



May 26, 2009

Dear Market Participants and Interested Parties:

Re: Letter of Notice – Additional Proposed Level I Changes to Existing ISO Rule 6.6 Pool Participant Non-Compliance with Energy Market Dispatch and Directives

Pursuant to Section 2(1) of the Alberta Utilities Commission (“Commission”) Rule 017, the Alberta Electric System Operator (AESO) is providing notice and seeking feedback on ISO Rule changes that are being considered for recommendation to the AESO Executive Rules Committee (“ERC”) in July 2009.

As outlined in our [letter](#) of May 26, 2009, and based on stakeholder comments received, the proposed ISO Rule 6.6 contains significant differences from the [Letter of Notice](#) provided to stakeholders on March 5, 2009.

For your consideration, attached are the proposed changes to ISO Rule 6.6. The following grid is hyperlinked to provide assistance in directing you to the ISO Rule.

| Rule Number | Description | Level | Most relevant stakeholder interest |
|--------------------|--|--------------|---|
| 6.6 | Pool Participant Non-Compliance with Energy Market Dispatch and Directives | I | All Market Participants |

Please see the attached summaries for more information on the proposed changes to ISO Rule 6.6, including a brief explanation of the reason for the change.

Comments and suggestions on the changes to ISO Rule 6.6 being proposed are encouraged. Please use the comment matrix provided when submitting comments to the AESO on the proposed ISO Rule changes. Click [here](#) to access the comment matrix for the proposed ISO Rule 6.6. Only written comments will be considered in finalizing the ISO Rule changes.

Please provide feedback or questions by **Friday, June 12, 2009** to the [individual](#) specified within the ISO Rule change description below.

