



Quarterly Stakeholder Report

Q1 2011

- Initiative Updates
- Financial Highlights



Quarterly Stakeholder Report – First Quarter (January – March) 2011

The reader of the quarterly report will need to rely on the AESO’s 2011 Updated Business Plan and Budget posted on the website to provide additional information to understand the various progress updates provided.

I. Reporting on Business Plan Initiatives Updates

Market Development			
Business Initiative	Current Status	Next Milestone	Target
Implement Market Roadmap	<p>Transmission Congestion Management (TCM) Rule 9.4 approved by Commission and effective May 3. Work on automated tools development in progress. OPP (Operating Policies and Procedures) conversion in progress.</p> <p>Evaluating stakeholder comments on FEOC offer control implementation options.</p>	<p>Stakeholder consultation for new OPP (501) in progress.</p> <p>Assess if additional offer control consultation required.</p>	<p>OPP 500 series conversions (6 of 11) to be completed by year end.</p> <p>FEOC offer control to be implemented in 2012.</p>
Facilitate integration of wind generation	<p>Implementation of the short term wind solution in progress.</p> <p>Awaiting Commission decision on wind technical rule.</p> <p>Stakeholder consultation on the long term wind solution in progress.</p>	<p>Site specific (first) wind data to be received for forecasting by 2Q11.</p> <p>Wind power management implementation by 3Q11.</p> <p>Long term wind recommendation to be completed by 4Q11.</p>	<p>Wind power forecasting in use by system controllers by 4Q11.</p> <p>Long term wind recommendation is finalized and implementation plan in place 4Q11.</p>
Facilitate development of interties	<p>Intertie rule for ATC (available transfer capacity) allocation issued for stakeholder consultation.</p>	<p>Stakeholder comments to be received.</p>	<p>Complete intertie framework consultation by 4Q11.</p>
Demand response	<p>The LSSi (load shed scheme for import) RFP (request for proposal) has been issued. Responses are due in May.</p> <p>Brattle Group Demand Response (DR) recommendation has been provided to stakeholders.</p>	<p>LSSi system implementation to go live by 3Q11</p> <p>Additional DR products to be developed with stakeholders.</p>	<p>LSSi to be operational by 3Q11.</p> <p>DR program defined and first priority project underway by 4Q11.</p>

Electric System Development			
Business Initiative	Current Status	Next Milestone	Target
Advance CTI, regional and customer connection projects	<p>Ongoing support of TFOs with CTI facility applications (FA), certifications and FA hearings.</p> <p>Heartland hearing held in 2Q11.</p> <p>WATL (Western Alberta Transmission Line) FA filed with the Commission in 1Q11.</p> <p>EATL (Eastern Alberta Transmission Line) FA filed with the Commission in 1Q11.</p> <p>10 Customer connection NIDs filed to date.</p>	<p>Commission decision on Heartland FA is expected by 4Q11.</p> <p>Commission hearing on WATL FA is expected by 4Q11.</p> <p>Commission hearing on EATL FA is expected by 1Q12.</p> <p>Ongoing NID development and filings as per schedule.</p>	<p>Ongoing support.</p> <p>Ongoing.</p>
Update and file the LTP with the Commission	<p>The 2011 long term plan (LTP) is in progress and to be filed with the Commission in June.</p> <p>LTP process redesign work is in progress.</p>	<p>File Draft LTP in June.</p> <p>Implement LTP process changes by 4Q11.</p>	<p>Final LTP to be filed in 4Q11.</p>
Customer Service - Access Improvement	<p>Customer-connection process enhancement work in progress.</p>	<p>Expand enhancement work to include the system-connection process.</p>	<p>Ongoing.</p>
Cost Reporting & Monitoring	<p>Transmission facility cost monitoring committee (TFCMC) has been formed.</p> <p>The 2011 LTP has been revised to improve reporting of transmission costs.</p>	<p>Discussion paper on a transmission cost oversight roles framework is to be issued for stakeholder consultation in 3Q11.</p>	<p>Enhanced cost reporting processes to be implemented by year end.</p>
Competitive Procurement Process	<p>Competitive Process stakeholder consultation is in progress.</p> <p>Recommendation Paper issued and stakeholder comments requested by June 24.</p>	<p>Competitive Process application to be filed with the Commission by 3Q11.</p>	<p>Commission decision is expected by 2Q12</p>

