



AESO Stakeholder Meeting Dale McMaster, President & CEO

October 26, 2005

Telus Convention Centre, Calgary

AESO Business Focus

Renewed emphasis on core business:

- **Reliable Power**
- **Reliable Markets**
- **Reliable People**



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Corporate Goal

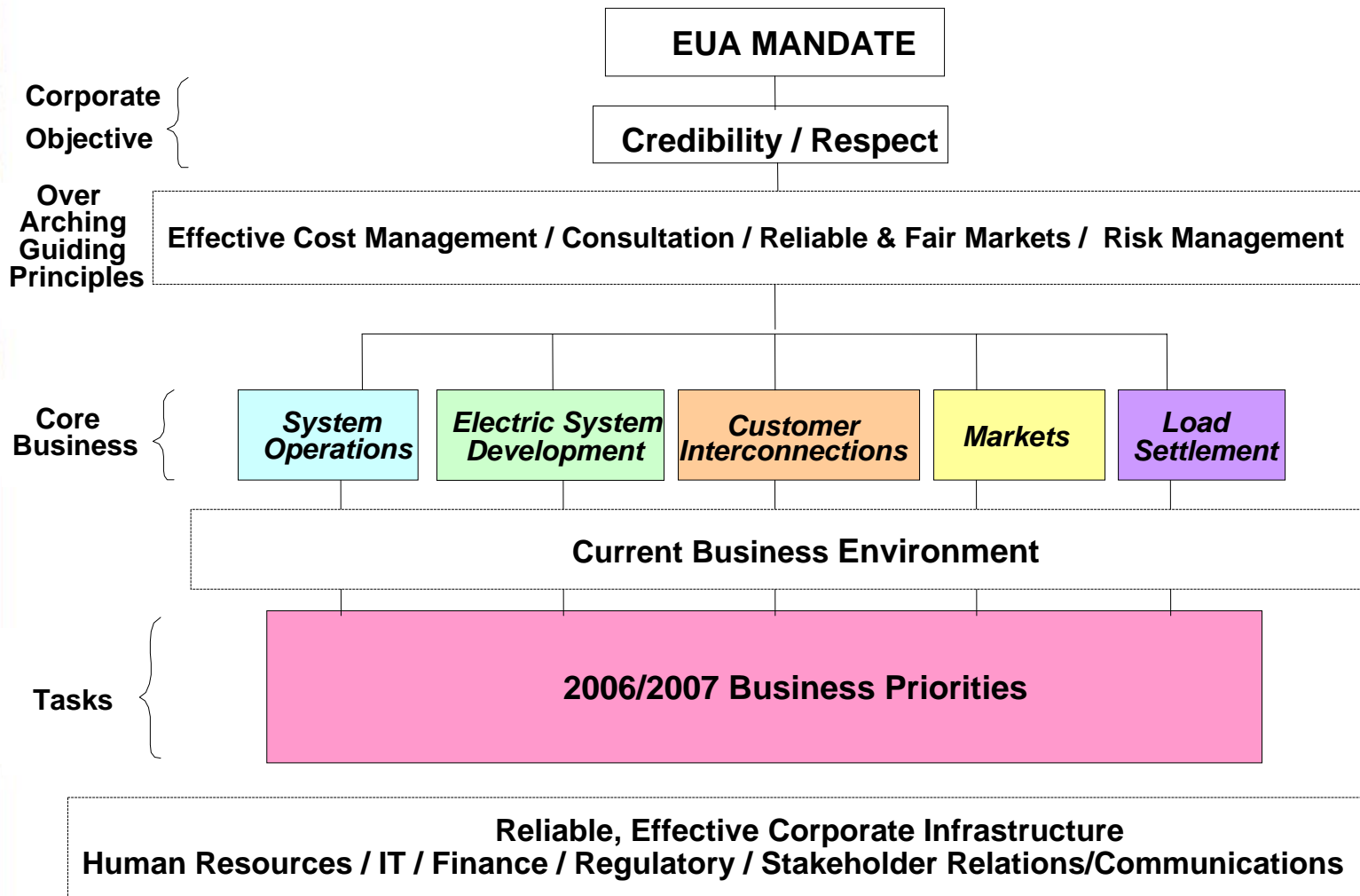
Stakeholders view the AESO as credible, competent, respected, trusted and a cost-effective leader with transparent, well-documented processes resulting in renewed confidence in the AESO's ability to fulfill its mandate.



