March 5, 2015

To: Market Participants and Other Interested Parties:

Re: Consultation Letter - Proposed Amended BAL-002-WECC-AB1-2 Contingency Reserve (“BAL-002 Amendment”).

Section 19 of the Transmission Regulation requires the Alberta Electric System Operator (“AESO”) to consult with market participants likely to be directly affected by the AESO’s adoption or making of Alberta reliability standards, and also requires the AESO to forward the proposed Alberta reliability standards to the Alberta Utilities Commission (“AUC”) for review, along with the AESO’s recommendation that the AUC approve or reject them.

Accordingly, the AESO is providing notice and seeking comments from market participants on the attached proposed BAL-002 Amendment.

Applicability

The BAL-002 Amendment is applicable to the AESO.

Background

BAL-002-AB-1, Disturbance Control Performance, which came into effect in Alberta on October 1, 2012, requires the AESO to have access to a certain quantity of contingency reserves to cover its Most Severe Single Contingency (MSSC). The proposed BAL-002-WECC-AB-2, Contingency Reserve, is a Western Electricity Coordinating Council (WECC) regional variance to BAL-002-AB-1, which details the quantity and types of contingency reserve the AESO is required to have access to in order to cover either the AESO’s MSSC or the combination of 3% of the hourly integrated amount of load plus 3% percent of the hourly integrated amount of net generation, whichever is greater.

The total import capability on the interconnections between Alberta and other members of the WECC has increased over the last couple of years and, with this increased transfer capability, there is an increased likelihood that imports on these interconnections may be the MSSC. A loss of any of these interconnections results in an Alberta losing synchronism with the other members of the WECC. In such situations, the AESO uses LSSi and other market products to make up the required contingency reserve volume in accordance with BAL-002-AB-1. The AESO has determined that it is not necessary for the AESO to be bound by the quantities and types of contingency reserve required by BAL-002-WECC-AB-2 in order to ensure the reliable operation of the Alberta interconnected electric system.

Accordingly, the AESO proposes to amend BAL-002-WECC-AB-2 such that it will not be applicable in the event of contingencies that result in the Alberta interconnected electric system losing synchronism with the WECC.

Summary of the Proposed Changes

The proposed BAL-002 Amendment is as follows:
- The Applicability section of BAL-002-WECC-AB-2 is being modified such that the standard would not be applicable in the event of contingencies that result in the Alberta interconnected electric system losing synchronism with the WECC.

As a result of the proposed BAL-002 Amendment, the existing Alberta reliability standard BAL-002-WECC-AB-2 is being renamed BAL-002-WECC-AB1-2 to reflect an increase in the Alberta version number of this reliability standard.

**Previous Market Participant Consultation**

There has been no previous consultation on the BAL-002 Amendment.

**Implementation of Alberta Reliability Standards**

All Alberta reliability standards proposed for approval or rejection by the AESO are based on the reliability standards and definitions developed, or approved, and enforced by North American Electric Reliability Corporation ("NERC"). NERC was certified as the Electric Reliability Organization ("ERO") for the United States by the Federal Energy Regulatory Commission ("FERC") under the US Energy Policy Act of 2005. NERC has been granted recognition as the ERO by the Minister of Energy in Alberta.

In accordance with section 19 of the Transmission Regulation, the reliability standards that apply in Alberta are those of the ERO or any other reliability standards to the extent that such reliability standards are adopted by the AESO after consultation with market participants and after receipt of AUC approval.

For more information on the AESO’s reliability standards visit our website at [www.aeso.ca](http://www.aeso.ca) and follow the path Rules & Standards > Alberta Reliability Standards.

**Request for Comments from Market Participants**

Please use the attached Market Participant Comment Matrix when submitting comments to the AESO on the proposed BAL-002 Amendment. Only written comments will be considered in finalizing the proposed BAL-002 Amendment.

When reviewing the attached proposed BAL-002 Amendment, market participants should note that all defined terms in the proposed BAL-002 Amendment are emphasized using "bold". Market participants are encouraged to refer to the AESO’s Consolidated Authoritative Document Glossary when reviewing the proposed BAL-002 Amendment to ensure they have an accurate understanding of those defined terms.

Please ensure that comments provided with respect to the proposed BAL-002 Amendment represent all interests within each market participant's organization.

Please provide market participant comments or questions no later than March 20, 2015, to ars_comments@aeso.ca.

Adherence to deadlines is essential to the integrity of the AESO’s consultation on the proposed BAL-002 Amendment. As such, any market participant comments received after March 20, 2015, may not be published, replied to, or otherwise considered by the AESO.

The AESO will be publishing all market participant comments received for industry review in March 2015. The AESO expects to publish replies to the comments with the final BAL-002 Amendment in April, 2015.

If the AESO does not receive comments from market participants regarding the proposed BAL-002 Amendment, the AESO is expects to forward the final proposed BAL-002 Amendment to the AUC in May, 2015, along with its recommendation that the AUC approve the final proposed BAL-002 Amendment to become effective 30 days after AUC approval.
Attachments

The following documents are attached:

1. Market Participant Comment Matrix for BAL-002 Amendment; and
2. Blackline and clean copy of BAL-002 Amendment.

Sincerely,

“Original Signed By”

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Attachments