

June 1, 2011

Dear Market Participants and Interested Parties:

Re: Amended Terms of Reference for the Competitive Process (Process)

On September 17, 2010, the AESO issued a draft Discussion Paper and a Terms of Reference (TOR) for the consultation process on the development of a Process for critical transmission infrastructure (CTI) projects. The TOR will continue to change over the life of the initiative and will be amended as required. As such the AESO has amended the September 17, 2010 TOR as follows:

- The consultation activities and schedule dates have been amended as a result of the comments received from stakeholders on the initial stakeholder session and from further stakeholder discussions. The “in scope” section has evolved accordingly.
- No changes have been made to the “out of scope” section.
- The AESO has amended Appendix 3 to reflect its consultation activities to date including associated stakeholder involvement.

Appendix 2 outlines the AESO consultation principles for Rules Development. While this process will be filed with the Alberta Utilities Commission for approval as an application, the principles have been used as a guide in the AESO’s consultation. The AESO continues to endorse its consultation principles.

The AESO thanks stakeholders for their participation in this consultation.

Sincerely,

Original signed by

Elizabeth Moore

Director, Competitive Process

Purpose

The purpose of the Terms of Reference (TOR) is to outline the scope and proposed approach for developing a competitive process as defined in the Scope section below.

The TOR is an evolving document and will be amended as required. Any amendments to the TOR will be published on the AESO website and stakeholders will be notified through the biweekly AESO newsletter.

Stakeholder Participation

Stakeholders interested in participating in this consultation and commenting on the TOR and Discussion Paper should submit written comments by June 24, 2011 using the attached Stakeholder Comment/AESO Replies Matrix. After receiving written comments from stakeholders, the AESO will reply to the comments within the application to the Alberta Utilities Commission.

The AESO will hold a stakeholder session in Calgary on June 9, 2011 and Edmonton on June 13, 2011 to review the Recommendation Paper published on June 1, 2011 and answer any questions.

Scope

The TOR and related consultations are limited to:

1. the proposed implementation schedule;
2. objectives and principles for a successful process;
3. alternatives within a competitive procurement process;
4. critical implementation issues and proposed resolution;
5. request for qualification process development; and
6. proposed regulatory changes required as a result of implementing a Process.

Out of Scope

This Terms of Reference paper and consultation does not include:

1. discussion and/or debate on changes to CTI legislation; and
2. discussion and/or debate on alternatives to a Process for CTI projects.

Need for a Competitive Process

As identified in the *Electric Utilities Act* and *Transmission Regulation*, the AESO is developing a competitive process (Process).

Consultation Principles

The AESO developed a set of consultation principles to ensure its consultation is inclusive, transparent, fair and efficient. The AESO has determined the proposed Process will be filed with the Alberta Utilities Commission (AUC) as an application. The AESO has used the Independent System Operator (ISO) Rules consultation principles as a guide in the development of the competitive process. Please refer to Appendix 2 to review these principles.

Consultation Steps, Documents and Schedule

Below is a list of consultation steps the AESO has completed and intends to follow for the competitive process along with proposed completion dates.

| Consultation Activity | Date |
|---|-------------------------|
| AESO issues Discussion Paper | September 17, 2010 |
| Stakeholders provide comments | November 4, 2010 |
| AESO undertakes further stakeholder consultation | Prior to March 31, 2011 |
| AESO issues Draft Recommendation Paper | March 31, 2011 |
| Stakeholders provide comments | April 28, 2011 |
| AESO undertakes further stakeholder consultation as appropriate | Prior to May 27, 2011 |
| AESO issues Recommendation Paper* | May 27, 2011 |
| Stakeholders provide comment | June 24, 2011 |
| AESO files application with AUC | September 15, 2011 |

| | |
|---|----------------|
| Expected AUC Decision** | June 2012 |
| AESO issues RFQ | July 2012 |
| Bidders respond to RFQ | September 2012 |
| AESO evaluates RFQ responses and prepares short list of bidders | November 2012 |
| AESO issues RFP | November 2012 |
| Bidders respond to RFP | May 2013 |
| AESO evaluates bids and awards project to successful bidder | August 2013 |

* Issuance date of the Recommendation Paper may vary depending on stakeholder consultation requirements.

