AESO EPC, TFO EPC and AESO Own models. |
| LS Power | LS Power believes that an additional disadvantage is that the EPC Alternative will attract fewer qualified new entrants and investors. The EPC Alternative may also provide fewer opportunities for innovation and savings. LS Power believes that while EPC construction | <ul style="list-style-type: none"> The AESO’s response to stakeholder comments on alternative models can be found in the draft recommendation paper, Section 3.4. Additionally, Appendices C, Section C.1, C.2 and C.3 to the draft recommendation paper provides a summary of the stakeholder comments on the advantages and disadvantages of the AESO EPC, TFO EPC and AESO Own models. |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|-------------|---|---|
| | contracts are not uncommon, the permit/finance/build/transfer model is very unusual and introduces development and financing risks without the long-term reward. In addition, the cost to ratepayers may be higher for the EPC Alternative because another layer of cost (the EPC entity's profit) will be added to the rate base when the incumbent TFO takes ownership. | |
| NaturEner | It should be recognized that the incumbent TFOs have developed significant experience and internal resources for navigating the complex stakeholder and regulatory approval processes. This EPC Alternative has the advantage of using this experience to potentially reduce timing and regulatory risk. It is also advantageous from the perspective that there are fewer unknowns and therefore greater ability for entities to submit realistic priced bids. | <ul style="list-style-type: none"> The AESO's response to stakeholder comments on alternative models can be found in the draft recommendation paper, Section 3.4.. Additionally, Appendices C, Section C.1, C.2 and C.3 to the draft recommendation paper provides a summary of the stakeholder comments on the advantages and disadvantages of the AESO EPC, TFO EPC and AESO Own models. |
| SNC-Lavalin | As stated previously, the EPC Alternative contemplates a fix price Land, Consultation and Permitting bid – we feel this is very miss-guided – and if imposed, the Rate Payers of the province would ultimately pay for this risk premium. | <ul style="list-style-type: none"> Section 5.1 of the draft recommendation paper provides a framework for further discussion on risk sharing concepts and associated cost recovery models. |
| TransCanada | <i>Advantage c): The Own Alternative suggests that not involving the Incumbent TFO and having the stakeholder relationships held by the Selected Entity is an advantage, yet in the EPC Alternative the AESO suggests that having the Incumbent TFO involved with stakeholders is an advantage.</i> | <ul style="list-style-type: none"> The AESO's response to stakeholder comments on alternative models can be found in the draft recommendation paper, Section 3.4. Additionally, Appendices C, Section C.1, C.2 and C.3 to the draft recommendation paper provides a summary of the stakeholder comments on the advantages and disadvantages of the AESO EPC, TFO EPC and AESO Own models. |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|---|--|--|
| | <p><i>Further consideration should be given to determine which alternative is more advantageous in this regard.</i></p> <p><i>Has the EPC Alternative been tested in other jurisdictions and if so, what were the outcomes?</i></p> <p><i>The potential coordination issues and time and cost implications are a major disadvantage of this process. There is a high risk of project failure under this alternative.</i></p> | |
| UCA | <p>The EPC alternative not only results in different ownership at the end of the construction phase, but also a completely different right of way acquisition and regulatory approval framework (leading to a different risk sharing profile) at the beginning of the project relative to the “own” option. It is not clear in the paper, however, who holds the responsibility for managing the risk of route and regulatory uncertainty.</p> | <ul style="list-style-type: none"> The AESO’s response to stakeholder comments on alternative models can be found in the draft recommendation paper, Section 3.4. Additionally, Appendices C, Section C.1, C.2 and C.3 to the draft recommendation paper provides a summary of the stakeholder comments on the advantages and disadvantages of the AESO EPC, TFO EPC and AESO Own models. |
| 14. Discussion Paper | | |
| <p>The AESO is seeking stakeholder comments regarding additional issues for consideration applicable to the Own and EPC Alternatives, as well as identification of any other issues that will need consideration.</p> | | |
| Stakeholder | Stakeholder Comment | AESO Replies |
| ABB | <input checked="" type="checkbox"/> Support | |
| AltaLink | <p>The AUC’s role should be limited to approval of the process. Subsequent approval of a tariff by the AUC adds another element of uncertainty with no apparent benefit to the process.</p> <p>Over the life of the contract there should only be</p> | <ul style="list-style-type: none"> See Section 4.1 of the draft recommendation paper for the roles and responsibilities of the AUC and the AESO with regard to all aspects of the competitive process. Section 5.2 of the draft recommendation paper provides a framework for further discussion on contractual arrangements |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|-------------------|--|---|
