



April 11, 2006

VIA EMAIL

Wes Green
Director, Market Services
Alberta Electric System Operator
2300 – 330 5 Avenue SW
Calgary, AB T2P 0L4

Dear Mr. Green:

RE: TMR Price Reconstitution - Comments of Direct Energy Marketing Limited

Direct Energy Marketing Limited (“DEML”) welcomes the opportunity to provide feedback concerning Transmission Must Run (“TMR”) Price Reconstitution. DEML appreciates the time and effort spent by the AESO examining the four key issues and would like to respectfully provide comments regarding these issues.

Policy Issues

DEML supports the incorporation of TMR in the determination of pool price as TMR should not be priced at zero. Zero pricing does not reflect the true costs associated with offering TMR and results in the lowering of the pool price and the scheduling-off of critical resources in other areas of the province.

“Constrained-Down” Payments

DEML does not agree with the exclusion of “constrained-down” payments from the proposed methodology. As mentioned previously by the AESO and stakeholders, the existing proposal creates the perverse incentive for the generator on the margin to potentially offer a price less than its operating costs while conversely hoping that the reconstituted pool price will be high enough to support its operating costs.

Managing Unintended Consequences

DEML fully supports the formal review of the impact of TMR price reconstitution six months after the initial implementation.

Suite 1000, 111 – 5th Avenue S.W.
Calgary, Alberta T2P 3Y6

tel. 403.266-6393 fax 403.266.6684
www.directenergy.com

Reference Price

When considering the appropriate pricing of TMR, one must ensure that the TMR price does not unduly harm the market, and at the very least be neutral. DEML does not agree with the proposal to choose a dynamic price as suggested by the AESO. If a random number generator is utilized, it would be difficult to justify to consumers that the price they are paying for power is fair and reflective of a well functioning market.

DEML suggests that TMR be priced at either the System Marginal Price ("SMP") or Clearing Price ("CP") level. Pricing TMR at this level would not have any undue influence on the market place and would not impact those generators who supply power for system integrity in southern Alberta.

It is DEML's belief that the process to determine a TMR price should be transparent and allow market participants to calculate the TMR price themselves if they so desire. DEML's proposed process for determining TMR reference price would be as follows.

1. Calculate the CP and the SMP without TMR in the merit curve
2. Once the CP and the SMP are calculated, price the TMR at the SMP
3. Reconstitute the price incorporating the TMR reference price

Should you have any questions or comments, please do not hesitate to contact me at (403) 290-5378.

Yours truly,

(Originally Signed By)

Glenn MacIntyre
Director, Government & Regulatory Affairs
Western Region
Direct Energy Marketing Limited