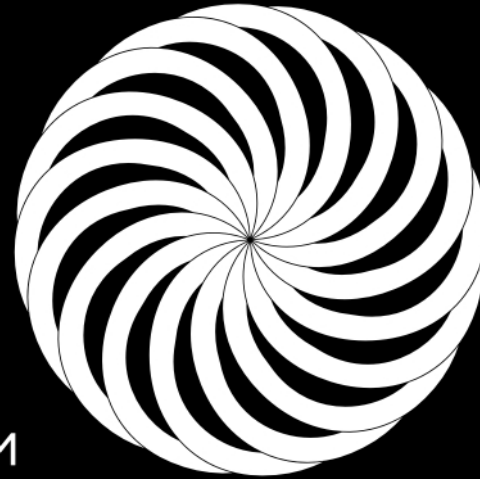


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# Operating and Financial Results

David Erickson  
Senior Vice-President & Chief Financial Officer

May 18, 2006

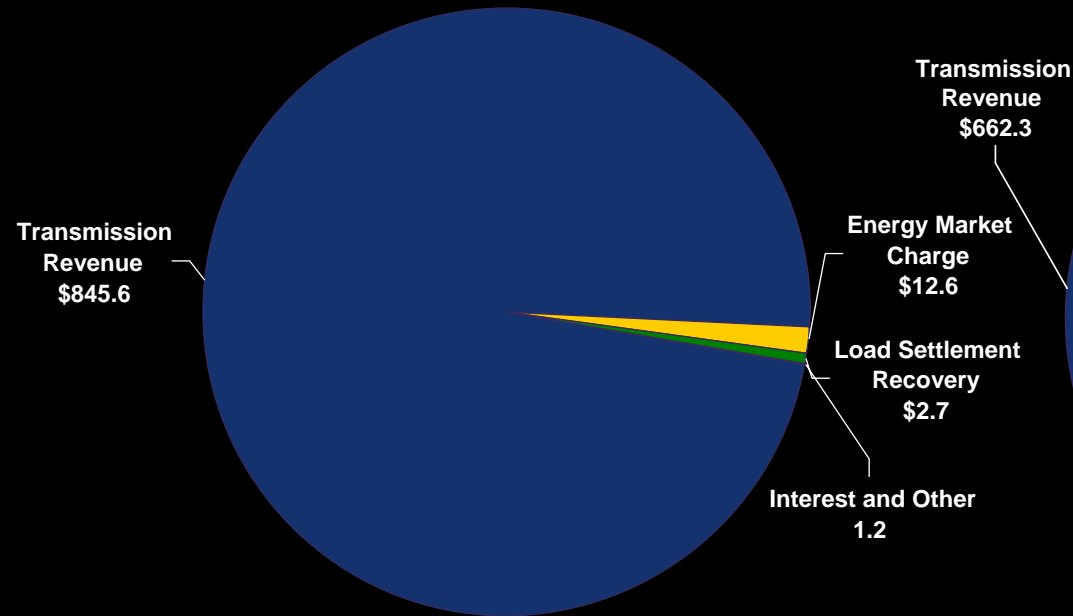


# AESO Revenue Requirement

(in millions of dollars)

