



September 23, 2005

**Questions by email, TransCanada Energy, Sept 15 2005
2006 Loss Factor Initiative
AESO Responses.**

TCE Pre-amble:

In our meeting on Tuesday, we discussed balancing load and generation in the 2006 loss factor models and changes to the GSO from historical generation output data. I am providing the attached spreadsheets to initiate my comments more clearly.

Question 1. Our concern on the balancing of generation and load within the 2006 loss factor models is that the sum of the generation supply in the generation stacking order (GSO) does not match the provincial load. In my spreadsheet, we used the load duration curve and the high, median and low hours in the same manner as the historical generation data in the GSO to determine the provincial load. It was also assumed that the forecast growth in provincial load is about 3% for each season. When we compare the forecast load (using our assumptions) it appears that the GSO total capacity is about 500 to 1500 MW short of generation supply to balance the load and generation. I would assume that the shortfall is due to import capacity, generation retirement and load growth. How will the AESO be dealing with the shortfall of generation in the 2006 loss factor model? Will you be reducing the load to match the total GSO, dispatching generation high in the stacking order or increasing all generation pro rata? We would assume that imports cannot be added to the models as has been the practice in the past.

Response 1. *AESO is using the net to grid generation and net to grid load for the purposes on the 2006 loss factor calculation. In this way, the GSO is not exhausted before reaching the winter, or any other, peak. TCE does highlight a good concern though. AESO will endeavor to append the Loss Factor Rule to examine cases where the GSO may not be sufficient. Perhaps we could employ a pro-rata scheme on all generators when calculating loss factors. AESO is open to any suggestions for the Rule change in 2006.*

Question 2. TransCanada has completed its review of the GSO and determine that some of the generators are not using the historical output of the generator or ISD. We have developed a spreadsheet comparing the historical versus GSO changes for generators that have modified their output. We are concerned that Nova Joffre and HR Milner have dropped their generation output for 2006 in an effort to reduce the loss factors in 2006. The HR Milner change is of particular concern given the complaint before the EUB. A reduction in the HR Milner generator output for the GSO will effectively provide the transition of loss factors as proposed in the complaint letter. AESO also stated, in the September 12 **<AESO note – believe reference is to Sept 13 meeting>** stakeholder meeting, that some of the changes have been accepted into the GSO without approval from the generation owner's management. It was our understanding that management approval was needed but I cannot find the reference to that statement in the current AESO Rules or Appendix 7. Could you confirm that Nova Joffre and HR Milner have changed the GSO outputs from the historical data as per my spreadsheet? Did ATCO and Milner Power provide a letter from their senior management?

Response 2. *In the letters from AESO on June 8 and July 7 2005, AESO requested compliance from generators on the values we calculated for the GSO or if they believed the values should change we asked that the company's management sign off with reasons regarding the changes. Some companies requested we make changes to the capacity values and have provided some background for the changes. AESO has requested and companies have provided the compliance. As discussed on Sept 13 2005, AESO may include [by stakeholder request] a rule addition indicating gaming will not be acceptable or refer to the general Rules where any inappropriate actions are deferred to other organizations.*

Question 3. The balancing of load and generation in the models and reductions in output for Nova Joffre and HR Milner are serious concerns that need to be addressed quickly. If my conclusions are correct, TransCanada or AESO should share this information with all stakeholders. Please give me a call when you are ready to discuss these issues further.

Response 3. *AESO has reviewed the output for several units in consultation with those companies having changes. The final capacities have been shared with all stakeholders through the GSO.*