



# Quarterly Stakeholder Report

## Q3 2011

- Initiative Updates
- Financial Highlights



### Quarterly Stakeholder Report – Second Quarter (July – September) 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

<b>Market Development</b>			
<b>Business Initiative</b>	<b>Current Status</b>	<b>Next Milestone</b>	<b>Target</b>
Implement Market Roadmap	<p>Transmission Constraint Management (TCM – Rule 9.4) Rule 302.4 and Rule 302.5 have been filed and approved by the Alberta Utilities Commission (Commission). A System Access Policy stakeholder session was held in October.</p> <p>Project scoping for FEOC offer control tool development has been completed.</p> <p>The Market Suspension rule has been approved by the Commission, implemented and operationalized.</p> <p>Stakeholder consultation on the Supply Surplus rule is underway. An information session was held in October and the draft rule posted in November.</p> <p>The AESO held a stakeholder information session to discuss the Outage Information Sharing recommendation paper in October.</p> <p>Initial review of the move to D-1 Operating Reserve (OR) procurement completed.</p>	<p>Stakeholder consultation on the next set of 500 series Operating Policies and Procedure (OPP)s will be initiated in Q4 2011.</p> <p>AESO to review stakeholder comments on the Connection RAS process and provide the Commission with a plan to deal with system access issues in Q1 2012.</p> <p>Tool development to be completed in conjunction with other common work streams, e.g. Energy Trading System (ETS) enhancements.</p> <p>None.</p> <p>AESO to continue stakeholder consultation on the draft rule in Q4 2011.</p> <p>AESO to reply to stakeholder comments on the recommendation paper. AESO to review ISO rules and OPPs (600 series) and assess impact.</p> <p>Procurement practices altered to improve the standby market and eliminate the use of OTC (over the counter) in Q3 2011.</p>	<p>OPP 500 series conversions (6 of 11) are expected to be completed by Q1 2012.</p> <p>Connection RAS rule is expected to be filed with the Commission by Q1 2012.</p> <p>FEOC offer control implementation is expected to be completed by Q4 2012.</p> <p>Initiative complete.</p> <p>Supply Surplus rule and required system changes are expected to be completed by Q1 2012.</p> <p>New or revised rules to be filled with the Commission and required system changes are expected to be implemented by Q2 2012.</p> <p>Revised procurement practices are expected to be implemented by Q4 2011.</p>

<b>Market Development</b>			
<b>Business Initiative</b>	<b>Current Status</b>	<b>Next Milestone</b>	<b>Target</b>
<b>Facilitate integration of wind generation</b>	<p>Wind Technical Rule approved by the Commission in May and and effective December 01.</p> <p>Completing the installation of the real time wind forecasting solution at all operational wind facilities.</p> <p>Wind Power Management stakeholder consultation completed. OPP 515 filed with the Commission in October. Opp 526 filing was withdrawn and refiled as Rule 304.3 with an effective date December 01.</p> <p>Stakeholder consultation on the long term wind (Phase 2) solution is underway.</p>	<p>None.</p> <p>Wind power forecasting solution in use by AESO system controllers in Q4 2011.</p> <p>None.</p> <p>Phase 2 wind recommendation finalized and wind work group summary issued in Q4 2011.</p>	<p>Wind power management rule expected to be implemented by Q4 2011.</p> <p>Real time wind forecasting solution is expected to be implemented at all operational wind facilities by the end of Q1 2012.</p> <p>Finalize system (Energy Management System) changes supporting the new rule in Q4 2011.</p> <p>Recommendation paper on Phase 2 wind integration is expected to be issued by Q4 2011.</p>
<b>Facilitate development of interties</b>	<p>Completing intertie rule for ATC (available transfer capacity) allocation and transfer path management.</p> <p>Developing project plan for implementation of dispatchable interties.</p> <p>Intertie Framework recommendation paper posted and stakeholder comments received.</p> <p>Intertie Restoration recommendation paper posted and stakeholder comments received.</p>	<p>None.</p> <p>AESO to begin consultation on rule changes required to implement dispatchable interties using a dynamic scheduling solution in Q1 2012.</p> <p>AESO to post responses to stakeholder comments in Q1 2012.</p> <p>AESO to post responses and release information backgrounder on next steps.</p>	<p>ATC allocation rule is expected to be filed with the Commission by Q4 2011.</p> <p>Dispatchable import and export changes are expected to be implemented by Q4 2012.</p> <p>AESO to continue consultation with stakeholders in 2012 on the proposed Framework.</p> <p>AESO to advance RFP process for additional products in 2012.</p>