Electric System Operations			
Business Initiative	Current Status	Next Milestone	Target
Alberta Reliability Standards Implementation	<p>34 standards identified in the 2011 project plan to be filed with the Commission</p> <p>6 ARS (Alberta Reliability Standards) in preparation for consultation with stakeholders.</p> <p>6 ARS in preparation for reconsultation.</p> <p>1 ARS consultation currently in progress</p> <p>21 ARS consultations completed to date.</p>	<p>Resolve outstanding issues captured during consultation. Reply to stakeholder comments.</p> <p>Publish revised ARS schedule contingent on decision to file or re-consult.</p>	File identified ARS with Commission by year end.
System Controller Desk Expansion	System control centre work load distribution plan, recognizing the 4th desk, has been developed.	<p>Complete staff recruitment for the 4th desk.</p> <p>Train recruited staff as System Controllers (SC).</p>	Recruited staff training to be completed by 3Q14.
Energy Management System Enhancement	EMS Phase III business case approved by Management. Ranger decommissioning (previous Energy Management System) planning activities initiated.	Ongoing implementation of Phase III deliverables.	EMS Phase III completion is expected by 4Q2012.

II. Financial Update – As of March 31, 2011

Transmission Operating Costs (\$ million)

	YTD 2011 Actual	YTD 2011 Forecast ¹	2011 Forecast	2011 Budget	YTD 2010 Actual
Wires Costs	189.4	182.1	728.2	728.1	166.5
Transmission Line Losses	55.0	60.8	168.3	121.0	32.8
Operating Reserves	81.1	74.1	174.5	60.1	12.3
Transmission Must-Run	9.0	6.5	27.5	30.3	9.3
Other Ancillary Service Costs	2.4	1.4	5.6	5.6	2.0
Transmission Operating Costs	336.9	324.9	1,104.1	945.1	222.9

Operative Reserves - During 10 days in January and February, the on-peak pool price was above \$250 per MWh. During these days, Operating Reserves costs of \$44.7 million were incurred of the \$81.1 million year-to-date costs incurred. The forecasted cost for these three months was \$74.1 million.

Other Industry Costs (\$ million)

	YTD 2011 Actual	YTD 2011 Budget ²	2011 Forecast	2011 Budget	YTD 2010 Actual
Commission Fees – Transmission	2.8	2.7	10.8	10.8	3.3
Commission Fees – Energy Market	1.5	1.8	7.2	7.2	1.7
External Regulatory Costs	0.2	0.0	0.1	0.1	0.0
WECC/NWPP Costs ³	0.7	0.9	3.4	3.4	0.0
Balancing Pool	-	-	-	-	-
Other Industry Costs	5.2	5.4	21.5	21.5	5.0

¹ Forecast amounts are consistent with original AESO approved budget with the exception of Transmission Operating Costs which have been updated to reflect a revised pool price due to the removal of Sundance 1 and 2 generating units from service in February 2011. The forecasted pool price for 2011 has been revised to \$64/MWh from the original budget of \$47/MWh.

² The quarterly budget typically reflects the 2011 budget divided into four equal quarters. Actual spending patterns will vary.

³ Western Electricity Coordinating Council (WECC) and Northwest Power Pool (NWPP)

General and Administrative Costs (\$ million)

	YTD 2011 Actual	YTD 2011 Budget ⁴	2011 Forecast	2011 Budget	YTD 2010 Actual
Staff Costs	12.8	12.1	48.4	48.4	11.2
Contract Services & Consultants	3.1	4.1	16.6	16.6	3.4
Administration	1.6	1.8	7.2	7.2	1.0
Facilities	1.2	1.2	4.9	4.9	1.1
Computer Services and Maintenance	1.2	1.5	6.9	6.9	1.0
Telecommunications	0.3	0.4	1.4	1.4	0.4
General and Administrative Costs	20.2	21.1	85.4	85.4	18.1

Interest and Amortization (\$ million)

	YTD 2011 Actual	YTD 2011 Budget ⁴	2011 Forecast	2011 Budget	YTD 2010 Actual
Interest	0.7	0.7	2.6	2.6	0.5
Amortization	3.9	4.3	17.1	17.1	2.7

⁴ The quarterly budget typically reflects the 2011 budget divided into four equal quarters. Actual spending patterns will vary.

