



September 17, 2010

Dear Market Participants and Interested Parties:

Re: Letter of Invitation to Participate in the AESO Consultation for a Competitive Procurement Process

The AESO is initiating consultation on the development of a competitive procurement process for critical transmission infrastructure (CTI) projects.

Attached are the Terms of Reference for the upcoming AESO consultation for a competitive procurement process, a Discussion Paper and a Comment Matrix. The Terms of Reference set out the proposed scope and approach.

Stakeholders are encouraged to participate and comment on the Terms of Reference and Discussion Paper. The attached Stakeholder Comment/AESO Replies Matrix can be used to indicate an interest in participating and to provide comments on the attached Terms of Reference and Discussion Paper.

Written comments must be submitted to elizabeth.moore@aeso.ca and allison.mathews@aeso.ca by November 4, 2010.

After receiving written comments from stakeholders, the AESO will reply to each comment and post the consolidated comments with AESO replies on the AESO website. As required, the AESO will amend and post the Terms of Reference on the AESO website when the consolidated stakeholder comments and AESO replies are posted. Going forward, the AESO will initiate consultation activities in accordance with the Terms of Reference.

The AESO thanks stakeholders for their participation in this consultation.

Sincerely,

Original signed by

Shan Bhattacharya, Vice President Transmission

Attachments to this Letter of Invitation:

- (1) Terms of Reference
- (2) Discussion Paper
- (3) Stakeholder Comment/AESO Replies Matrix



Terms of Reference Competitive Procurement

Purpose

The purpose of the Terms of Reference is to outline the scope and proposed approach for developing a competitive procurement process as defined in the Scope section below.

The Terms of Reference is an evolving document and will be amended as required. Any amendments to the Terms of Reference will be posted on the AESO website and stakeholders will be notified through the bi-weekly AESO newsletter.

Stakeholder Participation

Stakeholders interested in participating in this consultation and commenting on the Terms of Reference and Discussion Paper should submit written comments by November 4, 2010 using the attached Stakeholder Comment/AESO Replies Matrix. After receiving written comments, the AESO will reply to the comments, post the comments and AESO replies and post the amended Terms of Reference (if required).

The AESO will hold an initial stakeholder session on October 13, 2010 to review the attached documents and answer any questions. A separate invitation will be sent to stakeholders in advance of the initial stakeholder session.

Scope

This Terms of Reference paper and consultation is limited to:

- (1) the proposed implementation schedule;
- (2) objectives and principles for a successful process;
- (3) alternatives within a competitive procurement process;
- (4) critical implementation issues and proposed resolution;
- (5) request for qualification process development; and
- (6) proposed regulatory changes required as a result of implementing a competitive procurement process.

Out of Scope

This Terms of Reference paper and consultation does not include:

1. discussion and/or debate on changes to CTI legislation; and
2. discussion and/or debate on alternatives to a competitive procurement process for CTI projects.

Need for a Competitive Procurement Process

In anticipation of the requirement to advance the development of CTI projects in the Schedule to the *Electric Utilities Act*, the AESO is developing a competitive procurement process that will apply to CTI projects.

Consultation Principles

The AESO developed a set of consultation principles to ensure its consultation is inclusive, transparent, fair and efficient. The AESO has not determined at this time if the proposed competitive procurement process will be filed with the AUC as a rule or as an application. The



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AESO will follow its Independent System Operator (ISO) Rules consultation process for the development of the competitive procurement process. Please refer to Appendix 2 to review these principles.

Consultation Steps, Documents and Schedule

Below is a list of consultation steps the AESO is proposing for the competitive procurement process along with proposed completion dates.

Consultation Activities	Proposed Date
Step 1: The AESO identified a requirement to develop a competitive procurement process for transmission infrastructure.	EUA Act, December, 2009
Step 2: The AESO issues an invitation to stakeholders to participate in the ISO Rules consultation process. The invitation will include briefing materials including a Discussion Paper, Terms of Reference and a Stakeholder Comment/AESO Replies Matrix.	September 17, 2010
Step 3: Stakeholders notify the AESO of intent to participate.	September 29, 2010
Step 4: The AESO holds an initial stakeholder meeting.	October 13, 2010
Step 5: Stakeholders provide written comments to the AESO.	November 4, 2010
Step 6: The AESO replies to stakeholder comments and determines if further consultation is needed.	November 25, 2010
Step 7: The AESO holds an additional meeting prior to issuing its Recommendation Paper.	December 1, 2010
Step 8: The AESO issues its Recommendation Paper to stakeholders for review and comment (a Stakeholder Comment/AESO Replies Matrix will be attached).	January 10, 2011
Step 9: Stakeholders provide comments on the Recommendation Paper and the AESO responds.	February 9 – comments received March 9 – AESO replies

