

Bill 46 - AESO's Perspective

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Reliable **Power**

Reliable **Markets**

Reliable **People**



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Outline

- **Quick Facts on Alberta's electricity industry**
- **Role of the AESO**
- **Current Challenges**
- **Impact of Bill 46 on the AESO**
 - **Rule Making**
 - **Compliance Monitoring and Enforcement**
 - **Transmission Planning**
- **Challenges Ahead**



Quick Facts - Alberta's Electric Industry

- **9,661 MW peak & 80% LF**
- **11,849 MW total generation**



COAL-FIRED
PLANTS

5,893 MW



GREEN (Wind)
POWER 497 MW



NATURAL
GAS-FIRED PLANTS

4,412 MW



GREEN (Other renewables)
POWER 178 MW



HYDRO
POWER

869 MW

- **Over 280 generating units**
- **Wholesale market with ~ 200 pool participants**
- **> 21,000 km of transmission lines**
- **Interties BC (up to 780 MW) & Sask. (up to 150 MW)**



Who is the AESO?



- Established in 2003 through the EUA to integrate Power Pool of Alberta and Transmission Administrator
- Non-profit agency independent of all other electricity market participants
- Governed by independent board appointed by the Minister of Energy
- Regulated by Alberta Energy and Utilities Board
 - Transmission Tariff
 - Transmission Development and Need Identification Documents
- Operation of the AESO and the competitive market funded through Pool Trading Charge and Transmission Tariff
- Performs “Independent System Operator” function - 260 employees



Role of the Independent System Operator



- **Markets:** develop and operate Alberta's real-time wholesale energy market to facilitate fair, efficient and open competition
- **Transmission System Development:** plan and develop the transmission system to ensure continued reliability and facilitate the competitive market and investment in new supply
- **Transmission System Access:** provide system access for both generation and load customers
- **System Operations:** direct the reliable operation of Alberta's power grid



Challenges in Powering Alberta

Alberta leading North America in load growth

- Growth in demand equal to adding two cities the size of Red Deer each year - about 3% per year
- Adequate supply in the near term but need ~ 3,800 MW by 2016

Over last 20 years, power demand in Alberta has doubled but no major upgrades to the transmission backbone

- *Need transmission* to interconnect loads and generation for adequate supply and for reliability
- Alberta's competitive electricity market is working and is providing more options



Bill 46 – Impact on the AESO

- Rule Making
- Compliance Monitoring and Enforcement
- Transmission Planning



Setting and Approving ISO Rules



Now . . .

- **EUB approves AESO tariff and associated terms and conditions**
- **AESO has authority to make market rules and operational policies and procedures (OPPs) and Load Settlement**

Under Bill 46 . . .

- **AUC will regulate the AESO Tariff**
- **AUC makes Rules specifying type of process that the AESO must follow in developing a rule (e.g. transparent and inclusive stakeholder consultation)**
- **AESO Rules are approved by the AUC**
- **AUC has authority to make Rules on Load Settlement**

Compliance with Rules



Now . . .

- **AESO responsible for monitoring compliance and enforcing its own rules**

Under Bill 46 . . .

- **Separation of ISO Rule making and enforcement activities**
- **MSA assumes rule enforcement role – investigating “*conduct that does not support the fair, efficient and openly competitive operation of the electricity market*”**
- **AUC responsible for adjudication (where required)**
- **AESO retains role in monitoring market participants for compliance with ISO Rules**

Compliance with Rules (con't)



Under Bill 46 . . .

- AUC to make orders and decisions without giving notice or holding a hearing
- AUC to decide not to hold a hearing if it's deemed no person will be directly and adversely affected by a decision
- AUC/WECC responsible for monitoring compliance of AESO to reliability standards

Impact on Wholesale Electricity Market - Summary



- Clarifies the roles of the agencies
- Separates rule making and compliance monitoring from rule enforcement – reinforces independence of bodies
- AESO responsible for monitoring compliance with its rules
- Contraventions of ISO Rules referred to MSA for investigation and enforcement
- AUC to adjudicate on matters the MSA requests be determined through a hearing process

Impact on Transmission Planning



Bill 46 will . . .

- **Create the ability to jointly file both Need and Facilities applications**
- **Clarify AESO is responsible for and has the expertise for planning**
- **Limit ability of interested parties to be awarded costs for intervening in hearing process**
- **Provide clarity about right time and process for stakeholder input - helpful, not limiting**

AUC will . . .

- **need to establish and implement new rules regarding how transmission applications will be handled by January 1, 2008**
- **continue to address siting issues related to new transmission facilities – new projects expected in the near term**

Summary of Benefits of Bill 46



- Regulatory expertise focused specifically and exclusively on electricity industry
- Consistency and transparency of revised Rule making process - critical to a well functioning electric system and energy market
- Separation of rule making from compliance enforcement will enhance fairness and transparency
- More direction and rigor around stakeholder consultation requirements
- Streamline planning and approval process for transmission system development

The Challenges Ahead

There are many challenges ahead for the electricity industry and the AESO

- **Need to advance major transmission system reinforcements**
- **Operating a constrained system**
- **Need major investment in new supply**
- **Wind Integration**
- **Commitment to open, timely and transparent stakeholder consultation**
- **Work collaboratively under new Bill 46**