| | <p>very limited involvement on the part of the AUC, perhaps in dispute resolution and approval of any contract assignments otherwise the contract, as a business arrangement, should be a binding commercial arrangement for the entire term of the contract.</p> <p>Issues related to default, collateral, letters of credit, etc., are contract issues that should be addressed as part of the development of appropriate contracts.</p> <p>The issue of an affiliate rule appears to relate more to the AUC than the AESO, and the relationship between a utility and its affiliate is already covered by the existing Code of Conduct. There may be changes needed to the Code of Conduct but care must be taken to ensure that affiliate rules do not limit competition or participation of encumbents.</p> | <p>arising from the competitive process.</p> <ul style="list-style-type: none"> • See Section 4.5 of the draft recommendation paper for a discussion on the development of a level playing field for all proponents. |
| ATCO Electric LTD | <p>This section raises several questions on various issues, some of which could be dealt with contractually. We would suggest a more complete list be developed and dealt with once a preferred model is recommended to avoid a piecemeal, and possibly unbalanced, approach to solutions.</p> | <ul style="list-style-type: none"> • Section 5.1 of the draft recommendation paper provides a framework for further discussion on risk sharing concepts and associated cost recovery models. |
| Brookfield | <p>In the Own option, the new TFO will be seamlessly responsible for:</p> <ul style="list-style-type: none"> - future expansion of the new CTI transmission facilities, e.g. connection of new load or generation - treatment of future major capital | <ul style="list-style-type: none"> • Section 5.2 of the draft recommendation paper provides a framework for further discussion on contractual arrangements arising from the competitive process. |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|-------|---|---|
| | <p>injections to extend its life or expand capacity</p> <ul style="list-style-type: none"> - end of life obligations and associated cost responsibilities | |
| EPCOR | <p>3.1 -1) For successful TFO bidders who do so on the basis of including the asset in rate base, EPCOR suggests that the role of the AUC is much as it is on non-CTI projects. In addition, and for successful non-TFO bidders or contractual agreement, the AUC may be required to verify AESO properly followed the approved Process upon complaint or objection of an interested party.</p> <p>3.1 - 2) EPCOR's view is that after approving the Process, no further AUC approvals are required. The AESO would be the body responsible for approving the winning bid. The AUC may be required to determine whether the Process was followed appropriately, and the AESO decision of the successful bidder was appropriate if requested to do so by an interested party.</p> <p>3.1 - 3) To protect against default EPCOR would expect normal commercial terms to be included in any contract. This would include Letters of Credit or guarantees by financially stable corporations.</p> <p>3.1 - 4) EPCOR's view is that the principles governing interaffiliate relationships currently in place are appropriate for between TFOs and unregulated affiliates planning to participate in the AESO Process. The AUC would continue</p> | <ul style="list-style-type: none"> • See Section 4.1 of the draft recommendation paper for the roles and responsibilities of the AUC and the AESO with regard to all aspects of the competitive process. • The AESO is currently developing the RFQ and RFP documents. See Appendices D, E and F for the proposed structure of the RFQ and the selection criteria for the RFQ and RFP. • Section 5.1 of the draft recommendation paper provides a framework for further discussion on risk sharing concepts and associated cost recovery models. • See Section 4.5 of the draft recommendation paper for a discussion on the development of a level playing field for all proponents. |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|-------------|--|--|
| | with its current responsibility of ensuring that regulated assets and resources are not used at rate-payer expense. | |
| NaturEner | With respect to other issues, NaturEner believes that the competitive procurement process should be developed with a view to being able to apply the same model for customer connection projects. The current model of the customer connection development leaves little to no control over cost and timing which creates an uncertain environment for investment decision making. | <ul style="list-style-type: none"> At this time, the AESO will limit the scope of the Process to those CTI facilities referred to in Section 24(3) (a), (c) and (d) of the T-Reg. The application or adaptation of an approved Process to more than one transmission facility project, as contemplated in Section 24(8) of the T-Reg, may be considered at a future date. |