III. Capital Expenditure Update

Capital Program (\$ million)							
	Total Project Approved	Prior Year(s) Actual	Spent in 2011	ETC ⁵ in 2011	ETC Future Yr(s)	Total Cost Est.	Variance Approved to Total Cost Est.
Key Capital Initiatives ⁶							
EMS	7.4	2	0.5	1.9	3.5	7.9	-0.5
Wind	6	1.1	0.7	3.7	0	5.5	0.5
FEOC	0.8	0	0	0	0.8	0	0.8
Transmission Congestion Mgt	0	0	0	0	0	0	0
Intertie / Demand Response	3.8	0.4	0.4	2.4	0	3.2	0.6
Other Capital Initiatives	8	0.8	1.3	5.6	0.2	7.9	0.1
Life Cycle Funding	17.2	8.9	2.6	8.5	1.7	21.7	-4.5
	43.2	13.2	5.8	22.0	5.4	46.2	-3.0

Capital Program Forecast (\$ million)

Spent to date in 2011	5.8
ETC in 2011	22.0
Subtotal	27.8
AESO Board Decision Document – approved capital	27.9
Variance Reported	0.1

⁵ Estimated to Complete (ETC)

⁶ Section IV Appendix, provides a summary of financial variances or changes to the (key) capital initiatives

IV. Appendix - Notes

The following appendix provides further detail on major project progress for the key capital programs (e.g. approved business case or change-orders).

EMS (Energy Management System)	Description	The next phase of the EMS implementation which includes improved situational awareness, look-ahead functionality, load-shed services and a system controller training environment.
	2011 Progress	System controllers are familiarizing themselves with the new features provided in the EMS phase II implementation. Business case to implement EMS phase III was approved by AESO management. Cost estimate \$3.5M. Target implementation 4Q12.
Wind Integration	Description	Develop and deploy tools, market rules and products that assist with the integration of additional wind power facilities to the AIES.
	2011 Progress	Short term wind automation tools development continues to be work in progress. Target implementation 3Q11.
Fair Efficient Openly Competitive (FEOC) regulation	Description	Develop and deploy tools to assist with the implementation of protocols to ensure participants act in accordance with the FEOC mandate.
	2011 Progress	Automation tool development for offer control implementation on hold. Next steps pending results of stakeholder consultation regarding implementation alternatives. Target implementation in 2012.
Congestion management	Description	Develop and deploy automation tools that facilitate management of transmission constraints in specific AIES operating areas.
	2011 Progress	Business case analyzing the automated tools requirements (for net-to-grid), alternatives and estimates (budget/schedule) has been approved by AESO management. Cost estimate \$0.65M ⁷ . Target implementation in 2012.

⁷ Amount excluded from section III Capital Expenditure Update due to approval timing.

Intertie / Demand Response	Description	Develop and implement a framework and tools to support increased transfer capacity with neighbouring jurisdictions. This includes but is not limited to restoring existing intertie capacity, support for merchant transmission additions and dynamic scheduling.
	2011 Progress	<p>Business case to implement ATC (available transfer capacity) allocation rules within AESO systems to accommodate multiple interties was approved by management. Cost estimate \$0.5M. Target implementation 4Q11.</p> <p>Business case for the implementation of dispatchable interties was approved by AESO management. Cost estimate \$0.25M. Target implementation 4Q11.</p> <p>LSSi system implementation to be completed by 3Q11.</p>
Information management platform	Description	Develop and implement a data analysis and reporting platform supporting stakeholder (authorized) access and reporting requirements.
	2011 Progress	Work on the development of production system (data provisioning) interfaces to export data to the information management platform environment is in progress.
2010 General Tariff Application (GTA) 2010	Description	Develop and implement changes to the transmission billing system that support the 2010 GTA rate and calculation structure.
	2011 Progress	Work on revising AESO's billing system is in progress and to be completed in 2Q11.
Alberta Reliability Standards (ARS)	Description	Implement compliance management and reporting tools that support business practices and processes and ensure internal and external adherence to ARS.
	2011 Progress	An automated tool requirement has not been identified/requested at this time. No change in status.