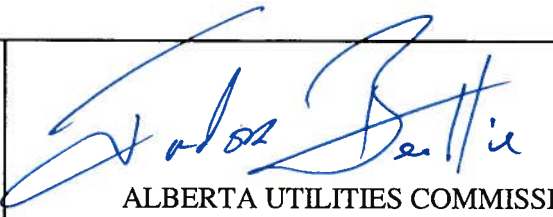


MADE at the City of Calgary, in the Province of Alberta, on 29th day of May 2008.	 ALBERTA UTILITIES COMMISSION
Alberta Electric System Operator Amendments to Terms and Conditions – Revised Interconnection Process	Application No. 1562873

1 BACKGROUND

On February 27, 2008, the Alberta Electric System Operator (AESO) submitted an application (the Application) to the Alberta Utilities Commission (AUC or Commission) requesting certain amendments to the AESO's Terms & Conditions (T&C) which form part of the AESO Tariff. In particular, the Application requested approval of three modifications to aspects of its T&C to provide additional clarity and alignment with the AESO's revised business practices, as follows:

1. Addition of the defined term "Planning Capacity";
2. Revisions to Contract Capacity Allocation Article 13.1 regarding Available Capacity; and
3. Revisions to Contract Capacity Allocation Article 13.2 regarding Requirement of Customer to Act.

The proposed amendments were spelled out in detail at pages 4-6 of the Application.

The Application was heard by way of a written proceeding with written Argument being received on May 5, 2008, and written Reply being received on May 12, 2008. The Commission therefore considers the close of record for this proceeding to be May 12, 2008.

2 DETAILS & ANALYSIS OF APPLICATION

In the Application the AESO explained that as a result of consultation with stakeholders it had implemented revised business practices associated with the interconnection process effective February 1, 2008. This Application was filed to amend certain aspects of its terms and conditions of service to more closely align with the revised business practices. The AESO also stated its interconnection process business practices were extensively revised in 2005 based on consultation with stakeholders to identify and test areas for improvement. The AESO conducted additional consultation¹ on interconnection queue management starting in early 2006, and completed the consultation in 2007 after fully evaluating stakeholder concerns related to project milestone obligations.

¹ The AESO routinely holds meetings and information sessions with stakeholders outside of formal Board/Commission hearings or negotiations.

The AESO explained that an early step in the AESO's interconnection process was the establishment of priority with respect to customers' requests for interconnection to the transmission system. The AESO assigns resources to projects and allocates capacity for transmission planning purposes in accordance with the projects' priorities. In addition, the "queue" of projects resulting from project prioritization is used in assessing and developing larger transmission system planning activities. The AESO maintained the revisions address several concerns identified with the existing interconnection process, including:

- (a) a need to allocate capacity for transmission planning purposes significantly before an interconnection proposal is available as a basis for establishing contract capacity;
- (b) provision of queue position certainty and transparency that will be maintained throughout the duration of a project (from initial application to energization) if project milestones are met; and
- (c) standardization of project milestones that, if not met, could move a project to the bottom of the queue and make capacity available to be allocated to other projects.

In order to gain greater clarity and understanding of the AESO's proposed amendments, the Commission asked a number of information requests. In response to Comm-AESO-001, the AESO explained why there was a need to allocate capacity for transmission planning purposes significantly before an interconnection proposal is available as a basis for establishing contract capacity. The AESO stated:

Interconnection applications need to be prioritized to allow:

- AESO resources to be appropriately assigned to them, and
- transmission system planning activities to be appropriately sequenced to accommodate the interconnections.

Much of this work occurs at the planning stage, well before the availability of an interconnection proposal which is based on specific interconnection facilities. The AESO also considers that early allocation of capacity for transmission planning enhances the provision of efficient, reliable, and non-discriminatory access to the transmission system.

Specifically, under the current Article 13 contract capacity is not allocated to an interconnection project until a customer executes a Construction Commitment Agreement. Until that time the customer cannot be certain that capacity will exist for the interconnection project, particularly in an area of limited transmission capacity. If a project is complex and requires bulk transmission system development or additional regulatory approvals, this uncertainty may last for an extended period. At the same time, the complexity or requirement for system development or additional approvals prevents a Construction Commitment Agreement from being finalized, and it is not possible for the customer to execute the Agreement to gain capacity allocation certainty.

As a result, the AESO was sometimes uncertain whether to assign resources or sequence planning activities based on a project for which a Construction Commitment Agreement was not yet executed, but which appeared to be appropriately progressing through its development milestones. To ensure an efficient and reliable process, the AESO concluded that capacity needed to be allocated to projects in a transparent and open manner much earlier in the interconnection process.²

² Comm.AESO-001

In response to Comm.AESO-002, the AESO articulated the Project Milestone Obligations of the customer and the consequences for failure to meet the milestones, such as loss of queue position.