| SNC-Lavalin | Consider opportunities to address the Land, Consultation and Permitting process – as this is the most detrimental influencing cost component of any transmission build. Delays, re-routes, inability to perform early discovery of geotech necessary to complete detailed engineering in a timely fashion are significant contributors to the overall cost of a project – and establishing an efficient model to manage this would have the most positive impact to the Ratepayers of Alberta. | <ul style="list-style-type: none"> Section 5.1 of the draft recommendation paper provides a framework for further discussion on risk sharing concepts and associated cost recovery models. |
| TransCanada | <p>1. <i>Section 24.2 of the Transmission Regulation, as amended, states that where the AUC approves the Competitive Process, it must consider any resulting arrangements prudent. As a result, the role of the AUC in approving the Process is an important one.</i></p> <p>2. <i>In addition, in the Own Alternative, the Selected Entity will have to make a tariff application under s. 37 of the EUA and the AUC</i></p> | <ul style="list-style-type: none"> See Section 4.1 of the draft recommendation paper for the roles and responsibilities of the AUC and the AESO with regard to all aspects of the competitive process. See Section 4.5 of the draft recommendation paper for a discussion on the development of a level playing field for all proponents. |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|--|---|---|
| | <p><i>is the body that will consider that application</i></p> <p><i>3. TransCanada agrees issues related to default and force majeure provisions are important to address, but it is too early in the consultation process to comment at this time.</i></p> <p><i>4. TransCanada also agrees with the necessity for an affiliate rule to be in place to prevent undue advantage for incumbent TFOs.</i></p> | |
| UCA | <p>AUC review and approval of the Process is essential and will provide a forum for examination of new issues. Transition of asset issues in the EPC Alternative will also be key to the TFO costs of the facility going forward. In the Own Alternative, AESO has identified the Tariff Application to the AUC as a criteria. It is possible that the initial Tariff term will not match the Contract term and that the AUC will be required to approve multiple tariff applications over the contract life. The contract itself may see several terms as the obligation to provide service continues on indefinitely.</p> | <ul style="list-style-type: none"> • See Section 4.1 of the draft recommendation paper for the roles and responsibilities of the AUC and the AESO with regard to all aspects of the competitive process. • Section 5.1 of the draft recommendation paper provides a framework for further discussion on risk sharing concepts and associated cost recovery models. • Section 5.2 of the draft recommendation paper provides a framework for further discussion on contractual arrangements arising from the competitive process. |
| 15. Discussion Paper | | |
| <p>The AESO is seeking stakeholder comments regarding additional issues for consideration applicable to the Own Alternative, as well as identification of any other issues that will need consideration.</p> | | |
| Stakeholder | Stakeholder Comment | AESO Replies |
| ABB | <input checked="" type="checkbox"/> Support | |
| AltaLink | <p>The Selected Entity should be required to function as a TFO. It should be subject to the same duties and obligations as the incumbent TFO's including AESO rules, Alberta reliability</p> | <ul style="list-style-type: none"> • Section 5.2 of the draft recommendation paper provides a framework for further discussion on contractual arrangements arising from the competitive process. |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|-------------------|--|---|
| | <p>standards and reporting, and the inter-affiliate Code of Conduct.</p> <p>There are many contract issues which must be dealt with in the design of tendering process and the contracts themselves. End of term, force majeure, assignment, etc., should all be dealt with through the development of the contract. They should be reviewed in the context of the complete contract, not in a piecemeal way, as the integration of all of the terms are important to any contract.</p> | |
| ATCO Electric LTD | <p>This section raises several questions on various issues, some of which could be dealt with contractually. We would suggest a more complete list be developed and dealt with once a preferred model is recommended to avoid a piecemeal, and possibly unbalanced, approach to solutions.</p> | <ul style="list-style-type: none"> Section 5.2 of the draft recommendation paper provides a framework for further discussion on contractual arrangements arising from the competitive process. |