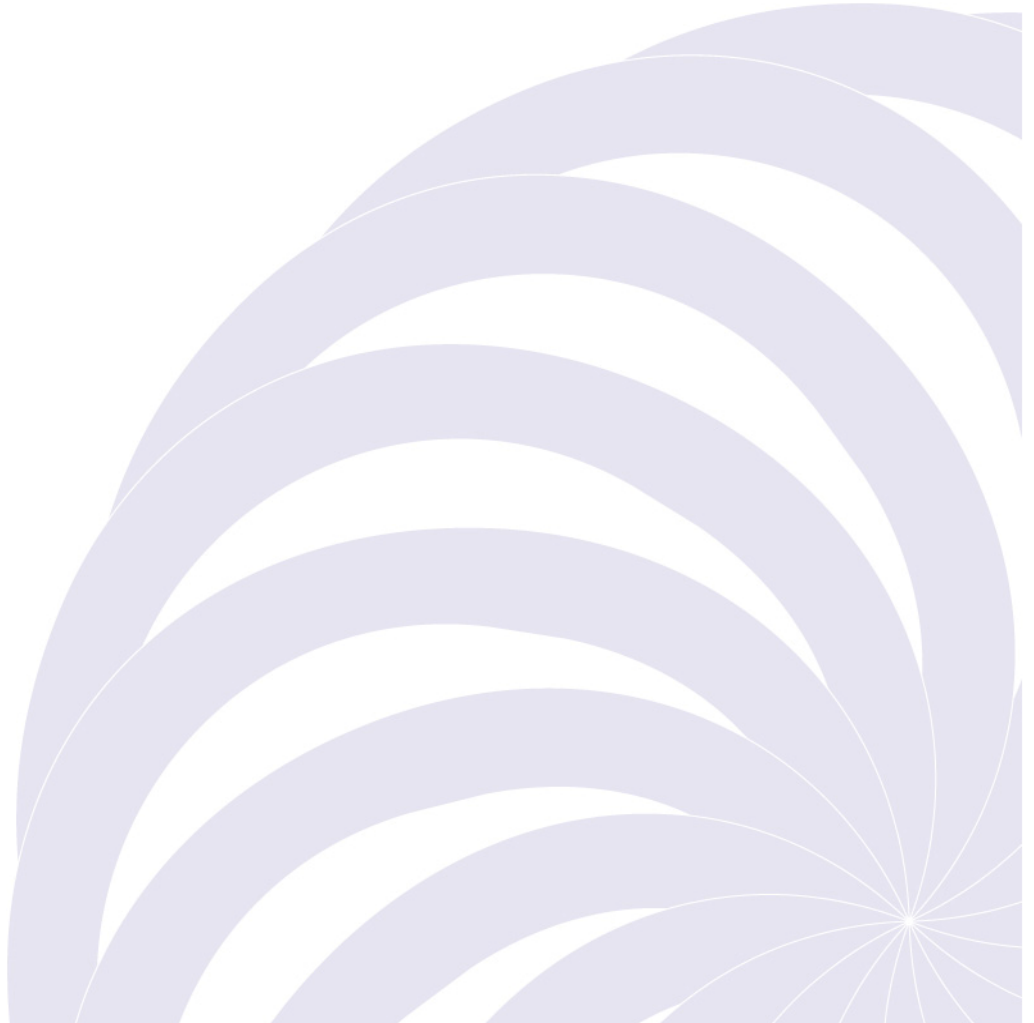


The AESO will be publishing all stakeholder comments received for industry review shortly after the comment deadline. Stakeholder comments received along with AESO responses will be published with the final proposed ISO Rule changes being submitted to the ERC for approval in July 2009.

Yours sincerely,

Original Signed By

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Proposed LEVEL I ISO Rule Changes

Level I changes are changes that have a significant operational or financial impact on the industry or the AESO.

| ISO Rule 6.6 Pool Participant Non-Compliance with Energy Market Dispatch and Directives | |
|--|---|
| Rule Section/Number | G1 - Definitions Rule 6.6 – Pool Participant Non-Compliance with Energy Market Dispatch and Directives |
| Summary of ISO Rule | Establishes expectations and an allowable dispatch variance for pool participants supplying energy to the energy market. |
| Summary of Amendment | ISO Rule 6.6, in its present state, has been questioned by market participants and stakeholders in light of the <i>Alberta Utilities Commission Act</i> coming into force in 2008, as well as certain consequential changes to the <i>Electric Utilities Act</i> . Among other things, this legislation transferred ISO Rule enforcement function to the Market Surveillance Administrator (MSA) and enabled the creation of Commission Rule 019 (i.e. the ‘penalty matrix’), which specifies the penalties that may be imposed on market participants for the contravention of ISO Rules. The new legislation requires the AESO to refer suspected non-compliance events to the MSA, and as such the AESO will continue to monitor compliance. The MSA, however, has the authority to determine appropriate action (including applicable sanctions) in the event of noncompliance. |

ISO Rule 6.6 was originally established in the context that the AESO would be able to exercise discretion and consider operational, logistical, and environmental factors in the assessment of an event of non-compliance. Stakeholders argue that where those considerations are now not permitted, ISO Rule 6.6 is now technically deficient and unreasonable. The AESO initiated a process to examine revisions to this ISO Rule.

The AESO has heard from stakeholders that ISO Rule 6.6 does not promote a FEOC market and is technically deficient. The AESO has considered comments and most recently in response to the draft rules that were consulted on by the AESO on March 5, 2009.

The following summarizes the key amendments between the proposed rules on March 5, 2009, and May 26, 2009:

- The revision to minimum stable generation has been dropped because the intent is covered elsewhere in the rule. The definition for ADV has been removed from the G1 Definitions section of the rules and included in ISO rule 6.6. All definitions for 6.6 have been grouped at the beginning of rule 6.6. Steady state revised to begin in the first full 10 minute clock period. (Rule 6.6 - Definitions)
- Reference to ISO monitoring functions removed. Focus on participant responsibilities. Introduction of standard of practice and what is essentially a due diligence defence for pool participants. (Rule 6.6.1 – Compliance Responsibilities)



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| | <ul style="list-style-type: none"> • Hybrid of the ramp time plus or minus the greater of 40% or five minutes. This allows some variance on long and short ramps and multi-unit assets which was a concern for participants (Rule 6.6.3 – Ramping Compliance) • Modified introduction to align with new 6.6.1 and include operational deviation as an exception. (Rule 6.6.5 – Exceptions) |
| Level | I |
| Explanation of Confidentiality | None |
| Proposed Effective Date | July 2009 |
| AESO Contact | Market Services, Doug Simpson, doug.simpson@aeso.ca , (403) 539-2494 |
| Attachments | <p>See attached:</p> <p><u>Comparison and Rationale for Changes to ISO Rule 6.6 – Pool Participant Non-Compliance with Energy Market Dispatch and Directives</u></p> |