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Corporate Structure & Business Success



2005 Business Priorities

- **Electric System Operations**
- **Electric System Development**
- **Customer Interconnections**
- **Markets**
- **Load Settlement**



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2006/07 Business Plan

- **Consultative Process**
- **Budget Review Committee**
- **Business Priorities**



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David Erickson

Senior Vice-president & CFO

October 26, 2005

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2005 Business Priorities: Status

Load Settlement

In carrying out its mandate to regulate and administer load settlement, ensure the AESO has the staff, procedures and tools in place.



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2006/07 Business Plan Priorities

Load Settlement

- **Enhance compliance monitoring**
- **Implement stakeholder priorities**



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2005 Business Priorities: Regulatory

- **2004 Deferral Account Process**
- **2006 Prospective Deferrals**
- **2005/06 Re-filing**
- **Ancillary Services**
- **TFO's Terms & Conditions**
- **2007 GTA**
- **Export-Import Tariffs**



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2006/07 Priorities: Regulatory

- **Improve regulatory efficiencies**
 - **Get ahead of regulatory lag**
 - 2006 tariff approved before January 1
 - File 2007 GTA in February 2006
 - File 2008-2009 GTA in mid-2007
 - **EUB regulatory efficiencies project — Bulletin 2005-19**
 - **Budget Review Committee — reduce litigation**
 - **Stakeholder consultation — reduce litigation**
- **Continue to work with interconnected jurisdictions to mitigate seams issues**
- **Implement deferral accounts for both load and supply on prospective basis**





Neil Millar
Vice-president, Transmission

October 26, 2005

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2005 Business Priorities: Status

Customer Interconnections

To develop and implement standards and ensure the customer interconnection process is efficient and results in the timely delivery of a quality product meeting the customer's requirements.



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2006/07 Business Plan Priorities

Customer Interconnections

- **Ensure ongoing service quality**
- **Direct assign rules compliance**



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2005 Business Priorities: Status

Electric System Development

To proactively identify, plan, achieve approvals for, and initiate implementation of system reinforcements so that transmission facilities are in place to ensure a reliable and economic transmission system.

The system will facilitate competitive electricity markets with minimal reliance on must-run generation and enhance/restore import and export capabilities.



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2006/07 Business Plan Priorities