| Brookfield | <p>Issue 3.2(1) – There may be some efficiencies from aligning the treatment of CTI and Incumbent TFOs, including possibly a relaxation of the existing geographic franchise model</p> <p>Issue 3.2(2) – There is significant experience across Canada and the US of multiple transmitters providing an integrated service under a single ISO. The AESO Rules may need to be modified to facilitate the integration of the new TFOs depending on how they are to be treated.</p> <p>Issue 3.2(3) – We don't see the need for a specific CTI contract. Once selected, the</p> | <ul style="list-style-type: none"> Section 5.2 of the draft recommendation paper provides a framework for further discussion on contractual arrangements arising from the competitive process. |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|-------|--|---|
| | <p>proponent (if a new entrant) applies for TFO status and this has all the obligations of the incumbent TFOs in the development, construction and regulatory approval requirements for the CTI.</p> <p>Issue 3.2(5) – The CTI TFO needs sufficient flexibility to optimize his business activities over the duration of the contract, which may involve refinancing and assignment of rights and obligations. At the same time, it is imperative that the AESO/AUC ensures the CTI TFO is capable and committed to honouring its obligations to provide transmission capacity, i.e., it maintains the financial and technical capacity. This might be best discharged through licensing requirements.</p> | |
| EPCOR | <p>3.2 - 1) For successful bidders, EPCOR suggests that reporting requirements be similar to those presently used to measure TFO performance but would add metrics against operational performance metrics associated with demonstration of continuing financial strength – credit rating and acceptable financial ratios.</p> <p>3.2 - 2) EPCOR suggests that arrangements and interconnection agreements as are currently in place between TFOs are appropriate for successful bidders.</p> <p>3.2 - 3) For contracted facilities, EPCOR suggests that the facility could be re-auctioned. Successful bidders would assume ownership of the assets, along with the responsibility to rebuild, maintain and operate them.</p> | <ul style="list-style-type: none"> Section 5.2 of the draft recommendation paper provides a framework for further discussion on contractual arrangements arising from the competitive process. |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|-----------|--|--|
| | <p>For facilities awarded to TFOs and included in rate base, the facility should stay with the TFO in rate base.</p> <p>3.2 - 4) EPCOR is of the view that the best/ most economic treatment of force majeure is as exists with regulated assets – backstopped by the rate-payer. This allows for the spreading of the risk over the system versus being accepted by a single asset in that system. If the entire risk was to be accepted by the owner of the single asset they would require a risk premium at time of bidding that would reduce the attractiveness of the competitive bidding process.</p> <p>3.2 - 5) EPCOR is of the view that a successful bidder should have the ability to assign rights and obligations, with AESO approval, if the assignee meets the same qualifications as set in the original bidding process.</p> | |
| NaturEner | See comments above | |
| TransAlta | <p>The creation of a contract which will be viable and fair over the 30 to 50 year life of transmission assets is challenging and time consuming. To expedite any process involving such a contract a draft contract will have to be provided to qualified bidders prior to bidding to allow pricing consistent with the terms and conditions of the contract and the risks and uncertainties inherent in a long term contract.</p> | <ul style="list-style-type: none"> • The AESO considers the RFP and contractual arrangements arising out of the RFP to be a key component of the competitive process, and accordingly, the AESO anticipates seeking stakeholder comment on these key components. Section 5.3 of the draft recommendation paper provides a framework for further discussion on this matter. • Section 5.2 of the draft recommendation paper provides a framework for further discussion on contractual arrangements arising from the competitive process. |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|---|---|---|
| TransCanada | <p>1. <i>The Selected Entity and the TFOs should be treated equally. Current TFO duties and responsibilities should be reviewed for validity and reasonableness and amended where required.</i></p> <p>2. <i>Selected Entities could enter into an agreement with existing TFOs or other entities with system control center capability or fund their own. Cost recovery would be dependent on AUC requirements and provisions. Incumbent TFOs enter into operating agreements with various interconnecting parties today - this should not be an issue under this alternative.</i></p> | <ul style="list-style-type: none"> Section 5.2 of the draft recommendation paper provides a framework for further discussion on contractual arrangements arising from the competitive process. |
