



Stakeholder Comment and AESO Replies Matrix

AESO Consultation – Competitive Process

March 31, 2011

The AESO is asking market participants and interested parties to provide comments on the related Draft Recommendation Paper.

Date of Request for Comment: <u>2011-05-03</u>	Contact: <u>Vince Kostas</u>
Period of Consultation: <u>2011-03-31</u> through <u>2011-05-02</u>	Phone: <u>403-920-2087</u>
Comments From: <u>TransCanada Energy Ltd.</u>	E-mail: <u>Vince_kostas@transcanada.com</u>
Date: <u>2011-05-03</u>	

Risk Sharing Options – Cost Recovery / Pricing Arrangements

The AESO seeks stakeholder comments on other risk sharing options the AESO may consider for the AESO Own model.



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Stakeholder	Stakeholder Comment	
<p>TransCanada Energy Ltd.</p>	<p><i>TransCanada is generally supportive of the AESO Own Model. The AESO EPC and TFO EPC model may not allow sufficient incentives for non incumbent transmission providers to participate in the process.</i></p> <p><i>TransCanada encourages the AESO to not be overly prescriptive in addressing risk issues. In keeping with the spirit and intent of this process, Qualified Bidders should be encouraged and rewarded for the creativity and innovation in their submissions on identifying and addressing areas of risk.</i></p> <p><i>The challenge for the AESO is to create a robust adjudication/review process with the capacity to evaluate bids on a number of relevant criteria including financial, technical, environmental, social, and risk mitigation factors.</i></p> <p><i>In its earlier submission, TransCanada encouraged the AESO to bring in a qualified independent third party(s) to help develop the competitive procurement process and assess bids received under the RFP.</i></p>	



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Risk Sharing Options – Cost Recovery / Pricing Arrangements		
<p>The AESO also seeks stakeholder comments on all aspects of its cost recovery / pricing scheme including:</p> <ul style="list-style-type: none">• the implied allocation of risk under Option 1 and Option 2• O&M escalation provisions including proposed indices• Information the AESO could provide to assist with route estimation in advance of bid submissions• Performance specifications• Contract term		



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TransCanada Energy Ltd.	<p><i>The Draft Recommendation Paper as currently worded suggests that all bidders under Option 2 would have their development costs reimbursed. Please clarify if this is in fact the case or that only the Successful Bidder would have its development costs covered.</i></p> <p><i>Qualified Bidders should be the ultimate determiners of how project risk is incorporated in to their bids. A prescriptive approach from AESO in this regard stifles innovation and creativity that might otherwise deliver the economic efficiencies this process is ultimately trying to achieve.</i></p> <p><i>The Recommendation Paper needs to address the risk and impacts of multiple companies, having been deemed Qualified Bidders through the RFQ process, approaching landowners and consulting with stakeholders during the development phase. The AESO should play a leading role in educating and informing the affected stakeholders about the project, explaining the process, and setting some boundaries for the Qualified Bidders regarding consultation in the development phase.</i></p>	



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	<p><i>TransCanada would encourage consideration of an alternative process that may address this issue. Without prejudicing the ultimate route submitted for permitting, the AESO could contract an independent 3rd party to conduct pre-feasibility studies and propose a theoretical route that all Qualified Bidders would base their bids on. Bids would be comparable on a routing basis and Qualified Bidders would compete on their technology, financial, environmental, social, and risk mitigation decisions.</i></p> <p><i>In respect of Route Uncertainty Adjustments, it should be up to each Qualified Bidder to determine whether or not such adjustments would be necessary or to identify the adjustment factor(s) that would be used to address the difference in cost from the pre-bid theoretical route and the actual route which is ultimately permitted by the AUC.</i></p> <p><i>It is unclear in the Draft Recommendation Paper as to the Contract Term for capital cost recovery. For financing and capital recovery purposes, the contract term should match the Economic Life of the</i></p>	
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	<p><i>transmission facility, i.e. 40-50 years.</i></p> <p><i>It is also unclear what happens to the assets at the end of the contract term. It is unlikely that Qualified Bidders would support any other outcome other than continued ownership and control of the asset. The AESO should indicate its anticipated approach to dealing with Capital and O&M costs beyond the contract term.</i></p> <p><i>It is also unclear as to the Contract Term for O&M cost recovery. The O&M contract should match the Contract Term for capital cost recovery and the AESO should be open to O&M escalation provisions. Qualified Bidders should be left with the decision on how best to incorporate O&M escalation costs in to their respective bids.</i></p> <p><i>TransCanada seeks AESO clarification regarding “performance specifications”. In general, TransCanada supports the requirement that the Successful Bidder must meet existing reliability and functional design standards but does not support requirements higher than those of existing TFOs today.</i></p>	
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Arrangements Arising out of Implementation of the Process		
With regard to contractual arrangements arising from the Process, the AESO is seeking stakeholder identification of key project risks and commentary on ways of allocating or otherwise addressing these risks in a fair and equitable manner.		
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TransCanada Energy Ltd.	<p><i>TransCanada suggests the AESO not be overly prescriptive in addressing risk issues in this process. In keeping with the spirit and intent of this process, Qualified Bidders should be encouraged and rewarded for the creativity and innovation in their submissions on identifying and addressing areas of risk.</i></p> <p><i>The challenge to the AESO is to create a robust adjudication/review process with the capacity to evaluate bids on a number of relevant criteria including financial, technical, environmental, social, and risk mitigation factors.</i></p> <p><i>Consistent with its earlier submission, TransCanada encourages the AESO to bring in a qualified independent third party(s) to help assess bids received under the RFP.</i></p>	
Fort McMurray Project Components Subject to Bid		
The AESO seeks stakeholder comments, including advantages and disadvantages, on whether the stages of the project should be bid		



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out as one project or whether each stage should be bid out separately.		
Stakeholder	Stakeholder Comment	Replies
TransCanada Energy Ltd.	<i>TransCanada's view is that the project should be bid out as one project and awarded as a lump sum basis in order to retain cost efficiencies and ensure efficiency in meeting AESO technical and operational requirements. TransCanada supports the requirement that the bid estimates be broken out according to project phases. Evaluation should be done on each component of the bid, and not solely on total project cost basis..</i>	
Draft Recommendation Paper - Other Comments		
Do stakeholders have any other comments regarding the Draft Recommendation Paper?		
Stakeholder	Stakeholder Comment	
TransCanada Energy Ltd.	<i>TransCanada is concerned that the RFQ requirements are too "project specific" and believe that requirements for a Project Development and Execution Plan should be included in the RFP, but not at the RFQ stage.</i> <i>TransCanada encourages the AESO to consider a more generic RFQ process. In other words, once a bidder is "qualified" they should remain qualified for other competitions as long as they maintain their</i>	



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	<p><i>qualifications. This is similar to the Ontario Energy Board process which has already completed an “RFQ” process and has designated Qualified Bidders as “Licensed Transmitters”.</i></p> <p><i>The time frame for the RFQ is currently set to occur over the summer months. TransCanada is concerned that potential bidders will not be aware of the RFQ during this time frame or will not be able to respond during July and August due to vacations etc.</i></p> <p><i>The Recommendation Paper and RFP should consider the terms for project cancellation, delay in project need, scope changes and force majeure.</i></p> <p><i>The Recommendation Paper should also include a template contract for stakeholder review.</i></p>	
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