



Quarterly Stakeholder Report

Q2 2011

- Initiative Updates
- Financial Highlights



Quarterly Stakeholder Report – Second Quarter (April – June) 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	Transmission Constraint Management (TCM – Rule 9.4) OPP (Operating Policies and Procedures) conversion in progress. Automated tools development in progress.	Stakeholder consultation for new OPPs (501 & 505) in progress. AESO to reply to stakeholder comments and file rule with Commission in Q3 2011.	OPP 500 series conversions (6 of 11) to be completed in Q4 2011. TCM tools (net to grid and minimum stable generation) to be in place Q1 2012.
	Stakeholder consultation on Remedial Action Scheme (RAS) draft rule underway. Stakeholder comments received.	Stakeholder comments suggest a comprehensive RAS approach recommendation. AESO developing approach and discussion paper.	Connection RAS rule to be filed with Commission by Q3 2011. Connection RAS process reviewed by AESO in Q4 2011.
	Project scoping for FEOC offer control tool development has been completed.	Tool development to be completed in conjunction with other common work streams, e.g. Energy Trading System (ETS) enhancements.	FEOC offer control implementation to be in place Q4 2012.
	Market Suspension draft rule issued for stakeholder consultation.	AESO finalizing stakeholder consultation and expected to file rule with the Commission in Q4 2011.	AESO to operationalize rule by Q4 2011.
	Stakeholder consultation regarding the Supply Surplus recommendation paper was completed in June.	Supply surplus rule, including new minimum stable generation definition, is scheduled for stakeholder consultation in Q3 2011.	Supply surplus rule changes to be in place by Q1 2012.
	Outage Information Sharing recommendation paper was published in July.	ISO rules and OPPs (600 series) updated to support improvements in the current information sharing practices.	New or revised rules to be filled with the Commission by Q4 2011.
	T-2 discussion paper drafted by the AESO.	Stakeholder consultation scheduled to begin in Q3 2011.	AESO recommendations developed by Q4 2011.
	Initial review of the move to D-1 Operating Reserve (OR) procurement completed.	Procurement practices altered to improve the standby market and eliminate the use of OTC (over the counter) in Q3 2011.	Revised procurement practices implemented and automated in Q4 2011.

Market Development			
Business Initiative	Current Status	Next Milestone	Target
Facilitate integration of wind generation	Wind Technical Rule approved by the Commission May 31, 2011 to be effective Dec 01, 2011.	Rule implemented through connection process and compliance process revisions.	Wind power management process revisions to be implemented in Q4 2011.
	First installation of the real time wind forecasting solution completed.	Complete installation of the real time wind forecasting solution at the remaining operational wind facilities in Q4 2011.	Wind power forecasting in use by AESO system controllers in Q4 2011.
	OPP 515 and 526 Wind Power Management stakeholder consultation underway.	Complete stakeholder consultation on OPP 515 and 526 by Q4 2011.	OPP 515 and 526 filed with the Commission in Q4 2011.
	Stakeholder consultation on the long term wind (phase 2) solution initiated.	Long term wind recommendation paper finalized in Q4 2011.	Recommendation paper completed in Q4 2011.
Facilitate development of interties	Intertie rule for ATC (available transfer capacity) allocation drafted and stakeholder comments received.	AESO to issue revised rule for 2 nd round of stakeholder consultation in Q3 2011.	ATC allocation rule to be filed with Commission by Q4 2011.
	Developing project plan for implementation of dispatchable interties.	AESO to consult on rule changes required to implement dispatchable interties using dynamic scheduling system in Q4 2011.	Dispatchable import and export changes to be implemented by Q2 2012.
	Intertie Framework recommendation paper posted and stakeholder comments received.	Post AESO responses to stakeholder comments in Q3 2011.	AESO to continue to consult with stakeholders.
	Intertie Restoration recommendation paper posted and stakeholder comments received.	Post AESO responses and release information background and detailed project plan for second round of intertie restoration in Q3 2011.	AESO to conduct RFP process for additional restoration products in 2012.
Demand response	The LSSi (load shed scheme for import) RFP (request for proposal) process complete.	Complete LSSi contracts and begin implementation activities in Q3 2011.	LSSi program operational by Q4 2011.
	Brattle Group Demand Response (DR) recommendations have been provided to stakeholders.	Continue stakeholder consultation regarding additional DR product development	The next phase of the DR program to be defined and first priority project underway in Q4 2011.
	Changes to technical standards underway to permit participation of aggregators in Supplement - Load and Supplement – Generation markets.	Finalize and post changes to standards.	Continue to identify and remove barriers to load participation in markets.

