



January 26, 2006

To: Stakeholders

Re: Reactive Power from Generating Units

The AESO is responsible for maintaining the overall reliability of the Alberta Interconnected Electric System (AIES) while ensuring that the electricity market is operated in a fair, efficient and openly competitive manner.

In general, the AIES is planned and operated under the assumption that all generating units can comply with AESO interconnection standards and technical requirements, including reactive power requirements under a full range of operation. The reactive power capability of generating units is critical to maintaining system voltages and reliable and efficient AIES operation under all operating conditions.

Under some conditions, the AESO has observed low system voltages when generators were not providing reactive capability as per the AESO technical requirements. The AESO therefore requested that generators verify that they can meet the reactive power requirements under the full range of unit dispatch.

Preliminary indications are that a number of generators operate at a MW level where they can not comply with their reactive power requirements. Our preliminary work indicates that, in aggregate, this incremental output is in the range of 100 - 200 MW at any one time.

Once the AESO has completed sufficient additional analysis, we will engage stakeholders in further discussion of this matter.

Sincerely,

Original signed by

Warren Frost
VP, Operations and Reliability