

Alberta Electric System Operator
2500, 330 5th Ave, SW
Calgary, Alberta
T2P 0L4

May 28, 2010

Attention: Darren McCrank, P.Eng
Project Manager, Interties

Via email: darren.mccrank@aeso.ca

Dear Darren,

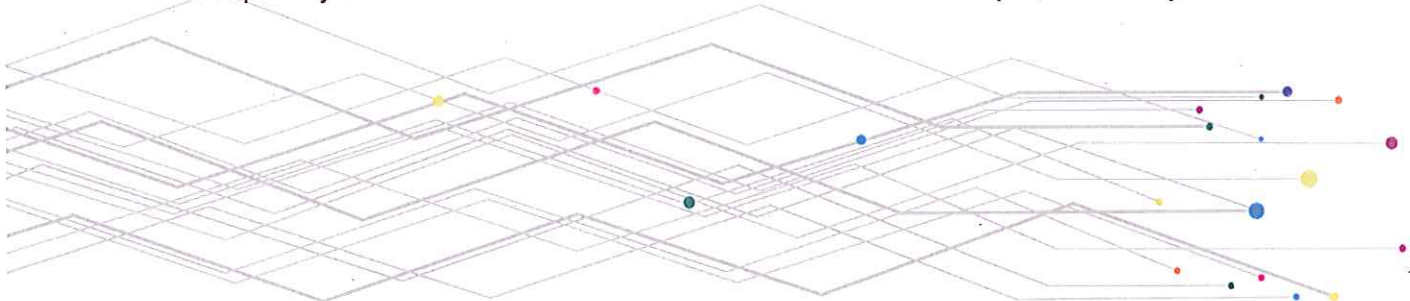
RE: Intertie Framework -- Discussion Paper (the "Paper")

Please accept the following as Powerex's comments on the above-noted Paper dated May 7, 2010. Powerex is a long-standing, active participant in the Alberta market. As well, Powerex participates in numerous stakeholder sessions with the AESO on all aspects of the market, including interties. Powerex offers these comments to assist the AESO's efforts to address ongoing intertie concerns.

1. ATC Allocation

The 2008 Alberta Provincial Energy Strategy (the "PES") stated Alberta's plan to adopt and implement a policy to build interties (both rate-base and merchant) to other markets to ensure an adequate supply of electricity to Alberta. The PES complements, and is in addition to, the 2007 Transmission Regulation which, among other things, mandated the AESO restore the existing interties to their rated capacities. Powerex notes that one of the guiding principles of both the intertie restoration effort and the intertie build effort is to *increase* the amount of capacity available for supply to the Alberta market.

However, as is well-documented, the addition of the Montana-Alberta Tie Line ("MATL") intertie (projected in-service date of June 2011) does not add any transfer capability to and from Alberta. As the AESO states in the Paper, "due to system flows



and constraints external and internal to Alberta, MATL and the AB-BC intertie will *share* import transfer capability". Thus, not only does the addition of MATL not add any new transfer capability to Alberta, it in fact negatively impacts the existing transfer capability on the AB/BC tie if there is any sharing of existing transfer capability into or out of Alberta. Advancing the PES and increasing transfer capability to Alberta should not come at the expense of existing capability.

MATL itself acknowledges in its 2007 application to the Alberta Utilities Commission (formerly the Electricity Utilities Board) at Section 2.2.6 "Project Impacts on Alberta and Neighbouring Systems" that

[t]he potential negative impacts on the Alberta and neighbouring transmission systems associated with the MATL line are identified by the impact studies directed by the electric system operators and by the WECC Path Rating Review Group. Under the existing AESO and WECC rules, ***MATL is obliged to mitigate any negative impact or accept reduced transfer limits to keep the existing operating systems and interconnects whole.*** (emphasis added).

Further, MATL's National Energy Board permit – EP-301 issued March 30, 2007 at Section 10, requires MATL to file, among other things, the following, at least thirty days prior to the commencement of construction:

- (a) the WECC report that shows whether the power line will significantly impact the power transfer capabilities between Alberta and British Columbia and any other interprovincial or international import/export transmission systems;
- (b) any outstanding concerns or issues arising from the WECC report, related to the ***reduction in transfer capability on another path due to the MATL interconnection*** and a plan from MATL to mitigate such concerns through effective measures. (emphasis added)

The AESO must pursue any and all solutions for addressing the negative impacts that the addition of MATL to the Alberta Interconnect Electricity System (the "AIES") causes. However, proposed solutions should not impact existing transfer capability. The Alberta market is governed by, and based upon, the Fair, Efficient and Openly Competitive regulation ("FEOC"). This regulation requires the AESO to ensure the market, including intertie transactions, is fair, efficient and openly competitive.

There is no justifiable basis upon which to treat the addition of the MATL intertie differently than the addition of an internal generator. For example, when a new generator wants to connect to the AIES, the AESO determines the impact of the additional MWs and any negative impacts to the existing system are addressed via a remedial action scheme ("RAS") for the new generator. The new generator's operation may be limited until such time as its addition to the AIES does not detrimentally effect the existing system. Thus, Powerex believes that the AESO's premise that there must be an allocation mechanism developed to split the ATC between the existing interties and MATL is against the principle of FEOC. Until such time as the AIES can interconnect the MATL intertie *without* reducing the existing transfer capability, MATL should be operated pursuant to a RAS that maintains the existing intertie capacity.

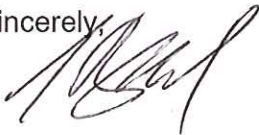
2. Intertie Dispatch

Powerex agrees that the interties should be permitted to submit priced offers and bids. The AESO should develop standards/operation protocols for intertie dispatch that are premised on the fundamental principle that there should be consistent treatment between the interties and internal generators. There should be sufficient flexibility for market participants to respond to the AESO's dispatch instructions. Powerex supports the use of a variety of mechanisms to facilitate intertie dispatch. The AESO should not restrict itself and market participants to only one tool. As discussed in the Paper there are a variety of tools which can facilitate intertie dispatch.

The AESO should minimize potential seams issues with neighbouring jurisdictions by permitting a suite of tools for intertie dispatch. The AESO should approve both dynamic scheduling and intra-hour scheduling as well as generation dispatch down in Alberta as valid mechanisms for dispatching the interties. As is noted in the Paper, throughout the WECC there are various pilots underway to move from hourly schedules to intra-hour schedules to provide greater flexibility on the interconnections. The AESO should not reduce this flexibility by choosing an Alberta mechanism that unnecessarily restricts its market participants. As long as a market participant can respond to an AESO dispatch, within the standards/protocols set by the AESO, they should be able to set price. To the extent an intertie participant cannot do so, they can still submit as a price-taker. Permitting an array of options for dispatchability will enable all entities to participate on the interties while not precluding participants based on the tool chosen by the AESO.

Thank you for the opportunity to provide these comments. Please contact me at tom.bechard@powerex.com or Dan O'Hearn at dan.ohearn@powerex.com or Lisa Cherkas at lisa.cherkas@powerex.com, should you have any questions.

Sincerely,



Tom Bechard
Managing Director