<b>Market Development</b>			
<b>Business Initiative</b>	<b>Current Status</b>	<b>Next Milestone</b>	<b>Target</b>
<b>Demand response</b>	<p>All LSSi contracts signed. First LSSi provider implemented.</p> <p>Brattle Group Demand Response (DR) recommendations have been provided to stakeholders.</p>	<p>Complete implementation requirements for the remaining providers.</p> <p>Continue stakeholder consultation regarding additional DR product development</p>	<p>LSSi program is expected to be fully operational by Q4 2011.</p> <p>The next phase of the DR program to be defined and the first priority project is expected to be underway in 2012.</p> <p>Continue to identify and remove barriers to load participation in markets.</p>

<b>Electric System Development</b>			
<b>Business Initiative</b>	<b>Current Status</b>	<b>Next Milestone</b>	<b>Target</b>
<b>Advance CTI (critical infrastructure), regional and customer connection projects</b>	<p>Commission approved, with conditions, the application for the Heartland Transmission Project November 1.</p> <p>Commission suspended its review process of the WATL (Western Alberta Transmission Line) FA and the EATL (Eastern Alberta Transmission Line) FA at the government's request.</p> <p>28 Customer connection and 4 System NIDs (needs identification document) filed to date.</p>	<p>Support the Transmission Facility Owner in the completion of this project facilitating an in-service date of March 2013.</p> <p>Next milestone(s) are pending the government's review.</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>
<b>Update and file the LTP (long term plan) with the Commission</b>	<p>Filed draft 2011 LTP with the Commission in June. AESO revising the draft 2011 LTP based on stakeholder comments received in Q3 2011.</p> <p>LTP process redesign work is in progress.</p>	<p>None.</p> <p>None.</p>	<p>Final 2011 LTP to be filed with the Commission.</p> <p>Implement LTP process changes in Q4 2011.</p>
<b>Customer Service - Access Improvement</b>	<p>Customer-connection process enhancement work in progress. The average connection project cycle time has been reduced from 36 to 25 months.</p> <p>The AESO issued a Connection Process Redesign document for stakeholder review. Information sessions were held to discuss the updates. Stakeholder comments have been received and are currently under review.</p>	<p>Expand enhancement work to include the system-connection process.</p> <p>The AESO to reply to stakeholder comments in Q4 2011.</p>	<p>Ongoing.</p> <p>Ongoing.</p>

<b>Electric System Development</b>			
<b>Business Initiative</b>	<b>Current Status</b>	<b>Next Milestone</b>	<b>Target</b>
<b>Cost Reporting &amp; Monitoring</b>	<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>The AESO issued a Transmission Cost Accountability framework discussion paper for stakeholder review/comment. The AESO held stakeholder information sessions on the discussion paper in November.</p>	<p>Transmission cost benchmarking design work to be completed in Q4 2011.</p> <p>Implement cost benchmarking database in Q4 2011.</p> <p>Stakeholder comments on the discussion paper are to be received by December.</p>	<p>Enhanced cost reporting processes to be implemented by Q4 2011.</p> <p>AESO to issue a recommendation paper on the Transmission Cost Accountability framework in Q1 2012.</p>
<b>Competitive Procurement Process</b>	<p>Competitive Process stakeholder consultation is complete.</p> <p>Competitive Process application was filed with the Commission in September.</p>	None.	Commission decision is expected by Q2 2012.