| UCA | Operating obligations to meet existing ISO Rules and Alberta Reliability Standards for TFOs should provide the required discipline for operations and guide many of the inter-TFO relationships. | <ul style="list-style-type: none"> Section 5.2 of the draft recommendation paper provides a framework for further discussion on contractual arrangements arising from the competitive process. |
| 16. Discussion Paper | | |
| The AESO is seeking stakeholder comments on the inclusion of the proposed structure for the Request for Qualifications (RFQ), as well as any other information the stakeholder believes should be included. | | |
| Stakeholder | Stakeholder Comment | AESO Replies |
| ABB | <input checked="" type="checkbox"/> Support | |
| AltaLink | Section 4.1(4) refers to the RFQ project description showing “expected routing”. The AESO determination of “expected routing” may limit the search for viable alternatives and cause complications during the facility application process, and create the opportunity for later court challenge. The AESO should define the end terminals, and allow bidders to determine | <ul style="list-style-type: none"> Section 5.1 of the draft recommendation paper provides a framework for further discussion on risk sharing concepts and associated cost recovery models. |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|-------------------|--|---|
| | the route by balancing the many applicable factors, including risk, price, innovation, etc. | |
| ATCO Electric LTD | No comment at this time. | |
| Brookfield | An additional issue to include within the RFQ is a qualitative statement providing the rationale for the new facility; an indication of the circumstances that might lead to the procurement of the new facility being curtailed, postponed or cancelled, and the likelihood of such possibility. | <ul style="list-style-type: none"> The AESO agrees the RFQ will include a qualitative statement which provides the rationale for the new facility. |
| EPCOR | EPCOR believes that <u>key</u> commercial terms and a risk matrix detailing the individual risks to be accepted by each of the parties should be included in the RFQ. | <ul style="list-style-type: none"> See Section 5.3 of the draft recommendation paper for further discussion on the RFQ document. Also see Appendices D and E for the proposed structure of the RFQ and its selection criteria. |
| LS Power | <p>In the description of the selection process it would be helpful to include a timeline for developing the shortlist and selection of a successful bidder.</p> <p>As previously mentioned the AESO may want to consider combining the RFQ and RFP steps to expedite the overall process</p> | <ul style="list-style-type: none"> To enable further stakeholder consultation, the AESO has expanded the consultation scope and extended the consultation schedule. An updated schedule can be found in Section 3.3 of the draft recommendation paper. |
| NaturEner | No comment at this time | |
| SNC-Lavalin | The Request for Qualifications – regardless of the alternative, should be open enough to attract new entrants – however restricted to those companies that have demonstrated delivery in a system designed and managed similar to Alberta’s current environment. Alberta cannot afford to destabilize the system infrastructure during the most aggressive build in | <ul style="list-style-type: none"> The AESO is currently developing the RFQ and RFP documents. See Appendices D, E and F for the proposed structure of the RFQ and the selection criteria for the RFQ and RFP. |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|--|---|--|
| | 3 decades. | |
| TransCanada | <p><i>Has the AESO considered how other jurisdictions are running the RFQ process?</i></p> <p><i>In parallel with the Process development, the AESO should consider testing the proposed RFQ process with potential bidders on a beta project to determine what additional information is needed for bidders to complete a qualified bid.</i></p> | <ul style="list-style-type: none"> The AESO retained Power Advisory, LLC to undertake a review of other jurisdictions (UK, Texas, Ontario and Brazil) where transmission is being competitively procured. Key findings of the study that may be applied to the development of a competitive process in Alberta can be found in Section 3.3 of the draft recommendation paper. At this time, the AESO will limit the scope of the Process to those CTI facilities referred to in Section 24(3) (a), (c) and (d) of the T-Reg. The application or adaptation of an approved Process to more than one transmission facility project, as contemplated in Section 24(8) of the T-Reg, may be considered at a future date. |
| UCA | Support | |
| 17. Discussion Paper | | |
| The AESO is seeking stakeholder comments on the inclusion of the information required by potential bidders to substantiate their qualifications to an RFQ, as well as any other information the stakeholder believes should be included. | | |
| Stakeholder | Stakeholder Comment | Replies |
| ABB | <input checked="" type="checkbox"/> Support | |
| AltaLink | Agree. | |
| ATCO Electric LTD | No comment at this time. | |