Electric System Development

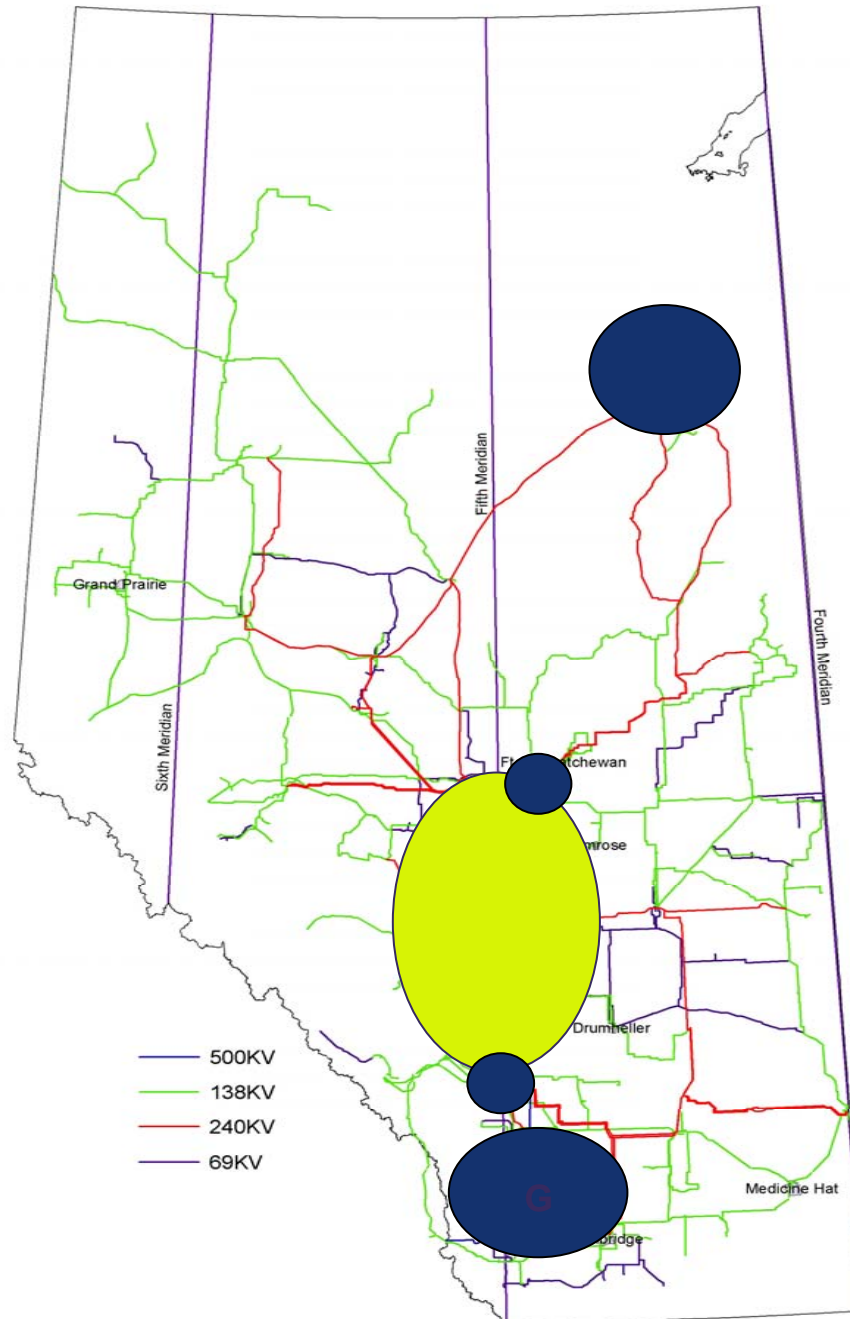
- 1. Improve stakeholder involvement**
- 2. Advance transmission needs to approval**
- 3. Execute AESO role in approved projects**
- 4. Develop and implement merchant transmission framework**
- 5. Improve business relationships with neighbouring jurisdictions**
- 6. Analyze generation development**



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Transmission System Projects In Execution (Need Approved)