** Indicative only—the AUC will determine the timelines of the approval process.

Consultation Record

The documents prepared by the AESO and stakeholders in the context of this consultation process will be published on the AESO website at <http://www.aeso.ca/transmission/21684.html> and will form part of the AESO's consultation record. These documents will include the consultation documents identified in the "Consultation Activities and Documents" section above and will also include agendas, lists of participants and issues, and actions items associated with stakeholder sessions, workshops or technical sessions held.

For clarity, only written stakeholder comments received by the AESO in accordance with this consultation process will be considered when finalizing the Recommendation Paper.

A chronology of events and documents has been updated and included in Appendix 3. The AESO will update the TOR and post the amended TOR on its website, as required, at <http://www.aeso.ca/transmission/21684.html>.

Appendix 1 – List of Stakeholders

The following stakeholders have participated in one or more consultation activities described in Appendix 3.

- ABB Inc.
- AltaLink
- Areva T&D Canada Inc
- ATCO Electric
- Alberta Utilities Commission (AUC)
- Brookfield
- CanWEA
- Capital Power Corporation
- Cogent Group
- ENMAX
- EPCOR
- Fortis Alberta
- Gowlings
- Hatch Energy
- High Time Industries Ltd
- HMA Land Services
- Independent Power Consumers Association of Alberta (IPCAA)
- Independent Power Producers Society of Alberta (IPPSA)
- LS Power Development
- Maurice Law on behalf of Whitefish Lake No. 128 First Nation, Kehewin Cree Nation and Fort McMurray First Nation

- Naturener
- NextEra Energy Canada
- Office of the Utilities Consumer Advocate (UCA)
- Phillips Partners Inc.
- Rising Edge Engineering Ltd.
- SNC Lavalin
- Teshmont
- Torys LLP
- TransAlta Corporation
- TransCanada Energy
- Valeo Power Corporation
- WPJI Consulting Inc.

Appendix 2 – AESO Consultation Principles for ISO Rule Development

The AESO principles for consultation on draft ISO Rules changes are intended to provide guidance respecting the conduct of both the AESO and stakeholders. The AESO principles for consultation are as follows:

1. The ISO Rules consultation process will be inclusive, transparent, fair and efficient and will be understood and accepted by all parties.
2. All parties will act in good faith and in a fair and respectful manner when engaged in the ISO Rules consultation process.
3. The AESO has a statutory obligation to ensure the safe and reliable operation of the Alberta Interconnected Electric System (AIES) and to promote a fair, efficient and openly competitive market for electricity. In the ISO Rules consultation process, the interests of individuals must be considered in the context of the reliable operation of the AIES and in the public interest as a whole.
4. The ISO Rules consultation process, particularly with respect to the degree of detail of information provided by the AESO and stakeholders, the time required for review of that information, and the amount of related discussion, will be commensurate with the importance, complexity, potential impacts, and urgency of the draft ISO Rules changes.
5. The AESO will commence consultation early in the ISO Rules consultation process to allow sufficient time for stakeholder participation and will provide stakeholders with complete, accurate, timely and comprehensible information. AESO information will be made available in a manner that stakeholders can readily understand and with adequate time for review and consideration.
6. The ISO Rules consultation process will involve a full discussion of the views of stakeholders in order to enable the AESO to make the best decision possible in the context of the AESO statutory mandate.
7. The AESO may develop a written Terms of Reference for each ISO Rules consultation process, which may include description of relevant issues, establishment of working groups, one or more technical conferences, and a proposed schedule of key dates. The AESO will seek stakeholder input before finalizing each Terms of Reference.
8. Stakeholders will be given the opportunity to provide written comments in response to AESO documentation made available during the ISO Rules consultation process.