| Brookfield | No comment | |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|--|--|---|
| EPCOR | EPCOR believes that key commercial terms and a risk matrix detailing the individual risks to be accepted by each of the parties should be included in the RFQ. | <ul style="list-style-type: none"> See Section 5.3 of the draft recommendation paper for further discussion on the RFQ document. Also see Appendices D and E for the proposed structure of the RFQ and its selection criteria. |
| NaturEner | No comment at this time | |
| UCA | Support | |
| 18. Discussion Paper | | |
| The AESO is seeking stakeholder comments on the potentially required amendments to relevant regulations, as well as any other amendments the stakeholder believes will be necessary. | | |
| Stakeholder | Stakeholder Comment | AESO Replies |
| ABB | <input checked="" type="checkbox"/> Support | |
| AltaLink | We have not done an extensive analysis on changes needed to the ISO rules, but we would expect that some changes will be required, of particular note would be ISO Rule 9, which will need to be amended to enable the competitive process. The specific amendments would be better considered once the competitive process has been better defined. | <ul style="list-style-type: none"> See Section 4.2 of the draft recommendation paper for a further discussion on legislative changes. |
| ATCO Electric LTD | It might be advisable to wait until a preferred model is selected before determining what, if any, regulations need to change. | <ul style="list-style-type: none"> See Section 4.2 of the draft recommendation paper for a further discussion on legislative changes. |
| Brookfield | No comment | |
| EPCOR | It is premature at this point to detail amendments that may be required to legislation and regulations. In EPCOR's view this review would | <ul style="list-style-type: none"> See Section 4.2 of the draft recommendation paper for a further discussion on legislative changes. |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|-------------|--|--|
| | be more appropriate once a decision has been made regarding what the Process is to be. | |
| NaturEner | While we agree with the list and explanation of potentially required amendments based on information available today, we believe that an extensive review of required amendments should take place when more details have been developed and a path forward selected. | <ul style="list-style-type: none"> See Section 4.2 of the draft recommendation paper for a further discussion on legislative changes. |
| TransCanada | <p><i>TransCanada disagrees that any amendment to the Alberta Utilities Commission Act (“AUCA”) would be required. Section 8 of the AUCA gives the Commission broad powers to act on matters conferred upon it by other enactments. Section 24.2 of the Transmission Regulation (AR 86/2007), as amended (“T-Reg”), refers to approval of the Process by the Commission. Together these are sufficient to allow the Commission to approve the Process. TransCanada also disagrees that any new AUC rules are required. The competitive Process can be specified in an AESO rule. The existing framework for AESO rule development is sufficient to put the rule in place, particularly if the Process has already been approved in principle by the AUC.</i></p> <p><i>Section 9(6) of the EUA prohibits the AESO from owning or holding an interest in a transmission facility. TransCanada interprets “interest” as a financial interest. TransCanada does not see in the information provided by the AESO potential for the AESO to own or hold a financial interest in</i></p> | <ul style="list-style-type: none"> See Section 4.2 of the draft recommendation paper for a further discussion on legislative changes. |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|--|---|--|
| | <p><i>the transmission facilities in either the Own Alternative or the EPC Alternative. Both models do not differ in this respect from the present situation with the existing TFOs.</i></p> <p><i>Section 24(2) permits the AESO to grant exceptions to the service territory designations for the incumbent TFOs. If the Process is approved by the Commission and specified in an AESO rule, TransCanada does not see the need to amend s. 24 of the T-Reg.</i></p> <p><i>TransCanada agrees that any provision of the T-Reg or EUA that gives an unfair advantage to incumbent TFOs, including s. 41, will have to be clarified in order to address the potential advantage</i></p> | <ul style="list-style-type: none"> See Section 4.5 of the draft recommendation paper for a discussion on the development of a level playing field for all proponents. |
| UCA | No Comment at this time | |
| 19. Discussion Paper | | |
| The AESO is seeking any other stakeholder comments on the Discussion Paper concerning the AESO's proposed competitive procurement process. | | |
| Stakeholder | Stakeholder Comment | AESO Replies |