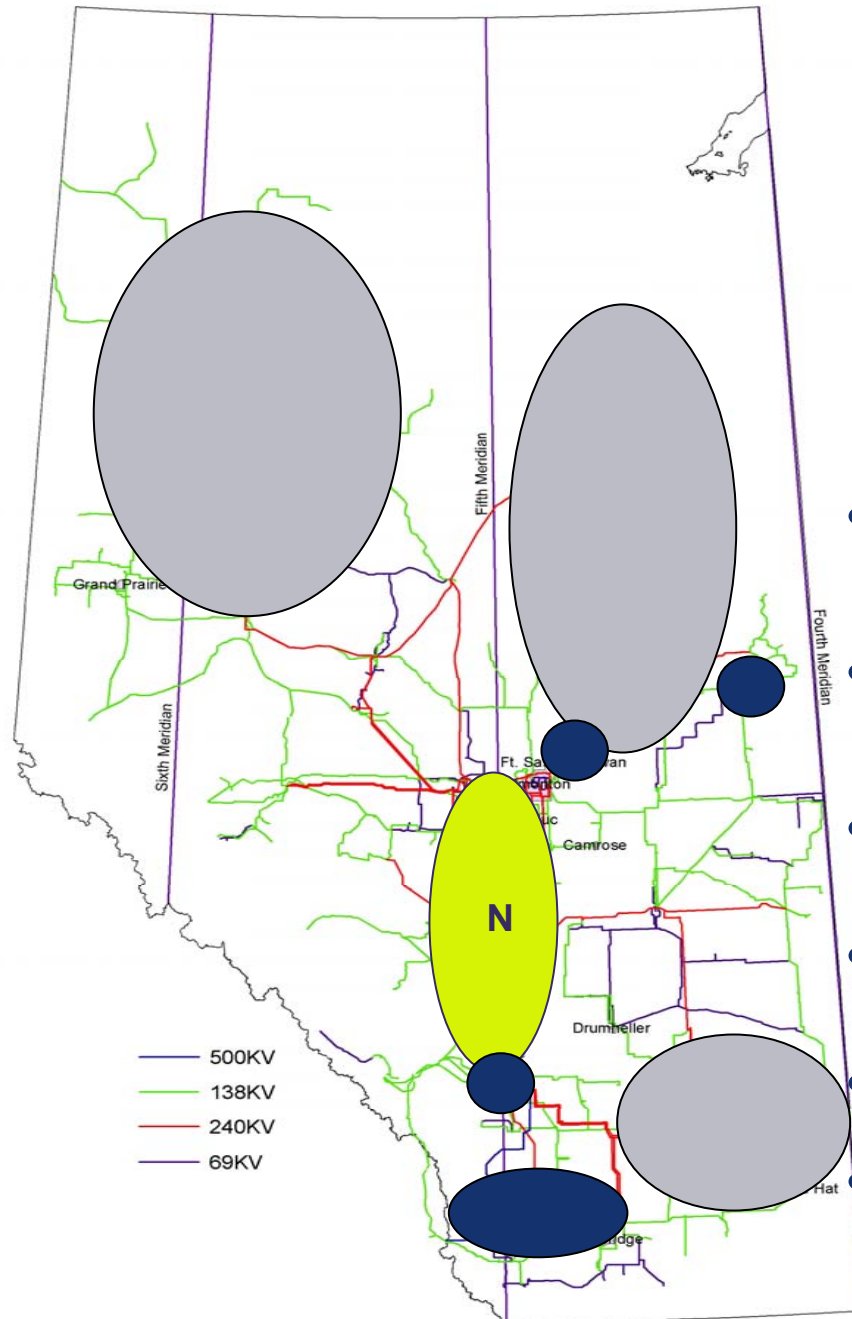


- **City of Edmonton Reinforcement**
 - Third 240 kV transmission line to downtown Edmonton; new 240 kV substation
 - Target Commissioning: July 2008
- **SW Alberta**
 - 240 & 138 kV development to accommodate wind generation interconnection requests
 - Target Commissioning: Dec 2006 (240 kV); March 2007 (138 kV)
- **Calgary Area Capacitors**
 - On track; Target Commissioning: Dec 2005 (Janet); March 2006 (Sarcee, E. Calgary)
- **Keephills-Ellerslie-Genesee Conversion to 500 kV**
 - On track; Target Project Commissioning: November 2007
- **Genesee-Langdon 500 kV**
 - On track; Target Project Commissioning: September 2009
- **Fort McMurray – Local Area Projects**
 - Local Upgrades and Customer Interconnections



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2006 Transmission System Projects in Planning Stages (Need Applications being developed or before EUB)



- **City of Calgary Reinforcement**

- 240 & 138 kV transmission driven by continuing load growth in City of Calgary and surrounding area

- **SE Alberta**

- 240 & 138 kV development driven by load growth, interconnection of wind and thermal generation and restoration of Sask. intertie capacity

- **Cold Lake Area Reinforcement**

- 144 kV development driven by local area developments including generation development

- **SW Alberta**

- Need to revisit if additional reinforcements will be necessary, as generation continues to develop.

- **NW Alberta**

- Target Need Application (s) – December 15, 2005

- **Edmonton-Calgary Corridor**

- Study work in 1st half of 2006.



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Planning Stage – NE Alberta

- **Two area study components – Fort Saskatchewan, Fort McMurray**
- **Consultation started; requires general stakeholder education on complexities of oil sands operations/load forecast/generation forecast interdependencies**
- **Two development timeframes**
 - **Intermediate (2007 – 2009)**
 - **Detailed need consultation to start Nov 2005**
 - **Target Need Application(s): Q1 2006**
 - **Long Term (Post 2009)**
 - **Stakeholder updates – November and December 2005**
 - **Detailed need consultation to start Jan 2006**
 - **Target Need Application(s): July 2006**



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Warren Frost
Vice-president, Operations & Reliability

October 26, 2005

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2005 Business Priorities: Status

System Operations

Ensure that the Alberta Interconnected Electric System (AIES) is operated in a safe, reliable and economic manner