Consultation Record

The documents prepared by the AESO and stakeholders in the context of this ISO consultation process will be posted on the AESO website at <http://www.aeso.ca/rulesprocedures/9074.html> and will form part of the AESO’s consultation record. These documents will include the consultation documents identified in the “Consultation Activities and Documents” section above and will also include agendas, lists of participants and issues, and actions items associated with stakeholder sessions, workshops or technical sessions held.

For clarity, only written stakeholder comments received by the AESO in accordance with this consultation process will be considered when finalizing its Recommendation Paper.



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As the AESO conducts its consultation, a chronology of events and documents will be maintained in Appendix 3. Each time a consultation step is completed, the AESO will update the Terms of Reference and post the amended Terms of Reference on its website at <http://www.aeso.ca/transmission/21684.html>.



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Appendix 1 – List of Stakeholders Interested in Participating in the Consultation

(The AESO will populate Appendix 1 with a list of market participants and interested parties participating in this consultation after receiving written comments on this Terms of Reference paper.)

Appendix 2 – AESO Consultation Principles for ISO Rule Development

The AESO principles for consultation on draft ISO Rules changes are intended to provide guidance respecting the conduct of both the AESO and stakeholders. The AESO principles for consultation are as follows:

1. The ISO Rules consultation process will be inclusive, transparent, fair and efficient and will be understood and accepted by all parties.
2. All parties will act in good faith and in a fair and respectful manner when engaged in the ISO Rules consultation process.
3. The AESO has a statutory obligation to ensure the safe and reliable operation of the Alberta Interconnected Electric System (AIES) and to promote a fair, efficient and openly competitive market for electricity. In the ISO Rules consultation process, the interests of individuals must be considered in the context of the reliable operation of the AIES and in the public interest as a whole.
4. The ISO Rules consultation process, particularly with respect to the degree of detail of information provided by the AESO and stakeholders, the time required for review of that information, and the amount of related discussion, will be commensurate with the importance, complexity, potential impacts, and urgency of the draft ISO Rules changes.
5. The AESO will commence consultation early in the ISO Rules consultation process to allow sufficient time for stakeholder participation and will provide stakeholders with complete, accurate, timely and comprehensible information. AESO information will be made available in a manner that stakeholders can readily understand and with adequate time for review and consideration.
6. The ISO Rules consultation process will involve a full discussion of the views of stakeholders in order to enable the AESO to make the best decision possible in the context of the AESO statutory mandate.
7. The AESO may develop a written Terms of Reference for each ISO Rules consultation process¹, which may include description of relevant issues, establishment of working groups, one or more technical conferences, and a proposed schedule of key dates. The AESO will seek stakeholder input before finalizing each Terms of Reference.
8. Stakeholders will be given the opportunity to provide written comments in response to AESO documentation made available during the ISO Rules consultation process.
9. Each stakeholder will raise all concerns or suggestions for improvement, and provide those concerns or suggestions for improvement in writing for discussion with others

¹ A written Terms of Reference may not be appropriate in all cases depending on the complexity of the draft ISO Rules changes

- participating in the ISO Rules consultation process and to share information necessary for others to understand and evaluate those concerns or suggestions.
10. All Terms of Reference, AESO information, comments from stakeholders with AESO replies, agendas and action items will be in writing and will be posted on the AESO website. Only those comments received from stakeholders in writing will be considered by the AESO when finalizing draft ISO Rules changes.
 11. When finalizing the draft ISO Rules changes, the AESO will have regard for all written stakeholder input received during the ISO Rules consultation process and will provide a written explanation where the draft ISO Rules changes could not address a stakeholder concern or accommodate a stakeholder suggestion.
 12. While written input from stakeholders during the ISO Rules consultation process will inform the AESO's decision-making, the responsibility for the decision rests with the AESO, pursuant to its statutory mandate.



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Appendix 3 – Chronology of the Consultation Record

After the AESO completes its consultation, all activities performed and documents issued as part of that consultation will be listed in this appendix. After updating this appendix, the AESO will post the amended Terms of Reference on the AESO website.