<b>Electric System Operations</b>			
<b>Business Initiative</b>	<b>Current Status</b>	<b>Next Milestone</b>	<b>Target</b>
<b>Alberta Reliability Standards Implementation</b>	<p>32 standards have been identified in the 2011-2012 project plan to be filed with the Commission.</p> <p>7 ARS (Alberta Reliability Standards) are in preparation for consultation with stakeholders.</p> <p>15 ARS are in preparation for reconsultation with stakeholders.</p> <p>7 ARS have been filed with the Commission in 2011.</p> <p>3 additional ARS are in preparation for filing with the Commission in 2011.</p>	<p>Ongoing stakeholder consultation and reconsultation.</p> <p>ARS schedule revisions contingent on decision to file or extend stakeholder consultation.</p>	<p>10 ARS are expected to be filed with the Commission by Q4 2011.</p> <p>An additional 24 ARS are expected to be filed with the Commission by Q2 2012</p>

## II. Financial Update – As of September 30, 2011

### Transmission Operating Costs (\$ million)

	YTD 2011 Actual	YTD 2011 Forecast <sup>1</sup>	2011 Forecast	2011 Budget	YTD 2010 Actual
Wires Costs	554.5	546.1	728.2	728.1	475.5
Transmission Line Losses	148.2	131.4	168.3	121.0	96.9
Operating Reserves	237.0	143.1	174.5	60.1	100.4
Transmission Must-Run	24.1	18.9	27.5	30.3	21.5
Other Ancillary Service Costs	7.0	5.8	5.6	5.6	6.5
<b>Transmission Operating Costs</b>	<b>970.8</b>	<b>845.3</b>	<b>1,104.1</b>	<b>945.1</b>	<b>700.8</b>

**Transmission Line Losses** – Actual Transmission Line Losses costs are higher than forecasted as a result of the average actual pool price being higher than the average forecasted pool price year-to-date.

**Operative Reserves** – Actual year-to-date Operating Reserves costs are higher than forecasted due to 40 days during the first nine months of the year where the on-peak pool price was above \$200 per MWh, which was significantly higher than the forecasted pool price of \$64 per MWh. The Operating Reserves costs for these 40 days alone resulted in \$153.9 million, or 65 percent, of the \$237.0 million year-to-date costs.

### Other Industry Costs (\$ million)

	YTD 2011 Actual	YTD 2011 Budget <sup>2</sup>	2011 Forecast	2011 Budget	YTD 2010 Actual
Commission Fees – Transmission	9.3	8.1	10.8	10.8	8.9
Commission Fees – Energy Market	5.0	5.4	7.2	7.2	5.1
External Regulatory Costs	0.2	0.1	0.1	0.1	0.0
WECC/NWPP Costs <sup>3</sup>	2.1	2.5	3.4	3.4	2.3
Balancing Pool	-	-	-	-	-
<b>Other Industry Costs</b>	<b>16.6</b>	<b>16.1</b>	<b>21.5</b>	<b>21.5</b>	<b>16.3</b>

<sup>1</sup> 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.

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

<sup>3</sup> Western Electricity Coordinating Council (WECC) and Northwest Power Pool (NWPP)

**General and Administrative Costs (\$ million)**

	YTD 2011 Actual	YTD 2011 Budget <sup>4</sup>	2011 Forecast	2011 Budget	YTD 2010 Actual
Staff Costs	38.4	36.3	48.4	48.4	33.6
Contract Services & Consultants	12.4	12.4	16.6	16.6	9.6
Administration	4.6	5.4	7.2	7.2	3.6
Facilities	3.5	3.7	4.9	4.9	3.5
Computer Services and Maintenance	3.2	5.0	6.9	6.9	2.7
Telecommunications	1.0	1.1	1.4	1.4	1.0
<b>General and Administrative Costs</b>	<b>63.1</b>	<b>63.9</b>	<b>85.4</b>	<b>85.4</b>	<b>54.0</b>

**Interest and Amortization (\$ million)**

	YTD 2011 Actual	YTD 2011 Budget <sup>4</sup>	2011 Forecast	2011 Budget	YTD 2010 Actual
Interest	2.4	2.0	2.6	2.6	1.8
Amortization	13.8	12.8	17.1	17.1	8.1

