



2006 Loss Factor Methodology and Rule Update

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AESO Stakeholder Conference

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Purpose

- The purpose of this presentation is:
 - to provide stakeholders with an update on the status of the loss factor methodology project,
 - to confirm with stakeholders the project timeline presented on Dec. 3, 2004 and identify the AESO's continuing process for consultation on the loss factor project.



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Transmission Loss Factor Methodology – Update from 2004-12-03

- Structure for changes to loss factor determination within Transmission Policy Paper and Transmission Regulation from 2004
- Many meetings with stakeholders and interested groups in past months to ensure continuity
- Questions and comments received from the December 3 Stakeholder and December 11 technical presentations have been addressed
- A draft report on the recommended loss factor methodology has been circulated and posted



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Transmission Loss Factor Methodology – Update from 2004-12-03 (2)

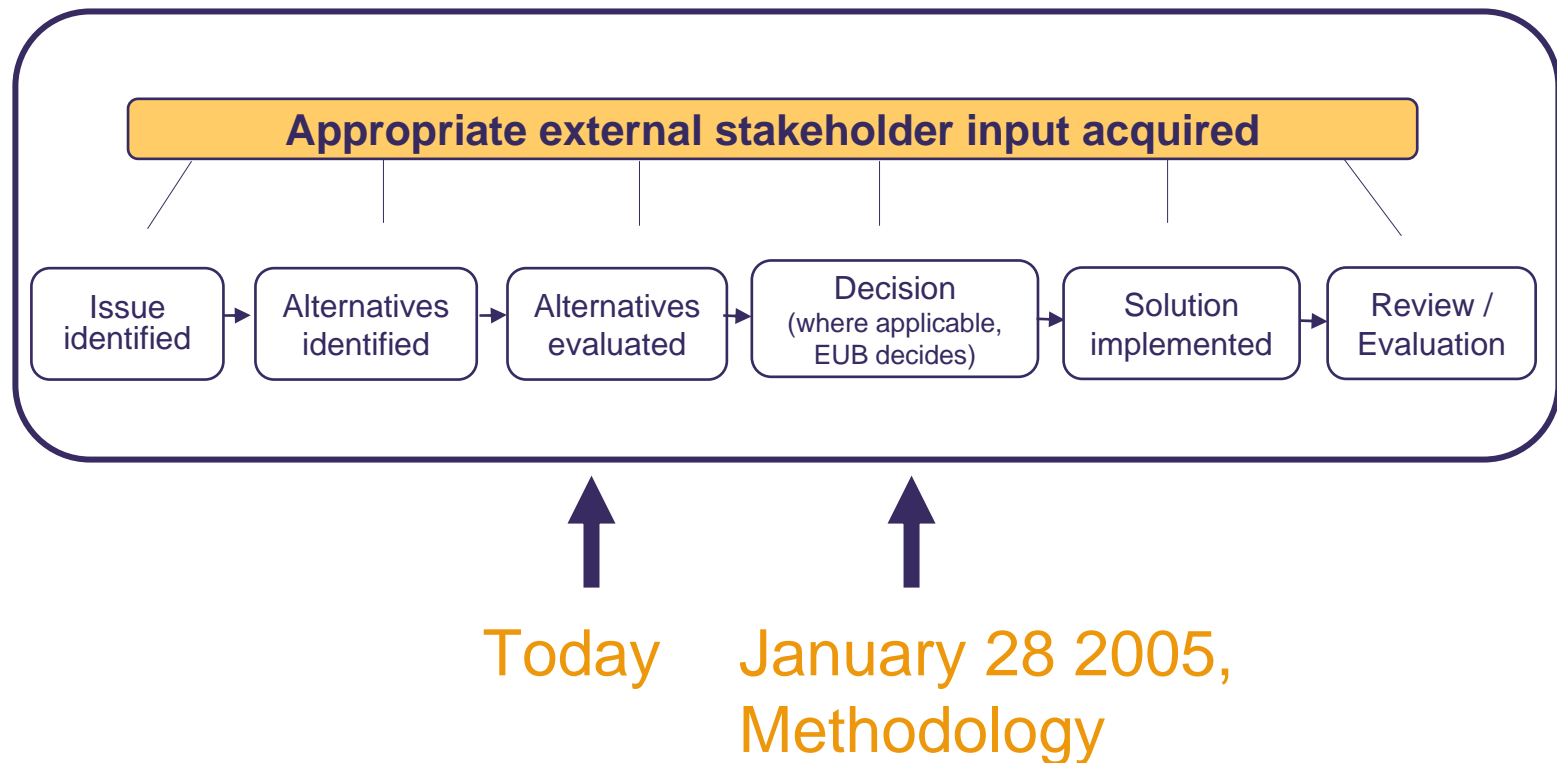
- The loss factors rule(s) development process will commence Feb. 2005, with implementation in May 2005.
- Specific questions posed to the AESO from stakeholders have been addressed.
- Jan. 11, 2005 stakeholder meeting reviewed preliminary recommendations. Propose a January 28 stakeholder meeting to close on methodology.
- Rules process discussions in February 2005