- **Operate and plan to operate in compliance with NERC/WECC standards and WECC Reliability Management System (RMS)**
- **Maintain system operating limits and OPPs**
- **Enhance the System Controller training program**

Study Wind Variability and Impacts



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2005 Business Priorities: Status

System Operations

Implement Transmission Regulation

- Create rules for loss factors, management of transmission constraints, framework for merchant lines and reliability reporting

Improve Ancillary Services processes

- Enhance competitive processes and practices to achieve greater transparency

Mandatory Reliability Framework

- Input to FERC NOPR

Enhance interconnection capability

- Additional ATC on BC Tie



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2006/07 Business Plan Priorities

System Operations

Demonstrate operational excellence

- Enhance SCC operator training
- Hire and train new SC's
- Enhance compliance rules and framework

Implement international mandatory reliability framework

- Influence development of rules, support NERC as ERO and WECC as regional entity
- Advocate Canadian positions

Enhance emergency management

- Create emergency management protocols and restoration plans with EUB, DOE, EMA and industry

Enhance interconnection capability



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2006/07 Business Plan Priorities

System Operations

Integrate wind generation

- Collaborate with stakeholders to assess impacts and options

Implement Transmission Regulation

- Rules for constraint management and merchant lines

Improve Ancillary Services procurement

- Enhance competitive processes and practices to achieve greater transparency

Improve business relationships with neighbouring jurisdictions and entities outside Alberta

- AB-BC Policy Group
- GridWest
- WECC/NERC
- IRC Council





Kent McDuffie
Vice-president, Market Services

October 26, 2005

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2005 Business Priorities: Status

Ensure that Alberta's competitive electricity markets continue to operate in the best way possible, demonstrating that reliability is not compromised and that the structure is sustainable, predictable and adds long-term value.

The AESO will actively participate in the market policy development process.

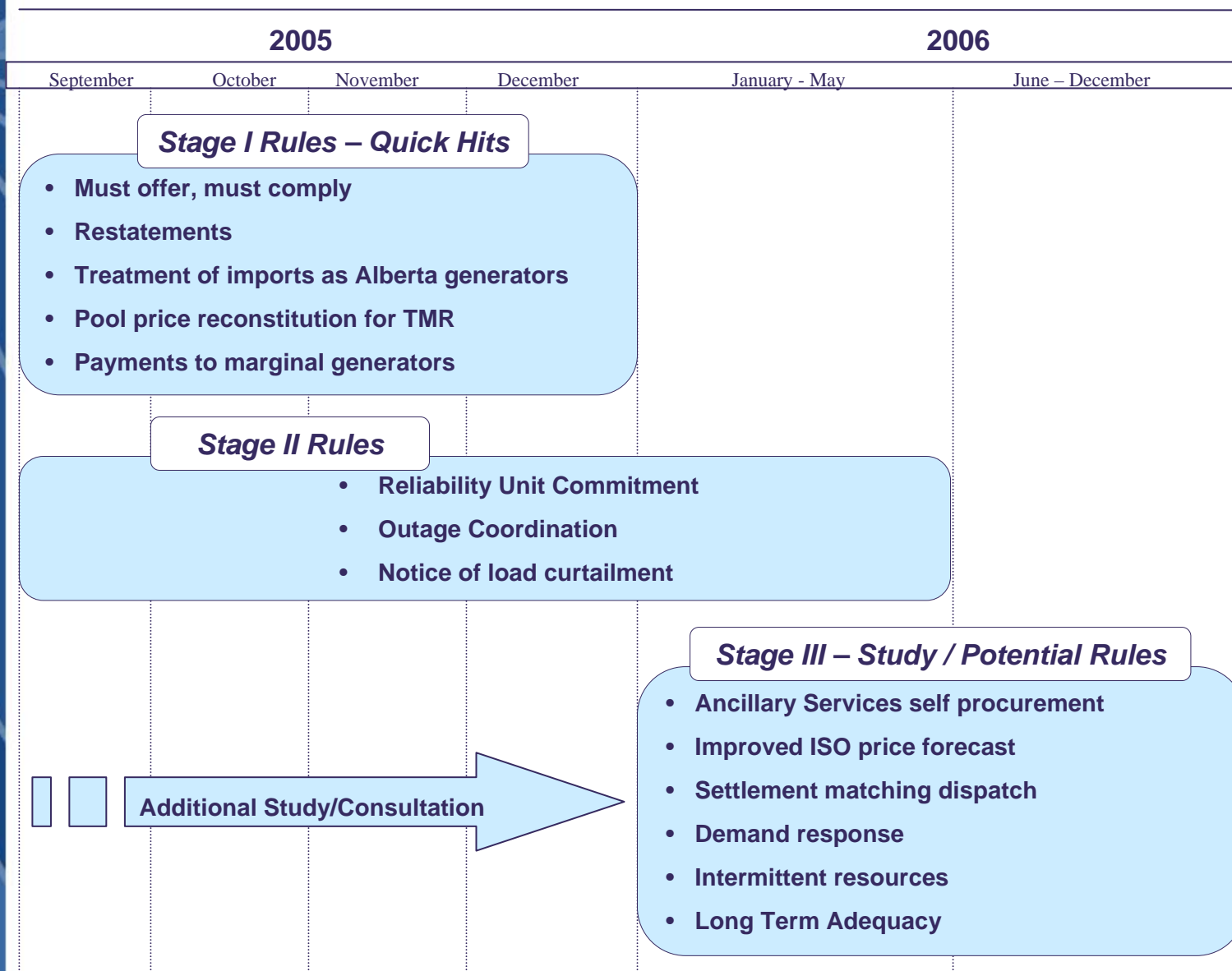
The AESO will support the development of market regulations and commence implementation of a new market design in 2005.



