



December 20, 2006

Mr. Kent McDuffie
Vice President Market Services
Alberta Electric System Operator
2500, 330 – 5th Ave SW
Calgary, AB T2P 0L4

RE: Workaround Package

Dear Mr. McDuffie,

The Independent Power Producers Society of Alberta (IPPSA) appreciates the Alberta Electric System Operator's (AESO) efforts in developing a proposal to address TMR price reconstitution in the absence of the transmission regulation. While it is not a complete package, as the imports issue is not resolved, we do believe it is important to proceed.

With that, we want to make three recommendations on the package for your consideration:

- 1) Resolving the imports issue needs to be the market service group's first priority going forward. We are counting on a resolution of this issue by Q1 of 2008, as the AESO suggested during the workaround session. We note that by this target date the rule that requires imports to offer \$0/MWh would be in place in Alberta for more than 7 years. The presence of such a price depressing circumstance is a clear frustration to investors and is inconsistent with the government's 2005 Electricity Policy Framework. Again, we urge you to make the resolution of this issue your first priority going forward.
- 2) The costs associated with Deck Down Service should be allocated as system costs. These costs are associated with the system's needs for Transmission Must Run (TMR). These costs would not be necessary, if not for TMR. Shifting those costs to suppliers mutes the true cost of TMR in Alberta, and thus diminishes the economic case for building transmission.
- 3) In its Long Term Adequacy efforts, the AESO has succeeded in undertaking constructive stakeholder consultation. We encourage the AESO to pursue such a wide-open approach as it engages in the resolution of the imports issue.

We thank you for your efforts and for your consideration of these comments. We support the AESO's interest in moving on.

Sincerely,

A handwritten signature in blue ink, appearing to read "Evan Bahry".

Evan Bahry
Executive Director

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