Attached to Comm.AESO-003, the AESO provided a copy of the Business Practices Discussion Paper in which they described some of the problems with using the date of the CCA (Construction Commitment Agreement) for establishing work priorities. The AESO stated:

There are many factors which can impact the length in time it takes to advance a project to a point it would receive an Interconnection Proposal on which the Customer may base and submit their Customer Contribution. These include, but are not limited to: project complexity, need for bulk transmission development and associated timing, regulatory approvals, need for re-work in consideration of shifts in project development and the time required by the AESO to complete the Interconnection Proposal. In other words, establishing work priority based on the date the CCA is signed introduces variables outside the control of Customers (i.e., the time required by the AESO to study and prepare interconnection proposals) and potential inconsistencies and, as such, is seen as unfair.

In addition, the AESO recognizes that establishing transmission capacity allocation for planning purposes based on a financial commitment by Customers under a CCA without a demonstration of progress through process milestones can result in the limited transmission capacity being allocated for planning purposes to projects that are not progressing. This problem is further exacerbated by a lack of established progress milestones that must be met once projects have committed and by the fact that a Customer can cancel their project and receive their financial commitment or other security (less incurred cost) generally at any time and without penalty.

Not only have the combined impact of these practices caused Customer dissatisfaction, they don't appear consistent with open access principles.³

The AESO also maintained that establishing queue position at the time of the PAA (Preliminary Assessment Application) was consistent with the TDP (Transmission Development Plan), which states that "transmission planning must be proactive in nature and must therefore lead load growth and generation development." The TDP acknowledges that "to accomplish this, the ISO must initiate transmission preconstruction activities ... and may bring forward a "need application" to the EUB for approval to proceed with preconstruction activities." It also clarifies that "the [EUB] will therefore be required to take a more comprehensive and longer-term view of need, including approval of likely transmission corridors when there is still some uncertainty about the precise nature of the future load and generation configuration on the system."⁴

In reply to Comm.AESO-004, the AESO explained why planning capacity and contract capacity should not be one and the same, stating:

The AESO expects that planning capacity and contract capacity will generally be the same for interconnection projects. However, contract capacity is set out in a System Access Service Agreement under the existing terms and conditions, and has implications with respect to customer and system contributions, contract term, and DTS billing capacity which are difficult to assess in the early stages of a project. Rather than require contract capacity and its associated implications to be established unreasonably early, the AESO considered it more appropriate to introduce "planning capacity" as a term to

³ Comm.AESO-003, Interconnection Queue Business Practices, pages 4-5

⁴ Page 9 of Discussion Paper, AESO quotes from Transmission Development Policy Paper, November 2003

support the assignment of resources and the sequencing of transmission system planning activities in the early stages of the interconnection process.⁵

Finally, in reply to the Commission's concern that the changes could allow for customers to "game" the system the AESO explained:

The AESO interprets "gaming" to refer to requests for transmission capacity to block access by other projects, "hoarding" of transmission capacity, preliminary requests significantly in excess of final contract capacity, and similar deliberate activities by one party which hinders the efficient, reliable, and non-discriminatory access to the transmission system by other parties. The AESO considers that the implementation of standard project milestone obligations in the interconnection queue business practices significantly improves the fair and equal treatment of all customers wishing to interconnect to the transmission system, and therefore discourages "gaming".

In particular, the existing Article 13 allowed a customer to execute a Construction Commitment Agreement, pay any required customer or system contribution, and accordingly be allocated contract capacity. Under the existing terms and conditions, that project may potentially receive a contract capacity allocation before earlier projects which were still progressing through the stages of the interconnection process — in effect, to "jump the queue". The AESO found such "queue-jumping" to make effective transmission system planning more difficult and to be inconsistent with non-discriminatory open access to the transmission system.

Requiring all customers to meet standard project milestone obligations, and imposing consequences for failing to meet milestone obligations, reduces the potential for customers to hoard capacity, to block access by other projects, or otherwise "game" the system. Milestone obligations ensure projects continue to progress and facilitate efficient, reliable, and non-discriminatory processing of interconnection applications. Early allocation of planning capacity and adherence to milestone obligations also enhances the interconnection process by enabling the AESO to develop reasonable and practical transmission development plans based on projects which are likely to proceed to completion.⁶

In its Argument, the AESO stated that the proposed amendments to the AESO's terms and conditions of service simply clarify those aspects of the tariff which relate to the interconnection process and align with and support that process. The proposed amendments do not alter the underlying intent of the previously-approved terms and conditions.