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Policy Implementation Timetable



2006/07 Business Plan Priorities

Goal: To increase pool price fidelity and credibility.

Business Priorities - Key Tenets:

- **Market Design: Policy Framework Implementation**
- **Market Performance: Compare actual market performance to expected market performance**
- **Forward Strategy: Design and implement additional enhancements to the market structure as necessary**



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Success indicators – Policy Framework

- **Policy Framework implemented**
- **Market participants are in compliance with the new rules**
- **High correlation between actual / expected performance**



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2006/07 Business Plan Priorities

What is the focus of the Market Performance group?

Various analytical initiatives focused on constantly answering the following two questions:

- i. Is the pool price consistent with what one would expect given the design of the market?**
- ii. Is the pool price reflective of a market that is fair, open and competitive?**



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Success Indicators – Market Performance

- **Key performance metrics established**
- **Improved credibility of real time and forward pool price forecasts**
- **Expected pool price is accurately predicted and effectively compared to actual pool price on an ongoing basis**
- **Convergence between pool price and forward markets is effectively monitored**



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2006/07 Business Plan Priorities

Success Indicators – Additional Enhancements

- **High correlation between expected / actual performance**
- **Pool price is reflective of actual fundamental market drivers**
- **Improved credibility of real time and forward pool price forecasts**
- **Reasonable convergence between the real time price index and forward markets**



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Specific Initiatives – Market Performance

- **Develop a series of key performance indicators for monitoring the performance of the price index relative to the underlying fundamental market conditions.**
- **Develop “normal state” standards for the key performance indicators. Monitor deviation from normal on an ongoing basis.**
- **Develop an improved real time and forward pool price forecast.**
- **Monitor convergence between the pool price index and forward markets on an ongoing basis.**



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2006/07 Business Plan Priorities

Specific Initiatives – Forward Strategy

- **Develop a multi-year outlook outlining potential emerging scenarios or trends and their impact on the market.**
- **Continue ongoing regular consultation with stakeholders regarding market performance, behaviour and procedures as well as potential enhancements to market structure.**
- **Monitor and assess potential risks and opportunities posed by the proposed changes in neighbouring jurisdictions and throughout the WECC.**
- **Monitor and assess potential risks and opportunities resulting from changing trends in related commodities markets such as oil and natural gas.**



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2006/07 Business Plan Priorities

Specific Initiatives – Forward Strategy (cont.)

- **Assess, develop and implement additional enhancements that support convergence of the pool price index with the forward markets in a seamless and orderly fashion**
- **Monitor the structure of wholesale markets in the other major deregulated electricity markets across North America**



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