| ABB | AESO may want to consider an additional alternative to either the "Own" or "EPC" alternatives. An additional option may be a hybrid of the "Own" and "EPC" options - similar to the EPC option except that the transfer would be to any qualified new or incumbent TFO. | <ul style="list-style-type: none"> The AESO's response to stakeholder comments on alternative models can be found in the draft recommendation paper, Section 3.4. Additionally, Appendices C, Section C.1, C.2 and C.3 to the draft recommendation paper provides a summary of the stakeholder comments on the advantages and disadvantages of the AESO EPC, TFO EPC and AESO Own models. |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|--------------------------|--|--|
| <p>ATCO Electric LTD</p> | <ol style="list-style-type: none"> 1) Critical implementation issues and proposal resolution – need clarity around resolution process ... what stakeholder input is solicited and how is resolution achieved prior to submission to AUC. 2) Under Section 1.1 P3 – regarding thorough analysis required, Footnote 4 references the collection of information from other jurisdictions. This information needs to be shared with and understood by stakeholders. As such the following suggestions are made: <ul style="list-style-type: none"> • AESO should organize a session (by video link in the interest of time and costs) inviting representatives of other jurisdictions (including regulatory bodies and utilities) who have attempted or are attempting to make similar changes to make presentations on their jurisdiction's process, current status, findings, lessons learned, problems encountered and how they were resolved, etc. and to be available to answer questions. All registered stakeholders involved in the Alberta process would be invited to attend and participate. This is seen as a logical step to assist Alberta to understand what could go wrong and to ensure that adequate protection is put in place before making significant changes and possibly risking unintended consequences or rework. • AESO should engage an independent | <ul style="list-style-type: none"> • The AESO, through its stakeholder consultation process, will continue to seek input from all stakeholders in order to ensure critical implementation issues are satisfactorily canvassed and considered. • The AESO retained Power Advisory, LLC to undertake a review of other jurisdictions (UK, Texas, Ontario and Brazil) where transmission is being competitively procured. Key findings of the study that may be applied to the development of a competitive process in Alberta can be found in Section 3.3 of the draft recommendation paper. |
|--------------------------|--|--|

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|-------------|---|---|
| | <p>consultant to comment and provide advice on Alberta's proposed changes.</p> <p>ATCO Electric's preliminary research of the experience and directions in other jurisdictions suggests these initiatives are not yet fully operating models and may not necessarily be applicable to Alberta due to their narrow scope, i.e. these other jurisdictions are not attempting to apply their concepts to anything near the magnitude and complexity of CTI.</p> <p>With respect to the three jurisdictions cited – Ontario, UK and Texas – the “competitive” process is applicable only to connecting renewables (largely wind) and not to any critical backbone grid elements.</p> <p>In these three jurisdictions, the processes either have not been implemented or in early stages of implementation or acceptance as a viable market model.</p> <p>It would be instructive to Alberta to have a full understanding and take advantage of any other experience in competitive transmission models.</p> | |
| Brookfield | No comment | |
| SNC-Lavalin | Perhaps a revisit to the existing Direct Assign process is worth considering as an alternative. Minor modifications to that model may be the most efficient and effective way of achieving the majority of the goals set out in this exercise. | <ul style="list-style-type: none"> The AESO's response to stakeholder comments on alternative models can be found in the draft recommendation paper, Section 3.4. Additionally, Appendices C, Section C.1, C.2 and C.3 to the draft recommendation paper provides a summary of the stakeholder comments on the advantages and disadvantages of |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | the AESO EPC, TFO EPC and AESO Own models. |
|-----------|---|---|
| TransAlta | <p>Implicit in structuring a “contract” outside of regulation which allows “financial engineering” is an underlying assessment that existing regulation and rates of return are deficient. Advocating such an approach is tantamount to deregulating transmission except for the routing approvals.</p> <p>The AESO and the DOE need to consider if bifurcation of transmission into coexisting regulated and unregulated facilities is prudent. If regulation is not producing the required outcomes then regulation needs to be changed rather than having carved out processes which may be both disruptive and counterproductive.</p> <p>Section 26 of the Transmission Regulation already requires that transmission facilities be constructed by “a TFO or other person” using competitive tenders. Is it the assessment that Section 26 is ineffective in obtaining competitive costs for transmission facilities and that a new process is required? If it is ineffective in that it does produce the desired results, then what needs to be done or changed so the process is effective?