The AESO also stated that no party filed any objection to the proposed amendment in this proceeding, and the AUC was the only party to ask information requests of the AESO. The AESO responded to the AUC's requests on April 28, 2008, and maintained those responses did not reveal any issues that suggested the proposed amendments were inappropriate, unreasonable, or unjust. As explained in Information Response AUC.AESO-003 (b), the AESO maintained amendment of the terms and conditions at this time will avoid confusion that could otherwise arise.

The AESO therefore submitted that the proposed amendments to the terms and conditions of service be approved as filed.

⁵ Comm.AESO-004

⁶ Comm.AESO-004

3 COMMISSION FINDINGS

The Commission has reviewed the requested amendments contained in the Application. In particular, the Commission has reviewed the information responses supplied by the AESO in response to the Commission's interrogatories and found them to add clarity and understanding to the Application. In addition there were no objections to the proposed amendments and the amendments involved significant consultation with AESO stakeholders.

The Commission therefore finds the requested amendments to the T&C to be reasonable and considers that they will add clarity to the T&C and the AESO's planning process.

4 ORDER

THEREFORE, it is ordered that,

The amendments to Articles 1 and 13 of the AESO's Terms & Conditions are approved as filed and as attached to this Order as Appendix A, effective May 29, 2008.

Attachment

APPENDIX A



U2008-169 Appendix
A.doc

(consists of 3 pages)

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Effective May 29, 2008

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ARTICLE 1
DEFINITIONS AND INTERPRETATION

1.1 The following terms shall have the following meanings in this Tariff:

“Planning Capacity” means the peak demand or supply capability (expressed in MW), as requested in a Customer’s application for System Access Service.

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ARTICLE 13 CONTRACT CAPACITY ALLOCATION

13.1 Available Capacity

- (a) The AESO will Allocate Planning Capacity for a new or expanding POC according to available AIES capacity as of the date the AESO receives an application for System Access Service, as set out in Article 5. The AESO will inform the Customer of any AIES constraints in respect of a new or expanding POC.
- (b) For the purposes of this Article 13, "Allocate Planning Capacity" means that the AESO will assign Planning Capacity to a project for planning purposes and project work priority as of the date set out in paragraph (a), above.

13.2 Requirement of Customer to Act

- (a) The AESO, acting reasonably, may establish critical milestones with respect to project completion and may agree with the Customer on such milestones.
- (b) For STS customers, milestones will include but not be limited to payment of the System Contribution determined under Article 9.11:
 - (i) within 90 days after EUB approval of the local interconnection facilities required to facilitate the interconnection of the STS Capacity; or
 - (ii) if construction of local interconnection facilities is not required to facilitate the interconnection of the STS Capacity at an existing POS, within 90 days after execution of an amended System Access Service Agreement for the POS.
- (c) If the Customer fails to meet such milestones, the AESO may:
 - (i) cancel, and require the Customer to resubmit, the Customer's application for System Access Service;
 - (ii) re-Allocate the subject Planning Capacity to another applicant whose System Access Service application date is later than the Customer's application date determined in Article 13.1(a); or
 - (iii) proceed, with no modification to the Allocated Planning Capacity, with the Customer's original application for System Access Service on the basis of amended milestones, as agreed by the AESO.

13.3 Limit to Contract Capacity

The Contract Capacity for a new POS established by the AESO may not exceed the sum of the MCR of all generators connected to the AIES by the new POS less the sum of all gross loads that offset the energy delivered to the AIES from that POS under normal operating conditions.

13.4 Increase of Contract Capacity

In the event that a Customer desires to increase the Contract Capacity at an existing POD or POS, the Customer must execute an amended System Access Service

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Agreement. If new facilities or upgrades are required to provide the new service or to provide the amended service level, the requirements for a Customer Contribution and Security will apply.

13.5 Metered Demand Limitations

- (a) Subject to paragraphs (b) and (c), the Metered Demand for a Customer taking service under Rate Schedule DTS or Rate Schedule STS shall not exceed the lesser of:
- (i) the Rated Capacity of any transmission facilities comprising its interconnection; or
 - (ii) the Physical Capacity of any transmission facilities comprising its interconnection.

In the event the foregoing is not complied with, the AESO shall have the right to discontinue the applicable System Access Service until the Customer installs equipment to limit its Metered Demand.

- (b) A DTS Customer may temporarily exceed the level stipulated in subparagraph 13.5(a)(i) only where it has in place a System Access Service Agreement for an Opportunity Service at the applicable POD.
- (c) Subject to paragraph 13.3, an STS customer may temporarily exceed the level stipulated in subparagraph 13.5(a)(i), with the AESO's consent obtained on a minimum twenty-four hours' notice, provided that the AESO determines that the transmission system can safely accommodate the proposed energy without risk of disturbance to other AESO customers.