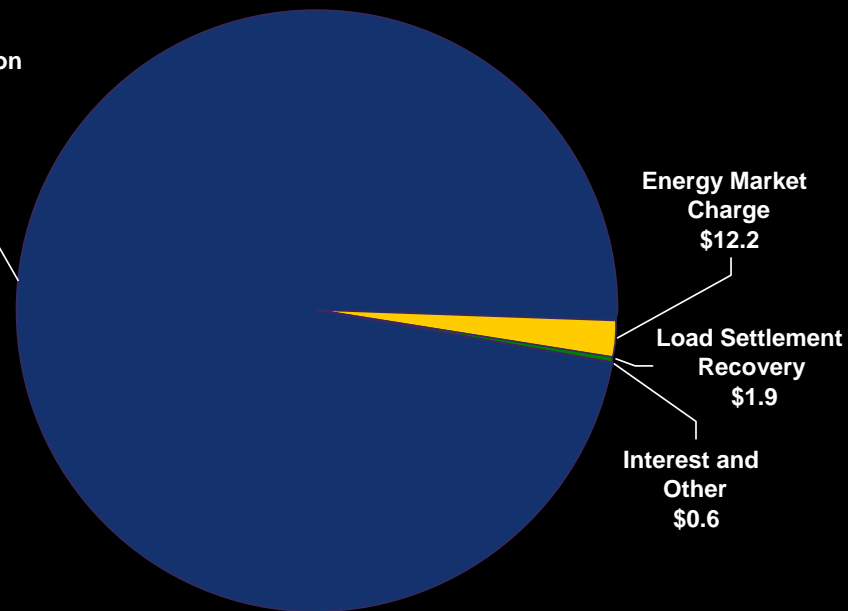
**2005**

**Total Revenue \$862.1 million**



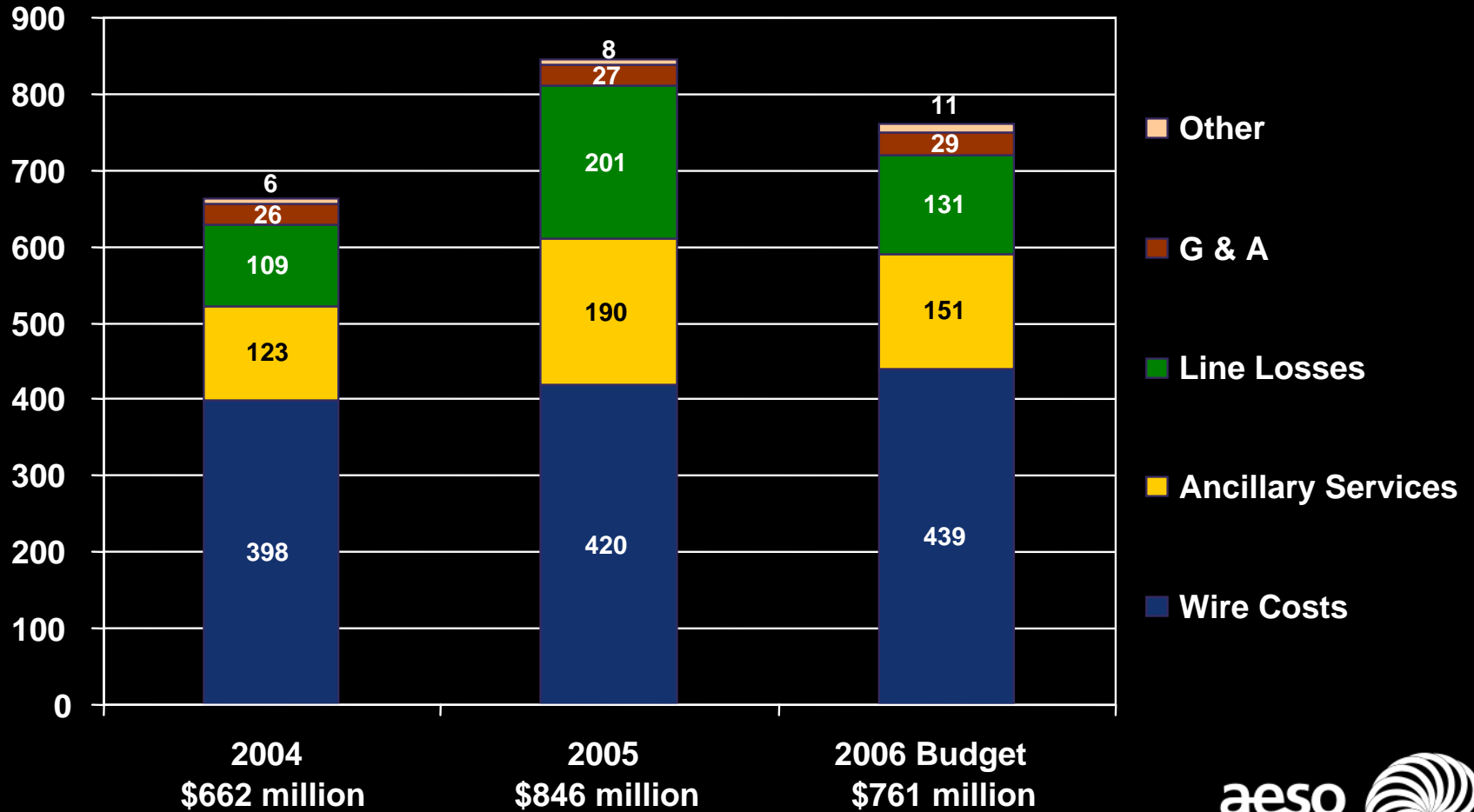
**2004**

**Total Revenue \$677.0 million**



# Costs of Transmission

(in millions of \$)