9. Each stakeholder will raise all concerns or suggestions for improvement, and provide those concerns or suggestions for improvement in writing for discussion with others participating in the ISO Rules consultation process and to share information necessary for others to understand and evaluate those concerns or suggestions.
10. All Terms of Reference, AESO information, comments from stakeholders with AESO replies, agendas and action items will be in writing and will be posted on the AESO website. Only those comments received from stakeholders in writing will be considered by the AESO when finalizing draft ISO Rules changes.
11. When finalizing the draft ISO Rules changes, the AESO will have regard for all written stakeholder input received during the ISO Rules consultation process and will provide a written explanation where the draft ISO Rules changes could not address a stakeholder concern or accommodate a stakeholder suggestion.
12. While written input from stakeholders during the ISO Rules consultation process will inform the AESO's decision-making, the responsibility for the decision rests with the AESO, pursuant to its statutory mandate.

Appendix 3 – Chronology of the Consultation Record

Discussion Paper

On September 17, 2010, the AESO began a consultation process for the development of the Process. The following documents were published at www.aeso.ca:

1. [Invitation and Terms of Reference - Consultation on Competitive Procurement Process](#)
2. [Competitive Procurement Process Discussion Paper](#)
3. [Stakeholder Comment Matrix Template - Consultation on Competitive Procurement Process](#)

Stakeholders were notified of the publication via a biweekly AESO newsletter on September 17, 2010. The newsletter is distributed by email to any stakeholder who has registered on the AESO website to receive it.

Media Release

The AESO issued a media release on September 20, 2010 to notify stakeholders of the consultation process for the development of the Process. The [media release](#) was published to www.aeso.ca and noted in the biweekly AESO newsletter on September 23, 2010.

On September 23, the AESO issued an [invitation to a stakeholder session](#) in Calgary on October 13, 2010 and notified stakeholders via the biweekly AESO newsletter on September 23 and 28 and October 5, 2010.

Discussion Paper Stakeholder Session

On October 13, 2010, the AESO hosted a stakeholder session to review the TOR, Consultation Schedule and Discussion Paper. Representatives from the following organizations attended the session:

- ABB Inc.
- AltaLink
- Areva T&D Canada Inc
- ATCO Electric
- Alberta Utilities Commission (AUC)
- Capital Power Corporation

- Cogent Group
- ENMAX
- EPCOR
- Fortis Alberta
- Gowlings
- High Time Industries Ltd
- HMA Land Services
- Independent Power Consumers Association of Alberta (IPCAA)
- Independent Power Producers Society of Alberta (IPPSA)
- LS Power Development
- NextEra Energy Canada
- Office of the Utilities Consumer Advocate (UCA)
- Phillips Partners Inc.
- Teshmont
- TransAlta Corporation
- TransCanada Energy
- Valeo Power Corporation
- WPJI Consulting Inc.

On October 13, 2010, the AESO published the [presentation](#) given at the stakeholder session and noted it in the biweekly AESO newsletter on October 14, 2010.

Discussion Paper Stakeholder Comments

The AESO received comments from the following stakeholders on or before November 4, 2010:

- ABB Inc.

- AltaLink
- ATCO Electric
- Brookfield
- EPCOR
- LS Power Development
- Naterener
- Office of the Utilities Consumer Advocate (UCA)
- SNC Lavalin
- TransAlta Corporation
- TransCanada Energy

[Stakeholder comments](#) on the Discussion Paper were published to the website on November 10, 2010 and noted in the biweekly AESO newsletter on November 12, 2010.

On November 23, the AESO issued a [letter to stakeholders](#) identifying the themes identified in the stakeholder comments and how these comments would assist the AESO in developing the Draft Recommendation Paper.

The letter was published to the website and noted in the biweekly AESO newsletter on November 23, 2010.

Letters to Stakeholders re Schedule Update

On December 20, 2010 the AESO issued a [letter to stakeholders](#) indicating the revised publication date of the Draft Recommendation Paper was moved to the end of Q1 2011.

The letter was published to our website and noted in the biweekly AESO newsletter on December 21, 2010 and January 11, 2011.