</p> <p>Prudence of capital expenditures must compare the initial forecast cost estimate and the actual as-built capital costs. Such prudence testing may result in such capital cost increases either being disallowed or allowed a lower rate of return on</p> | <ul style="list-style-type: none"> • See Section 1 of the draft recommendation paper for a summary of recent amendments to the <i>Transmission Regulation</i> directing AESO to develop and implement a competitive process for CTI. • At this time, the AESO will limit the scope of the Process to those CTI facilities referred to in Section 24(3) (a), (c) and (d) of the T-Reg. The application or adaptation of an approved Process to more than one transmission facility project, as contemplated in Section 24(8) of the T-Reg, may be considered at a future date. |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|-------------------------|---|--|
| | the increased portion. | |
| UCA | No other comments | |
| General Comments | | |
| Stakeholder | Stakeholder Comment | AESO Replies |
| Brookfield | We believe the best approach for expediting new transmission while protecting the interests of ratepayers is to treat the new transmission companies brought in to build, own and operate new transmission in exactly the same way as the existing Transmission Facility Owners, with the same rights and obligations. This allows the transmission system to be governed by a single common set of policies, regulations and rules, and minimized the need for regulatory changes. | <ul style="list-style-type: none"> Section 5.2 of the draft recommendation paper provides a framework for further discussion on contractual arrangements arising from the competitive process. |
| LS Power | We believe that the process should maintain enough flexibility to allow bidders to be creative to achieve the objectives of minimizing costs while maintaining a safe and reliable system. LS Power believes that the EPC Alternative will hinder potential benefits that may be achieved through a competitive process, but is supportive of the Own Alternative. | <ul style="list-style-type: none"> The AESO's response to stakeholder comments on alternative models can be found in the draft recommendation paper, Section 3.4. Additionally, Appendices C, Section C.1, C.2 and C.3 to the draft recommendation paper provides a summary of the stakeholder comments on the advantages and disadvantages of the AESO EPC, TFO EPC and AESO Own models. |
| TransCanada | TransCanada notes that although the Discussion Paper suggests that the competitive procurement process applies to critical transmission infrastructure projects, section 24.2 of the amended Transmission Regulation refers to "transmission facility projects", which indicates that the process the AESO is establishing will | <ul style="list-style-type: none"> At this time, the AESO will limit the scope of the Process to those CTI facilities referred to in Section 24(3) (a), (c) and (d) of the T-Reg. The application or adaptation of an approved Process to more than one transmission facility project, as contemplated in Section 24(8) of the T-Reg, may be considered at a future date. Section 5.2 of the draft recommendation paper provides a framework for further discussion on contractual arrangements, and |

Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process March 31, 2011

| | | |
|--|--|--|
| | <p>apply to more projects than those designated as CTI.</p> <p>Since the AESO is in the very early stages of the consultation process, the high-level nature of the Discussion Paper prevents TransCanada from providing in-depth comments. For example, in the discussion paper, the “Selected Entity” in the Own Alternative appears to essentially become a TFO and under current legislation must, therefore, meet all existing TFO obligations and requirements. TransCanada would appreciate clarification of the AESO’s expectations in this regard.</p> <p>TransCanada is concerned that the consultation timeline will not allow for full consideration, design, and implementation of the detailed competitive procurement process. In order to maintain what TransCanada considers to be a very aggressive schedule, it may be advisable to contract the services of an organization that specializes in tendering major infrastructure projects.</p> <p>Alternatively, TransCanada suggests the AESO form a workgroup of skilled individuals to assist in resolving key issues like establishing the contract terms and conditions for the Own Contract template, risk sharing options, force majeure principles, etc.</p> | <p>associated provisions arising from the competitive process.</p> <ul style="list-style-type: none"> • To enable further stakeholder consultation, the AESO has expanded the consultation scope and extended the consultation schedule. An updated schedule can be found in Section 3.3 of the draft recommendation paper. |
|--|--|--|