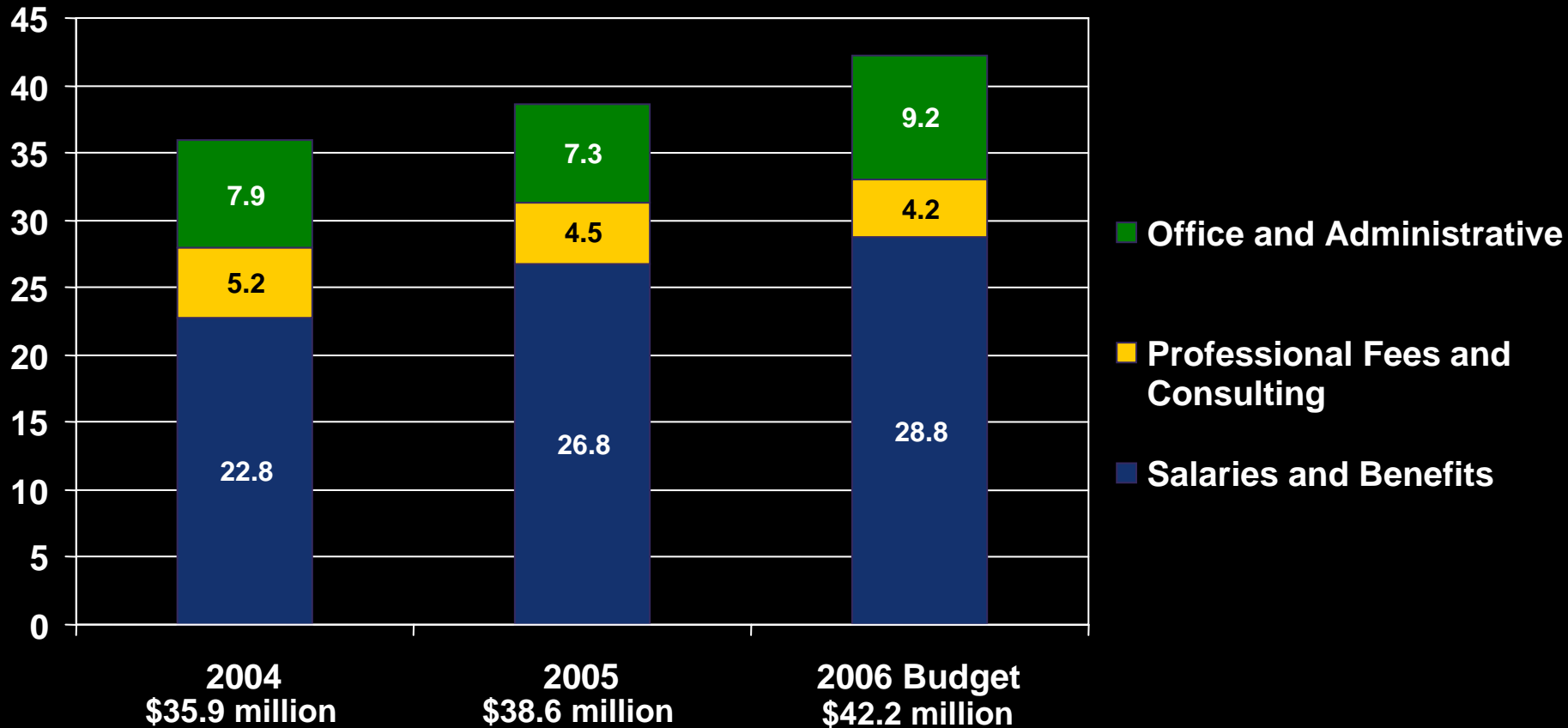


# Energy Market Trading Charge

	2005 <u>Actual</u>	2006 <u>Budget</u>
G&A Costs & Capital Recovery Requirements	\$ 13.0 M	\$ 15.4 M
Current Year / Prior Year Over-collections	<u>\$ 0.3 M</u>	<u>\$ (2.0 M)</u>
<b>Total Collections</b>	<b>\$ 13.3 M</b>	<b>\$ 13.4 M</b>
Volumes (GWh)	116,277	121,000
Energy Market Trading Charge		11.1 ¢ / MWh
MSA Recovery		<u>1.8 ¢ / MWh</u>
<b>Total Trading Charge</b>		<b>12.9 ¢ / MWh</b>

# AESO General & Administrative Costs

(in millions of \$)



**2006 AESO Costs (at April 30)**  
**(in millions of \$)**

	<u>Actual</u>	<u>Budget</u>
Wires Costs	\$ 143.1	\$ 147.4
Transmission Line Losses	56.2	40.9
Ancillary Services	36.5	50.7
G&A Costs	12.4	14.0
Other Industry Costs	1.2	1.3
Other	<u>3.0</u>	<u>3.7</u>
<b>Total</b>	<u><u>\$ 252.4</u></u>	<u><u>\$ 258.0</u></u>

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# President's Report

Dale McMaster  
President & CEO

May 18, 2006



# AESO Focus – Core Business

- Operation and development of a fair, efficient and openly competitive wholesale electricity market
- Reliable operation of the electric system
- Planning and development of the transmission system
- Providing AESO customers with access to the transmission system
- Administration and regulation of load settlement function

# AESO Focus - Objectives

- To deliver a quality product on a timely basis
- To create and implement an effective consultation process
- To make decisions that balance diverse and often competing interests in a fair and transparent manner
- To prudently manage risks and costs
- The AESO is viewed as credible, competent, cost-effective, trusted and respected

# Market Services

- We built a strong market team
- Implementation of Alberta's Electricity Policy Framework – market policy
  - Addressing priority short-term adequacy, price fidelity and merit order stabilization issues
  - Pool price reconstitution for transmission must-run generation
  - Future work: reliability unit commitment, unscheduled energy flows, export market rules, integration of wind generation, ancillary services self-procurement, alignment of dispatch and settlement and long term adequacy
- Compliance

# System Operations

- Operation of a “stretched” system
  - Increased diligence in operations planning studies
  - Upgrades to AESO operating polices and procedures
  - Improved “real time” operating tools and ongoing system controller training to enhance system management
- Leading emergency preparedness work with transmission facility owners and industry partners
- NERC/WECC Audit: strong endorsement of AESO system operations
- Maximizing intertie capability and north to south intra Alberta flows
- New System Coordination Centre in 2006

