

November 23, 2010

Dear Market Participants and Interested Parties:

**Re: AESO Reply to Stakeholder Comments received November 4, 2010 on the AESO Competitive Procurement Process**

On September 17, 2010, the AESO issued Terms of Reference and a Discussion Paper (“Paper”) on a competitive procurement process (“Process”) for critical transmission infrastructure. At that time, the AESO initiated stakeholder consultation on this Process by inviting and encouraging stakeholders to provide comments on both documents by November 4, 2010.

In the letter to stakeholders dated September 17, 2010, the AESO noted that it would reply to each stakeholder comment individually. However, upon reading and reviewing comments it is evident that several stakeholders provided comments on similar issues or themes. In order to best address these comments, the AESO will reply to themes rather than individual comments.

The AESO wishes to thank stakeholders for the valuable comments and feedback provided on the Paper. These comments will assist the AESO with:

- clarifying, adjusting and solidifying the principles, objectives and goals of a competitive procurement process for critical transmission infrastructure;
- testing the alternatives, namely the Own Alternative and the EPC Alternative, and exploring other proposed alternatives including testing their suitability as the preferred alternative to pursue;
- identifying areas where additional stakeholder consultation is required;

- developing a more detailed schedule through completion and implementation of the Process and allowing for the development of milestones associated with key pieces of work;
- analyzing the options and process for cost recovery once a winning bidder is determined;
- considering whether AESO requires additional resources and expertise to aid it in executing its legislative requirements; and
- examining issues that were not in the Terms of Reference and/or Discussion Paper as raised by stakeholders.

This work is expected to continue through December 2010 and into early January 2011. In light of this, the AESO has cancelled the stakeholder session originally proposed for December 1, 2010.

The AESO will be issuing a draft Recommendation Paper on January 10, 2010 that will include replies to the themes arising from stakeholder comments and feedback received. The AESO will also include a high level schedule which will include additional stakeholder sessions and/or workshops. It is expected these sessions will occur during Q1 2011.

Sincerely,

*Original signed by*

Elizabeth Moore, Director Competitive Procurement