Electric System Development			
Business Initiative	Current Status	Next Milestone	Target
Advance CTI (critical infrastructure), regional and customer connection projects	<p>Heartland hearing held in Q2 2011.</p> <p>WATL (Western Alberta Transmission Line) FA filed with the Commission in Q1 2011</p> <p>EATL (Eastern Alberta Transmission Line) FA filed with the Commission in Q1 2011.</p> <p>18 Customer connection and 3 System NIDs (needs identification document) filed to date.</p>	<p>Commission decision on Heartland FA (facility application) expected in Q4 2011.</p> <p>Commission hearing on WATL FA is expected in Q4 2011.</p> <p>Commission hearing on EATL FA is expected in Q1 2012.</p> <p>Ongoing NID development and filings as per schedule.</p>	<p>Ongoing support of TFOs with CTI facility applications (FA), certifications and FA hearings.</p> <p>Ongoing support.</p>
Update and file the LTP (long term plan) with the Commission	<p>Filed draft 2011 LTP with the Commission in June.</p> <p>LTP process redesign work is in progress.</p>	<p>Stakeholder comments regarding the draft LTP to be received by Q3 2011.</p>	<p>Final 2011 LTP to be filed with the Commission in Q4 2011.</p> <p>Implement LTP process changes in Q4 2011.</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>AESO is implementing the recommendations made by the Transmission facility cost monitoring committee (TFCMC) in its first report to the Minister of Energy.</p> <p>A transmission rate impact analysis spreadsheet has been posted on AESO's website in an effort to improve stakeholder transparency to transmission project costs identified in the LTP.</p>	<p>Discussion paper on a transmission cost oversight roles framework to be issued for stakeholder consultation in Q3 2011.</p> <p>Transmission cost benchmarking design work to be completed in Q4 2011.</p>	<p>Enhanced cost reporting processes to be implemented in Q4 2011.</p> <p>Implement cost benchmarking database in Q4 2011.</p>
Competitive Procurement Process	<p>AESO's response to stakeholder comments on the amended recommendation paper has been posted.</p> <p>Competitive Process stakeholder consultation is complete.</p>	<p>Competitive Process application to be filed with the Commission in Q3 2011.</p>	<p>Commission decision is expected by Q2 2012.</p>

Electric System Operations			
Business Initiative	Current Status	Next Milestone	Target
Alberta Reliability Standards Implementation	<p>35 standards have been identified in the 2011 project plan to be filed with the Commission.</p> <p>10 ARS (Alberta Reliability Standards) in preparation for stakeholder consultation.</p> <p>21 ARS in preparation for reconsultation with stakeholders.</p> <p>4 ARS in preparation for filing with the Commission.</p>	<p>Ongoing stakeholder consultation and reconsultation</p> <p>ARS schedule revisions contingent on decision to file or extend stakeholder consultation.</p>	<p>11 ARS filed with the Commission in Q4 2011.</p> <p>24 ARS filed with the Commission in Q2 2012.</p>
System Controller Desk Expansion	<p>System control centre work load distribution planning has been completed for all of the desks.</p> <p>Staff recruitment for the new 4th desk has been completed.</p>	<p>Train recruited staff as System Controllers (SC).</p>	<p>Recruited staff training to be completed by Q3 2014.</p>
Energy Management System Enhancement	<p>EMS Phase III business case approved by Management. Proposed solution supports improved: situational awareness, modeling and training capabilities.</p>	<p>Ongoing implementation of Phase III deliverables.</p>	<p>EMS Phase III implementation to be completed in Q4 2012.</p>

II. Financial Update – As of June 30, 2011

Transmission Operating Costs (\$ million)

	YTD 2011 Actual	YTD 2011 Forecast ¹	2011 Forecast	2011 Budget	YTD 2010 Actual
Wires Costs	366.9	364.1	728.2	728.1	327.7
Transmission Line Losses	82.0	100.4	168.3	121.0	77.1
Operating Reserves	132.4	115.6	174.5	60.1	83.7
Transmission Must-Run	17.0	13.3	27.5	30.3	14.0
Other Ancillary Service Costs	4.8	2.8	5.6	5.6	4.2
Transmission Operating Costs	603.1	596.2	1,104.1	945.1	506.7

Transmission Line Losses – Actual Transmission Line Losses costs are lower than forecasted as a result of the average actual pool price² being lower than the forecasted pool price and due to slightly lower actual than forecasted volumes. The lower losses volumes relate to an increase in generation from the south in addition to higher imports, compensating for reductions to the northern supply due to the decommissioned Sundance units.

