



January 21, 2009

Dear Stakeholder:

Re: Western Electricity Coordinating Council (WECC) intention to adopt new reliability standard for Contingency Reserves - BAL-002-WECC-01

Contingency reserves (spinning and supplemental reserves) are necessary for the reliable operation of the Alberta Interconnected Electric System. Adequate generating capacity must be available at all times to maintain system frequency and to avoid the loss of firm load following generation or transmission contingencies.

As part of the Northwest PowerPool, the Alberta Electric System Operator (AESO) must conform to WECC's Minimum Operating Reliability Criteria (WECC / MORC) for maintaining adequate contingency reserves (North American Reliability Corporation (NERC) BAL-001 "Real Power Balancing Control Performance" and NERC BAL-002 "Disturbance Control Performance"). WECC intends to adopt a WECC-specific reliability standard (BAL-002-WECC-01) to replace the existing standard.

BAL-002-WECC-01 was approved by the NERC Board of Trustees in October, 2008, however, the standard still requires submission to the Federal Energy Regulatory Commission (FERC) for approval before it can be implemented in the WECC region. It is anticipated the standard could be approved by FERC as early as their February 19th meeting. Allowing for a 90 day implementation period, the approved standard would become effective May 19, 2009.

The key features of BAL-002-WECC-01 affecting operating reserves market participants would be:

- An increase in the required restoration time (maximum operating reserve directive time) for contingency reserves from 60 minutes to 105 minutes following a disturbance.
- A change in the calculation methodology used to establish the minimum level of contingency reserves. The new methodology will use the sum of 3% of load and 3% of net generation of the balancing authority, while the current methodology uses the sum of 5% of loaded hydro generation and 7% of loaded thermal generation that serves "Firm Load Responsibility".

The approval of BAL-002-WECC-01 will require changes to the following AESO Operating Policies and Procedures (OPPs): 402 - Supplemental and Spinning Reserve Services; 403 - External Spinning and Supplemental Reserves from BC; 405 Automated Northwest PowerPool Contingency Reserve Sharing; and 406 - Firm Load Responsibility, in order to comply with this standard.

The approval of BAL-002-WECC-01 will also require changes to the ISO documents: “Technical Requirements for Provision of Spinning Reserves”; “Technical Requirements for the Provision of Spinning Reserves from Resources that are External to the Alberta Control Area”; “Technical Requirements for Provision of Supplemental Reserves by Generation Units”; “Technical Requirements for Provision of Supplemental Reserves by Loads”; “Technical Requirements for Provision of Supplemental Reserves from Generation Units”; “Technical Requirements for the Provision of Supplemental Reserves from Resources that are External to the Alberta Control Area”; and “Glossary of Terms for Technical Requirements”.

The AESO invites market participants and other interested stakeholders to an information session, which will be held in Calgary from 1:30 to 4:00 p.m. on Tuesday February 17, 2009 at The Metropolitan Centre, 333 4th Ave SW. The presentation will be posted to www.aeso.ca following the information session, for those unable to attend. **To register for this session please RSVP to Allison Mathews (allison.mathews@aesoc.ca) by Thursday February 12, 2009.**

Yours truly,

Original signed by

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