



Alberta Electric System Operator
Loss Factor Methodologies Evaluation

Clarification 1

To

**Part 4 - Determination of Opportunity Service
'Raw' Loss Factors**

Teshmont Consultants LP
1190 Waverley Street
Winnipeg, Manitoba
Canada R3T 0P4

April 24, 2006

File No: 558-10000

DISCLAIMER

This report was prepared under the supervision of Teshmont Consultants LP (“Teshmont”), whose responsibility is limited to the scope of work as shown herein. Teshmont disclaims responsibility for the work of others incorporated or referenced herein. This report has been prepared exclusively for the Alberta Electric System Operator (AESO) and the project identified herein and must not be reused or modified without the prior written authorization of Teshmont. This report shall not be reproduced or distributed except in its entirety.

REVISION RECORD

April 24, 2006

Clarification 1

**ALBERTA ELECTRIC SYSTEM OPERATOR
LOSS FACTOR METHODOLOGIES EVALUATION
CLARIFICATION 1
TO
PART 4 - DETERMINATION OF OPPORTUNITY SERVICE
'RAW' LOSS FACTORS**

The second to last paragraph of page 3 of the referenced report indicates that a simple averaging methodology for determining intertie loss factors could result in 'double dipping'.

The simple averaging methodology discussed in Section 3.1, would establish intertie loss factors based on the increase in total system losses associated with the export condition. As the losses caused by increased output of the generator are included in the increase in total system losses, the generators would pay twice for the losses. They would pay for generator caused losses through the export loss factor, which includes the effect of increased generation. In addition, they would pay for export losses resulting from increased output through the generator loss factor; or, 'double dipping' would occur.

The methodology discussed in Section 3.2 of the report eliminates 'double dipping' by deducting the effective loss charges to generators from the 'total losses due to exports' before export loss factors are determined.