Operative Reserves – Actual year-to-date Operating Reserves costs are higher than forecasted due to 18 days during the first half of the year where the on-peak pool price was above \$250 per MWh. The Operating Reserves costs for these 18 days alone resulted in \$73.8 million, or 44 percent, of the \$132.4 million year-to-date costs.

Other Industry Costs (\$ million)

	YTD 2011 Actual	YTD 2011 Budget ³	2011 Forecast	2011 Budget	YTD 2010 Actual
Commission Fees – Transmission	6.0	5.4	10.8	10.8	5.8
Commission Fees – Energy Market	3.3	3.6	7.2	7.2	3.4
External Regulatory Costs	0.2	0.1	0.1	0.1	0.0
WECC/NWPP Costs ⁴	1.4	1.7	3.4	3.4	1.5
Balancing Pool	-	-	-	-	-
Other Industry Costs	10.9	10.8	21.5	21.5	10.7

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 Normalized for the impact of high pool price days that occurred in the first six months of the year

³ The quarterly budget typically reflects the 2011 budget divided into four equal quarters. Actual spending patterns will vary.

⁴ Western Electricity Coordinating Council (WECC) and Northwest Power Pool (NWPP)

General and Administrative Costs (\$ million)

	YTD 2011 Actual	YTD 2011 Budget ⁵	2011 Forecast	2011 Budget	YTD 2010 Actual
Staff Costs	25.5	24.2	48.4	48.4	22.2
Contract Services & Consultants	7.8	8.3	16.6	16.6	6.6
Administration	3.0	3.6	7.2	7.2	2.5
Facilities	2.4	2.5	4.9	4.9	2.2
Computer Services and Maintenance	2.1	3.2	6.9	6.9	1.8
Telecommunications	0.7	0.7	1.4	1.4	0.7
General and Administrative Costs	41.5	42.5	85.4	85.4	36.0

Interest and Amortization (\$ million)

	YTD 2011 Actual	YTD 2011 Budget ⁴	2011 Forecast	2011 Budget	YTD 2010 Actual
Interest	1.6	1.3	2.6	2.6	1.0
Amortization	7.8	8.5	17.1	17.1	5.4

⁵ 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 ⁶ in 2011	ETC Future Yr(s)	Total Cost Est.	Variance Approved to Total Cost Est.
Key Capital Initiatives ⁷							
EMS	7.2	2	0.8	2.4	2	7.2	0
Wind	6	1.1	1.3	0.9	0	3.3	2.7
FEOC	0.8	0	0	0	0	0	0.8
Transmission Constraints Mgt	0.6	0	0.1	0.6	0	0.7	-0.1
Intertie / Demand Response	4.9	0.4	1.4	1.8	0.6	4.2	0.7
Other Capital Initiatives	9.1	0.8	3.6	4.1	0.5	9	0.1
Life Cycle Funding	21.9	8.3	5.3	4.8	4	22.4	-0.5
	50.5	12.6	12.5	14.6	7.1	46.8	3.7

Capital Program Forecast (\$ million)

Spent to date in 2011	12.5
ETC in 2011	14.6
Subtotal	27.1
AESO Board Decision Document – approved capital	27.9
Variance Reported	0.8

⁶ Estimated to Complete (ETC)

⁷ 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).

Energy Management System (EMS)	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. The proposed solution supports improved: situational awareness, modeling and training capabilities. Cost estimate \$3.5M. Target implementation Q4 2012.
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. This has included: integrating the existing wind power facilities with the real time wind forecasting solution and implementing a tool for wind power management. Target implementation Q3 2011.
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 Q4 2012.
Transmission Constraints 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. The detailed implementation plan and business requirements document are under development. Target implementation in Q1 2012.

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	Business case to implement ATC (available transfer capacity) allocation rules within AESO systems to accommodate multiple interties was approved by management. Cost estimate \$1.26M ⁸ . Target implementation 2012. Business case for the implementation of dispatchable interties was approved by AESO management. Cost estimate \$0.25M. The detailed implementation plan is being developed. Target implementation Q2 2012. LSSi to be operational by Q4 2011.
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 has been completed on schedule.
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.

⁸ Amount excluded from section III Capital Expenditure Update due to approval timing.