



**ALBERTA ELECTRIC SYSTEM OPERATOR – PROPOSAL FOR ALBERTA RELIABILITY COMMITTEE (ARC)**

On July 13, 2007, the AESO sent out a proposal and requested stakeholder feedback in respect of establishing an AESO Reliability Committee, which is intended to comply with the associated requirements in the Transmission Regulation. More specifically, as noted in the July 13, 2007 letter:

The AESO is establishing an AESO Reliability Committee (ARC) which will serve as a forum for owners, operators and users of the transmission system to provide advice to the AESO. The following information contains the AESO’s responses to stakeholder comments.

**General AESO Response To Stakeholder Comments Received:**

To ensure appropriate involvement in the ARC, the ARC’s mandate is to provide the AESO with advice from senior individuals on standards, criteria, policies, processes, and practices associated with the approval and monitoring of standards as defined in the TReg. Working groups will be set up to ensure focused input is gathered on specific standards and to serve as a forum where directly affected entities have the opportunity to review specific requirements in standards as well as discuss the implications and impacts of a specific standard. For example, it is expected there will be working groups focused on transmission operations, facility interconnections, generator operations, cyber and physical security related to critical assets, etc. If an entity is not chosen as the representative of a sector on the ARC, it will have ample opportunities to provide focused input from the organization’s perspective through the working groups. In addition, once it is decided that a standard is expected to become mandatory in the province, that standard will go through the AESO Rules process, which is well-defined and open to broad stakeholder comment.

Date	Organization	Contact Person	Method	Organization’s Comments	AESO Response
August 10/07	Direct Energy	Damian Opel	email	<ul style="list-style-type: none"> <li>Committee structure omits two large market participants – Purchasing-selling entities (PSEs) and Load-serving entities (LSEs).</li> <li>Direct Energy is classified as a PSE in the US and Ontario. Direct Energy is classified as a GO, GOP and TOP in the ERCOT region.</li> <li>The Committee should include PSE and LSE market participants. They would add to the committee due to their experience in having already met NERC requirements</li> </ul>	<p>The PSE and LSE functions, as described in the NERC Functional Model, do not align with the Alberta reliability and market frameworks. Further, the number of FERC-approved reliability standards that apply to LSEs and PSEs is relatively small. However, where needed to address an applicable standard, a working group may be established to provide input.</p> <p>The ARC is intended to provide advice and an initial vetting of concepts and practices from an overall Alberta perspective. The working</p>

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				<p>in other reliability regions and having participated in FERC's rulemaking process.</p>	<p>groups will be comprised of stakeholders directly affected by specific standards. These working groups will review the detailed requirements of standards and would include Alberta market participants such as Direct Energy.</p>
August 28/07	EPCOR	Lynn Meyer/ Richard Stout	Letter	<ul style="list-style-type: none"> <li>• Commends AESO for establishing the committee.</li> <li>• Concerned that the proposed membership structure (one representative from each of the four major interest groups) will not result in an effective process.</li> <li>• Need to balance efficiency and effectiveness with the inclusion of additional committee members.</li> <li>• There are many parties with interest in generation and the interests of these parties may not be aligned.</li> <li>• Difficult to find consensus across multiple commercial organizations (e.g. GOs, PPA Buyers, PPA Owners, Merchant Generators).</li> </ul> <p>Recommendation:</p> <ul style="list-style-type: none"> <li>• Assess the expected impact of the issues for discussion on members of the generation community. Significantly</li> </ul>	<p>The ARC is intended to provide advice and an initial vetting of concepts and practices from an Alberta perspective. The working groups will be comprised of stakeholders directly affected by specific standards. These working groups will review the detailed requirements of standards. In addition, the AESO Rules process will be open to all stakeholders who wish to comment on specific standards being considered as standards to become applicable and mandatory in Alberta. This will provide an open and transparent method for stakeholders to comment on standards.</p> <p>With this in mind, the committee will be structured as outlined in the letter dated July 13<sup>th</sup>, 2007.</p> <p>The ARC Terms of Reference will be used as a guide for adequate representation within the construct of the committee mandate.</p> <p>AESO will send a request to Generation</p>