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

**III. Capital Expenditure Update**

<b>Capital Program (\$ million)</b>							
	<b>Total Project Approved</b>	<b>Prior Year(s) Actual</b>	<b>Spent in 2011</b>	<b>ETC <sup>5</sup> in 2011</b>	<b>ETC Future Yr(s)</b>	<b>Total Cost Est.</b>	<b>Variance Approved to Total Cost Est.</b>
<b>Key Capital Initiatives <sup>6</sup></b>							
EMS	7.2	2	0.8	0.4	2.1	5.3	1.9
Wind	6	1.1	1.5	0.5	0.1	3.2	2.8
FEOC	0.8	0	0	0	0	0	0.8
Transmission Constraints Mgt	0.6	0	0.4	0.3	0	0.7	-0.1
Intertie / Demand Response	4.9	0.4	1.9	0.8	1.0	4.1	0.8
<b>Other Capital Initiatives</b>	11.6	0.8	6.3	3.0	0.8	10.9	0.7
<b>Life Cycle Funding</b>	24.9	8.3	6.9	4.0	4.4	23.6	1.3
	56.0	12.6	17.8	9.0	8.4	47.8	8.2

<b>Capital Program Forecast (\$ million)</b>	
Spent to date in 2011	17.8
ETC in 2011	9.1
Subtotal	26.9
AESO Board Decision Document – approved capital	27.9
<b>Estimated Variance as of 9/30/2011</b>	1.0

<sup>5</sup> Estimated to Complete (ETC)

<sup>6</sup> 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).

<b>Energy Management System (EMS)</b>	<b>Description</b>	The next phase of the EMS implementation which includes improved situational awareness, look-ahead functionality, load-shed services capabilities and a system controller training environment.
	<b>2011 Progress</b>	System controllers continue to familiarize 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 expected by Q4 2012.
<b>Wind Integration</b>	<b>Description</b>	Develop and deploy tools, market rules and products that assist with the integration of additional wind power facilities to the AIES.
	<b>2011 Progress</b>	Short term wind automation tools development work is complete. This has included: integrating the existing wind power facilities with the real time wind forecasting solution and implementing a tool for wind power management.
<b>Fair Efficient Openly Competitive (FEOC) regulation</b>	<b>Description</b>	Develop and deploy tools to assist with the implementation of protocols to ensure participants act in accordance with the FEOC mandate.
	<b>2011 Progress</b>	Automation tool development for offer control implementation on hold. Next steps pending results of stakeholder consultation regarding implementation alternatives. Target implementation expected by Q4 2012.
<b>Transmission Constraints Management</b>	<b>Description</b>	Develop and deploy automation tools that facilitate management of transmission constraints in specific AIES operating areas.
	<b>2011 Progress</b>	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 expected by Q1 2012.

<b>Intertie / Demand Response</b>	<b>Description</b>	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.
	<b>2011 Progress</b>	Business case to implement ATC (available transfer capacity) allocation rules within AESO systems to accommodate multiple interties was approved by AESO Management. Cost estimate \$1.26M. Implementation expected in 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. Implementation expected in 2012.  LSSi system operational Q4 2011.
<b>Information management platform</b>	<b>Description</b>	Develop and implement a data analysis and reporting platform supporting stakeholder (authorized) access and reporting requirements.
	<b>2011 Progress</b>	Work on the development of production system (data provisioning) interfaces to export data to the information management platform environment is in progress.
<b>2010 General Tariff Application (GTA) 2010</b>	<b>Description</b>	Develop and implement changes to the transmission billing system that support the 2010 GTA rate and calculation structure.
	<b>2011 Progress</b>	Work on revising AESO's billing system was completed in 2011.
<b>Alberta Reliability Standards (ARS)</b>	<b>Description</b>	Implement compliance management and reporting tools that support business practices and processes and ensure internal and external adherence to ARS.
	<b>2011 Progress</b>	An automated tool requirement has not been identified/requested at this time. No change in status.