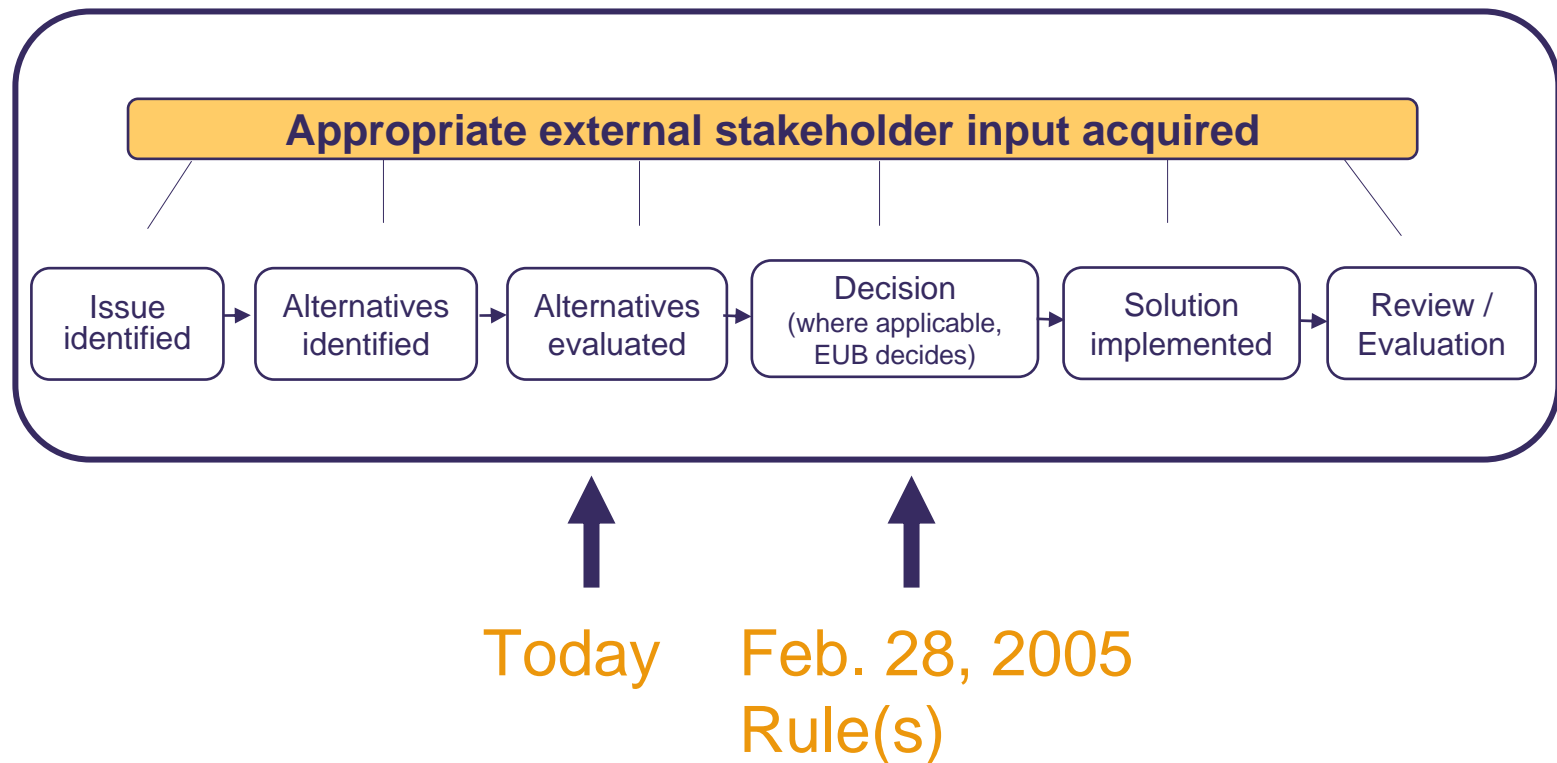
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The AESO consultation process for Transmission Loss Factor Methodology



The AESO consultation process for Transmission Loss Factor Rule Process



New Methodology Transmission Loss Factor Principles - Updated

- The loss factor methodology shall produce results that are accurate, repeatable, and predictable
- The loss factor methodology should provide a long-term generation siting signal
- Assigned loss factors must be a non-variable single number for generators at each location
- Loss factors can be changed in less than one year if the AESO determines that a system upgrade materially changes the line losses



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New Methodology

Transmission Loss Factor Principles (2)

- Loss factors must apply for a period of not less than one year and not more than 5 years (to increase accuracy, the AESO is recommending annual calculation of loss factors)
- Loss factors must be representative of the impact on average system losses by each generator or group of generators
- Normalized loss factors shall not exceed 2 times system average losses for charges and 1 times system average losses for credits



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New Methodology

Transmission Loss Factor Principles (3)

- A calibration factor under the ISO tariff will ensure that the actual cost of losses is reasonably recovered on an annual basis
- The methodology for determining loss factors shall incorporate the best technical solution to meet the requirements of the regulation
- Interruptible service arrangements for load, import or export transmission service must pay location-based loss charges that recover the full cost of losses to provide this service



New Methodology Transmission Loss Factor Principles (4)

- Loss factors will be made publicly available
- The new loss factor methodology will be effective Jan. 1, 2006
- Access to the loss factor methodology will be provided in 2006



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Project Timelines

- Completed preliminary system testing - November 16/04
- Stakeholder meeting - December 3/04
- Complete full system model testing - December 16/04
- Teshmont's Final Report & Recommendation – January 28/05
- Start Rules Making Process – February, 2005



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Project Timelines (2)

- Provide loss factors using new methodology – January 20/05
- Continuing stakeholder consultations – January & February/05
- Target New Rules to be published - May 31/05
- Issue Loss Factors for 2006 – November/05
- New loss factors in effect – January 1/06



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Issues To Be Resolved

- Use of Loss Factor Zones
- Availability of the Transmission Loss Factor Model for external use (web, consultant, etc)
- Determination of DOS, and Import/ Export Loss Factors
- Generation levels used in determining loss factors
- Term for loss factors



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Questions/comments?



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