

May 28, 2010
File No.: 260254.00002/15300

DELIVERED BY COURIER

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

Attention: Darren McCrank

Dear Sir:

Re: BCTC Comments on the Intertie Discussion Paper

BCTC welcomes the opportunity to provide comments to the Alberta Electric System Operator (AESO) on the Intertie Framework Discussion Paper ("IFDP"). BCTC's comments are limited to the following issues:

- (a) Restoration of existing intertie capacity;
- (b) Allocation of ATC to same price, same product bids on multiple interties; and
- (c) Scheduling deadlines for curtailment purposes.

Each of these issues will be addressed in turn.

(A) Restoration of Existing Intertie Capacity

BCTC supports all efforts to expand the ability of the AIES to make use of existing intertie capacity. BCTC's view is that doing so as a priority is of greater value than any market design work to allocate the existing level of service.

Restoration of existing intertie capacity to the current path rating has been a part of Alberta's energy policy for some time now. It is specifically required by section 17 of the *Electric Utilities Act (EUA)*. The development of a plan to do so is required by section 16 of the *Transmission Regulation*. Even without these clear statements, restoration of intertie capacity is clearly required by, and consistent with, the AESO's statutory obligation¹ to develop the transmission system to provide all market participants wishing to participate in these markets and

¹ EUA, section 29
Suite 1100, Four Bentall Centre
1055 Dunsmuir Street
PO Box 49260
Vancouver, BC V7X 1V5

exchange electric energy a reasonable opportunity to do so. As noted in the IFDP, improving the capacity of the AIES to receive more firm imports would also be consistent with the 2008 Provincial Energy Strategy (PES) to ensure an adequate supply of electricity to Alberta.

BCTC remains concerned that the focus of intertie activity appears to be on market design to allocate the existing capacity, when it is clear that the real issue is the limit on that capacity. BCTC believes that it should be AESO's goal to increase the capacity of each intertie closer to the path rating as determined by the WECC.

(B) Allocation of ATC for same price, same product schedules on multiple interties”

The IFDP anticipates the development of an allocation principle, or rule, whereby the acceptance and dispatch of same price, same product bids/offers are based on an allocation of the ATC to each intertie. BCTC disagrees with this concept and does not believe that the acceptance and dispatch of import bids should be based on an allocation of transmission capacity at all.

First, it is inconsistent with the basic premise of an energy market to distinguish between offers or bids on the basis of transmission paths. To do so is to recognize a form of transmission right which, as the AESO has indicated, is inconsistent with the general framework of the Alberta market. Acceptance of bids and offers based on the transmission path would inevitably lead to circumstances where generators would be advantaged or disadvantaged on the sole basis of the path available to them to enter the Alberta market. If the principle is to achieve fair, efficient, and openly competitive intertie transactions, importers should be treated equally, and on terms consistent with those applicable to intra-Alberta market participants.

Second, acceptance of bids/offers on the basis of an allocation of intertie capacity to multiple transmission paths is inconsistent with the encouragement and development of a price-based system for import transactions. In a price-based system, the competition for acceptance of bids and offers in the merit-order stack is based on energy prices, rather than by the service or path taken to reach the Alberta market.

BCTC suggests that there should be no allocation of intertie capacity. Offers and bids should be selected first on the basis of price and, where there is an excess of in-merit bids over intertie import capacity, the *dispatch should be the same as with internal transactions, based on a pro-rata allocation of scheduled energy* rather than the transmission capacity of a particular path.

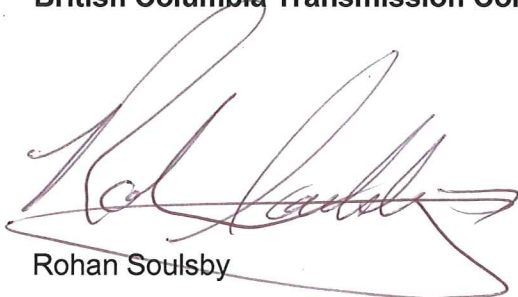
(C) Accommodation of Real Time Scheduling

The IFDP seeks comment on the time (xx:yy) for curtailment to maximize utilization of ATC and to provide maximum flexibility to participants and transmission operators. The AESO notes that today, LIFO curtailment is executed at hh:45, but suggests that because curtailment would likely occur more often due to the competition between new lines, a new timing may be warranted in order to reduce the burden on participants having to change or cancel schedules.

BCTC will review the impact of the new proposed time for curtailment on its operation when it is known. However, BCTC believes that the curtailment time should not be later the current time for curtailment at hh:45.

Yours truly,

British Columbia Transmission Corporation

A handwritten signature in dark ink, appearing to read 'Rohan Soulsby', is written over a horizontal line. The signature is fluid and cursive.

Rohan Soulsby

Director, Market Operations and Development