

Response to Comments on Credit Sub-Committee Discussion Paper “Alberta Power Industry Credit Issues” - Comment Matrix

November 16, 2005

Name of Interested Party and Comments Submitted by the Interested Party	Response
<p>TransCanada Comment</p> <p>TransCanada would like to provide an additional comment on the discussion around item 4.3 – “Unsecured Credit Provided to Non-Rated Companies”. It is TransCanada’s view that (a) the AESO is not in the business of getting ratings for unrated companies, and (b) that unrated companies have options to get ratings on their own. Accordingly, further research to develop proxy ratings and /or to having ratings agencies conduct this work for the AESO is not warranted. It is not clear from this paper what the next steps are for the AESO. However, given that the executive summary outlines that there is “some value in providing non-rated companies unsecured credit...” we are led to believe that further work is pending. TransCanada would not support AESO conducting further work on this item.</p>	<p>The Credit Sub Committee is in agreement with TransCanada that the AESO is not in the business of getting credit ratings for non-rated participants and that non-rated participants do have the option of obtaining a credit rating. However, we do believe that proxy rating models do exist which are effective in determining a proxy credit rating which could be used to provide unsecured credit to non-rated companies. We acknowledge that the process for the determination of a proxy credit rating is not equivalent to that of a credit rating provided by a ratings agency, as a participant would not be subject to the same level of scrutiny; however, this difference would be reflected in any proposed ISO Rules changes that will be put forth by the AESO. The AESO will put forth the rules changes relating to the granting of unsecured credit to non-rated companies as part of the ISO Rules changes process and the proposed rules will be subject to stakeholder review and comment as a part of that process.</p>
<p>TransCanada Comment</p> <p>Finally, regarding the default levy, section 4.6, the recommendation in the paper is not clear. The first</p>	<p>To clarify the Credit Sub Committee’s recommendations relating to the default levy, it is the Credit Sub Committee’s</p>

recommendation that the default levy should continue to be calculated on metered volumes would assign any default to physical volumes. The second recommendation seems to contradict the first, in that only financial volumes (following net settlements) will be charged any default. Further clarification is required as to which recommendation that AESO supports as are mutually exclusive. While attributing the default to net financial volumes may be the correct market incentive, it may equally create a risk to forecast error that is difficult to mitigate. Further discussion is required on this.

recommendation that the default levy be calculated using metered volumes reduced for physical volumes related to net settlement instructions. The AESO is open to further discussion as any rule changes relating to the default levy will be subject to the ISO Rules changes process and as a part of that process the proposed rules will be subject to stakeholder review and comment.