# System Development

- We've received approvals and are implementing about \$1 billion in approved transmission system reinforcements
  - Edmonton to Calgary 500 kV reinforcement
  - Southwestern Alberta system development
  - City of Edmonton reinforcement
  - Implemented 500 MVar capacitors in Calgary area
- Northwest transmission development – need application filed in March 2006
- Facilitating Alberta's first merchant transmission line (MATL); need application filed in April 2006
- Other planning studies underway: Northeast, Southeast and for a second 500 kV reinforcement between Edmonton and Calgary
- 20-Year Transmission System Outlook published July 2005
- Update of 10-Year Transmission System Plan in 2006

# Transmission System Access

- Implemented a new customer interconnection process
- Increased customer satisfaction after six months experience
- Currently about 100 active transmission system access applications at various stages in the interconnection process (double average annual)
- Wind Generation
  - Expect about 600 MW of installed capacity by year end
  - Reliability threshold of 900 MW while working with stakeholders to reliably manage more wind power on Alberta's grid

# Load Settlement

- Completed compliance monitoring tool (e-LSI) on time and under budget
- Ongoing consultation with load settlement stakeholders to address priorities to refine load settlement processes

# Electricity: Key Contributor to Alberta's Growth

- Electricity is one of the cornerstones for Alberta's ongoing economic growth and a critical component of public infrastructure
  - Societal benefits
  - Economic benefits
- Electricity becomes even more important as Alberta becomes "the" supplier of energy for North America
  - Infrastructure to support the development
  - Reliable supply of electricity for operations
  - Implications of an interruption in supply are felt well beyond Alberta

# The Demands on Alberta's Power Industry

- Competitively-priced, reliable power is required to fuel Alberta's expanding industry and sustain economic growth.
- The power grid must meet the challenges of a growing economy and increasing demands for reliable electricity.
- Alberta's wholesale electricity market must be sustainable, predictable and adding long-term value.
- As the AESO delivers on our mandate of reliable power and competitive markets, we will make an important contribution to the economic development of the province and the quality of life for Albertans.

# Stabilize the Market and Regulatory Frameworks

- Complete the implementation of the market policy
- Develop and implement a comprehensive set of market performance metrics that can be used to determine if the market and reliability objectives are being met
- In consultation with stakeholders develop a Market Road Map (5-year plan) that can be used to assess and guide the continued evolution of the competitive electricity market
- Implement the Alberta framework for the interface with the Electric Reliability Organization and the implementation of Mandatory Reliability Standards
- Harmonize the AESO's tariff, market rules, OPPs, system access and market participant contracts to ensure clarity and consistency

# To Build Appropriate Transmission Capacity

- Plan and build the power grid to:
  - meet forecasted needs of Alberta
  - facilitate competitive markets
  - address challenges of economic growth
  - manage the risk of extreme weather
  - enhance import and export capability
- Specific initiatives include:
  - the advancement of a second 500 kV transmission system reinforcement
  - the advancement of an additional intertie
  - identification and removal of barriers

# Risk Management and HR Strategy

- Implement a comprehensive risk management approach that identifies, monitors and mitigates all risks to the extent possible.
- Attract and retain staff to ensure we have the resource capacity and expertise required to meet our objectives.

# Reliable – Power – Markets – People

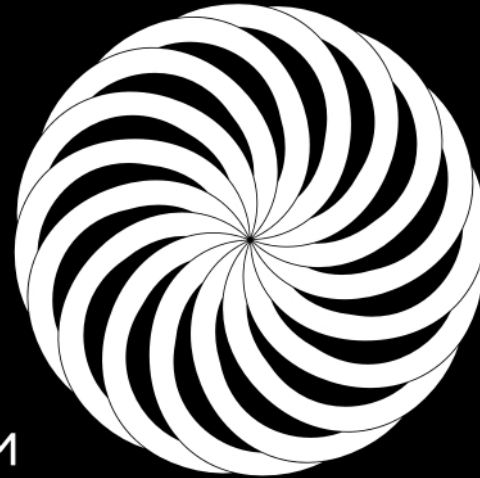
We are committed to delivering on our mandate and to building trust through stronger working relationships with industry stakeholders.

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