

April 16, 2009

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

**Attention: MR. DOUG SIMPSON – Manager of AESO MARKET SERVICES
MS. ANITA LEE – Manager of AESO OPERATIONS & RELIABILITY**

RE: PROPOSED CHANGES TO OPP 103

“AESO Recommendation Paper on the Implementation of Market and Operational Framework for Wind Integration in Alberta”

Dear Doug & Anita:

Syncrude Canada Ltd. has had the opportunity to review the proposed changes outlined in the AESO recommendation paper on 'The Implementation of Market and Operational Framework for Wind Integration in Alberta'. It is understood that accommodating the growing supply of wind generation will require changes to existing ISO rules and operating procedures. However, Syncrude is concerned that the new proposed changes outlined in the recommendation paper (in section 5.5 'Supply Surplus') will be problematic for ISD designated generating assets.

Syncrude is hopeful that this letter, and the comment matrix that has been submitted in conjunction with this letter, will prove beneficial to the AESO in its efforts to revise the existing operating procedure OPP 103.

The proposed changes to OPP 103 include removing an existing clause, which exempts 'generating units primarily serving on-site load or steam process, including those supplying to industrial systems with industrial designation'. The removal of this clause would be significant for Syncrude, and other ISD generating assets.

Syncrude's generating asset (SCL1) is a net-to-grid facility that includes 10 cogeneration generators and a large industrial electrical load. 8 out of the 10 turbine generators at our site would be classified as 'bottoming-cycle', where electricity production remains secondary to its accompanying process. In the case of our two largest gas turbine generators, the primary function of these generators is to supply heat used in the oilsands separation process. In the case of our six steam turbine generators, the primary function of these turbines is to 'let down' high-pressure steam to low-pressure steam or condensate, to be used for various processes. In some cases, the amount of steam available to drive these turbines is dependent on the amount of heat produced in conjoined process units. Waste heat from the two topping-cycle cogeneration units is used to produce high-pressure steam. The production of electricity is very integrated with many elements of the Syncrude operation.

As a result, the amount of available power generation at Syncrude is dependent on the site steam balance and process conditions. Adjustments to power generation is impossible without affecting the integrity and reliability of the steam system, and many critical 'must run' process units and equipment. Maintaining the ability to import and export electricity from the AIES, with minimal restriction, is critical to maintaining the site energy balance. As such, our operations personnel are instructed to maintain a standing offer for the sale of electricity at \$0.00 at all times, so that, in a supply surplus situation, we can retain some ability to export power. Our generators do not have the ability to 'safe park' or revert to a safe 'minimum operating level'. Keeping this balance is critical to maintaining safe operating limits on all of Syncrude's equipment and process units.

It is Syncrude's position that wind generation and cogeneration should not be treated the same in this regard. Where it may be possible and relatively easy to take a wind turbine offline in a supply surplus situation, the same cannot be said for a cogeneration unit that is coupled with a process unit or steam distribution system. A sudden and significant reduction in generation cannot be accomplished without compromising the integrity of our related commodity and process systems and posing a concern for the safety of our staff.

Stakeholders are always very appreciative that the AESO allows market participants to share in review process for ISO rules and operating procedures. The importance of incorporating comments from affected parties is well understood and valued. Syncrude welcomes the opportunity to be a valued contributor, and encourages the AESO to seek out input, particularly when the outcome of a change will have an impact on the operation of ISDs.

Syncrude is committed to continuous improvement, and this includes a commitment to improve our performance as an AES participant and maintain a strong working relationship with the AESO.

Please feel free to contact me at any time for further discussion on this matter.

Sincerely,

R. Langevin
Utilities & Offsites Technical

CC: Chris Austin
Syncrude Utilities & Offsites Technical Lead

CC: Raymond Hansen, Q.C.
Syncrude General Council & Corporate Secretary

CC: Bernard Roth, Q.C.
Legal Council
Fraser, Milner & Cosgrain