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				<p>impacted members should have individual representation on the committee (e.g. generation owners whose generation assets are considered critical assets).</p> <ul style="list-style-type: none"> <li>• Next ensure that the interests of PPA Owners, PPA Buyers, Merchant Generators and Generator Operators are individually represented. Could be achieved through single industry representative for each category with appropriate agreement and consultation among the parties and exclusion of anyone noted in the first recommendation. <p>Nominations:</p> <ul style="list-style-type: none"> <li>• Asish Desarka, EPCOR Distribution and Transmission Inc. to represent EPCOR's TFO and DFO interests</li> <li>• Richard Stout, EPCOR Utilities Inc. to represent EPCOR's generation interests</li> </ul> </li></ul>	<p>Owners requesting nominations for the ARC, will collect names of those nominated and circulate the listing asking the Generation Owners to make their first and second choice (second choice to be used to break any tie votes), and will compile the votes received and notify Generation Owners of the successful nominee who will become the representative on the ARC.</p> <p>Each organization will be contacted directly with regard to representation on the ARC in the TFO sector.</p>
August 31/07	TransAlta Corporation	Sterling Koch	Letter	<ul style="list-style-type: none"> <li>• Formation of a committee is a good way to facilitate the implementation of reliability standards.</li> <li>• Suggest the addition of another group to represent trading organizations (i.e. comparable to the PSE function).</li> <li>• Concerned with only</li> </ul>	<p>The working groups assigned by the ARC will serve as the vehicle for specific and focused review of standards and their impacts on organizations.</p> <p>The PSE function will be addressed through a working group focused on any standards that</p>

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				<p>one representative for GOs.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> <li>• Generators with critical assets should have a seat on the committee (agree with EPCOR).</li> <li>• Each of the PPA Owners, PPA Buyers, Merchant Generators and Generation Operators should have a representative (agree with EPCOR).</li> <li>• There also may be differences in generators based on fuel type.</li> <li>• Support the working group structure.</li> </ul> <p>Nomination:</p> <ul style="list-style-type: none"> <li>• Sandy O'Connor</li> <li>• If AESO decides on only one representative for all GOs, request additional time to consult with other Owners to be able to provide one name agreed to by all parties.</li> </ul>	<p>would affect organizations considered as PSEs.</p> <p>Therefore, the AESO does not intend to have a PSE or LSE (as defined in the NERC Functional Model) added to the ARC.</p> <p>Time will be allowed for generators to determine a representative.</p> <p>Please reference AESO comments above re representation on the ARC.</p>
August 31/07	TransCanada Energy Ltd.	Vince Kostas	Letter	<ul style="list-style-type: none"> <li>• Appreciates AESO's efforts to establish a committee.</li> <li>• Difficult to have one individual fairly and effectively represent the interests of all GOs.</li> <li>• Suggest GO group be set up as follows: <ul style="list-style-type: none"> <li>○ PPA Owners</li> <li>○ PPA Buyers and Thermal Generators</li> <li>○ Wind Generators</li> </ul> </li> </ul> <p>Nomination:</p>	<p>The structure of the committee is intended to be efficient. The topics to be discussed are of a general nature regarding processes, etc. and reflective of business practices that could be applicable across the province.</p> <p>The working groups assigned by the ARC will serve as the vehicle for specific and focused review of standards and their impacts on</p>

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				<ul style="list-style-type: none"> <li>Ken Kunz to represent TransCanada Energy and possibly PPA Buyers and Thermal Generators</li> </ul>	<p>organizations.</p> <p>Please reference AESO comments above re representation on the ARC.</p>
August 31/07	ATCO Power	Carl Fuchshuber	Letter	<ul style="list-style-type: none"> <li>Expects that much of the work will be on TX and distribution standards, so concurs that a single generation representative will be adequate.</li> <li>However the scope of ARC will also include areas that will affect market operations and generator access. In these areas, Generator Owners and PPA Buyers may want to represent their interests.</li> <li>Provide all parties that have significant commercial interests the opportunity to participate in ARC.</li> <li>Establish a work plan right away identifying the reliability standards and other activities to be undertaken in the upcoming year.</li> <li>Would expect that, where appropriate, parties would naturally seek to consolidate their representation.</li> <li>AESO could ask individuals to participate if insufficient nominations are received in some areas.</li> <li>If the current</li> </ul>	<p>The majority of the standards affect either the AESO or TFOs. The working group tasked with the review of standards applicable to TFOs will have a large portion of the analysis work.</p> <p>Additional working groups will focus on standards that affect PPA Buyers, PPA Owners, Merchant Generators, etc.</p> <p>Drafting of and input into proposed changes to individual standards will occur within the appropriate working groups, with the ARC dealing with the processes, etc. by which an individual standard would be implemented.</p> <p>Those affected will have the opportunity to participate on the working groups. However, the AESO may choose to limit the number of participants for the sake of efficiency, but all stakeholders will get ample opportunity to input via the open stakeholder comment process imbedded in the Rules process.</p> <p>The AESO will develop an annual work plan which will include timelines and list the standards to be analyzed</p>

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				<p>structure is used, it will be necessary to develop a mechanism to adequately incorporate the range of generation owner interests in the committee work. This will necessarily impose obligations and constraints on the sector representative that will have to be factored into this decision to participate.</p>	<p>by each working group (for applicability in Alberta and to address assignment of responsibilities, identify gaps in processes or required documentation, etc.) This work plan will be reviewed by the ARC who will set up the appropriate working groups and allocate resources from their organizations to assist with the review.</p> <p>The ARC Terms of Reference will be used as a guide for adequate representation within the construct of the committee mandate.</p> <p>Please reference AESO comments above re representation on the ARC.</p>