On February 3, 2011 the AESO issued a [letter to stakeholders](#) which provided a revised consultation schedule for stakeholders. This letter indicated the AESO would be contacting stakeholders for individual meetings as part of further consultation efforts.

The letter was published to our website and noted in the biweekly AESO newsletter on February 3, 2011.

Individual Meetings with Stakeholders

As part of further consultation efforts, the AESO requested individual meetings to review the proposed consultation schedule, review comments submitted on the Discussion Paper, discuss AESO's position on entry models and discuss potential cost recovery models.

Individual meetings were held with the following stakeholders:

- Alberta Direct Connect Consumer Association (ADC)
- AltaLink
- ATCO Electric
- Brookfield
- EPCOR
- Independent Power Consumers Association of Alberta (IPCAA)
- LS Power Development
- Office of the Utilities Consumer Advocate (UCA)
- SNC Lavalin
- TransCanada Energy

Draft Recommendation Paper

On March 31, 2011, the AESO published the following documents on the website at www.aeso.ca:

1. [Letter to Stakeholders - Competitive Process Draft Recommendation Paper](#)
2. [Invitation to Competitive Process for Critical Transmission Infrastructure Stakeholder Session](#)
3. [Competitive Process for Critical Transmission Infrastructure Draft Recommendation Paper](#)
4. [Draft Recommendation Paper - Stakeholder Comment and AESO Replies Matrix](#)

With these documents, the AESO invited stakeholders to attend a stakeholder session in Calgary on April 14, 2011 and notified stakeholders via the biweekly AESO newsletter on March 31 and April 5, 7 and 12, 2011.

Draft Recommendation Paper Stakeholder Session

On April 14, 2011, the AESO hosted a stakeholder session in Calgary to review the Draft Recommendation Paper. Representatives from the following organizations attended the session:

- AltaLink
- ATCO Electric
- Brookfield
- CanWEA
- EPCOR
- Hatch Energy
- HMA Land Services
- Independent Power Consumers Association of Alberta (IPCAA)
- LS Power Development
- Office of the Utilities Consumer Advocate (UCA)
- Rising Edge Engineering Ltd.
- SNC Lavalin
- Torys LLP
- TransAlta
- TransCanada Energy

On April 14, 2011, the AESO published the [presentation](#) given at the stakeholder session and noted it in the biweekly AESO newsletter on April 14, 2011.

Stakeholder Comments on Draft Recommendation Paper

The AESO received comments from the following stakeholders on or before April 28, 2011:

- ABB Inc.

- AltaLink
- ATCO Electric
- Brookfield
- EPCOR
- LS Power Development
- Maurice Law on behalf of Whitefish Lake No. 128 First Nation, Kehewin Cree Nation and Fort McMurray First Nation
- Naturener
- SNC Lavalin
- TransAlta
- TransCanada
- Office of the Utilities Consumer Advocate (UCA)

[Stakeholder comments](#) on the Draft Recommendation Paper were published to the website on May 12, 2011 and the posting was noted in the biweekly AESO newsletter on May 12, 2011.

First Nation and Métis Outreach

Beginning in November 2010 and throughout the program, the AESO has provided information and engaged the following First Nations and Métis:

- Alexander First Nation
- Alexis Nakota Sioux First Nation
- Beaver Lake Cree
- Bigstone Cree Nation
- Buffalo Lake Métis
- Chipewyan Prairie First Nation
- Enoch Cree Nation

- Fort McKay First Nation
- Fort McMurray First Nation
- Heart Lake First Nation
- Kikino Lake Métis Settlement
- Lesser Slave Lake Indian Regional Council (LSLIRC) which comprises:
 - Sawridge First Nation
 - Driftpile First Nation
 - Kapawe'no First Nation
 - Swan River First Nation
 - Sucker Creek First Nation
 - Métis Nation – Zone 1
 - Métis Local – Wabasca Region
 - Paul First Nation
 - Saddle Lake First Nation
 - Whitefish Lake First Nation