



September 26, 2013

Kevin Dawson – Director, Market Design
Alberta Electric System Operator (AESO)
2500, 330 – 5th Avenue SW
Calgary, Alberta T2P 0L4

Dear Kevin:

RE: AESO Compliance per ISO Rule Section 203.6

The AESO informed the MSA in a letter dated September 11, 2013, and in earlier communications that the AESO has identified a compliance issue during the implementation of rule 203.6 - Available Transfer Capability and Transfer Path Management (“the rule”). More particularly, the AESO had indicated that its systems were not yet capable of implementing real-time curtailments using e-tag volumes and subsequently to accurately post ATC limit updates to the AESO website in accordance with the rule. The AESO indicated that this issue would, on an interim basis, lead to instances of non-compliance with provisions in sections 2, 4, and 11 of the rule.

The MSA has an obligation to ensure the compliance of all market participants with ISO rules, including the AESO. The MSA also has authority to conditionally or unconditionally forbear in situations where it makes sense to do so. This occurs frequently in cases where market participants self-report suspected contraventions of ISO rules and there is no pattern of poor compliance.

In this case, the AESO identified this matter to the MSA although initially, the proposed course of action was found by the MSA not to be satisfactory. Subsequently, the AESO has been able to substantially reduce the time frame to fully address the matter and has also indicated that it commenced implementation of an interim solution to enable real-time curtailments and adjusted schedules to be based solely on e-tag volumes. This interim solution does not however, address the public posting of ATC values presently calculated using energy offers which could lead to the posting of inaccurate ATC values. In this regard, the AESO has proposed a mitigation plan that would see remaining issues addressed on or before December 31, 2013 together with a regular semi-monthly reporting plan for disclosure of all instances where an inaccurate ATC value is posted to the AESO website.

In recognition of the foregoing, the MSA is prepared to forbear in respect of non-compliance with the posting provision of section 2(1) of the rule and in respect of non-compliance with sections 4(2) and 4(3) of the rule conditional upon the following:

- 1) A mitigation plan as described above submitted to the MSA by September 30, 2013 and completed by December 31, 2013.
- 2) Implementation of the semi-monthly reporting program to the MSA as described above beginning September 30, 2013.
- 3) Posting of a Notice to the AESO website to inform the market of the expected impact of this matter on AESO reporting.

The MSA will also publish this letter by posting it on our website. If you have any questions, please contact me.

Yours truly,

“Original Signed”

Market Surveillance Administrator

Per: Doug Doll
Manager, Compliance and Corporate Services

cc: Kelly Gunsch, AESO
Diana Pommen, AESO

September 11, 2013

Market Surveillance Administrator
Suite 500, 400 – 5th Avenue SW
Calgary, AB T2P 0L6

Attn: Mr. Harry Chandler

Dear Mr. Chandler;

Re: Request for Forbearance Relating to Contraventions of ISO Rule 203.6 – Available Transfer Capability and Transfer Path Management (the “Rule”)

We confirm receipt of the latest email dated August 21, 2013 from Richard Penn and further to the email correspondence regarding the AESO's potential contraventions of the Rule, this letter is to notify the Market Surveillance Administrator (“MSA”) that the AESO anticipates that there will be instances in which the AESO is non-compliant with subsections 2 and 4 of the Rule.

As outlined in the previous email communications, the AESO has identified an implementation issue with the Rule. The current implementation in place operates in such a way that in situations when transmission limits have changed after being posted at T-85 minutes, there is no integration between calculation of new ATC limits reflecting appropriate allocations between inerties and e-Tag curtailment volumes. The consequence of this is that the AESO is unable to both implement real-time curtailments using only e-Tag volumes and post correct updated ATC limits to the AESO's website in accordance with subsections 2 and 4 of the Rule.

The AESO has commenced implementation of an information technology (“IT”) fix which will enable real-time curtailments to be based solely upon e-Tag volumes and will also accurately include these curtailment results in calculating and posting updated ATC values. Full implementation of this fix is estimated to take until approximately the end of December, 2013 to complete. In the interim, the AESO is pursuing a partial IT implementation which will enable curtailments and the adjusted schedule to be based solely upon e-Tag volumes, but which would still necessitate publicly posted ATC values on the AESO's website to be based on allocations calculated utilizing energy offers.

This interim solution would result in the AESO complying with subsection 11 of the Rule, but not subsections 2 and 4. The AESO is of the view that this partial solution ensures the reliable operation of the interconnected electric system. Further, this interim solution also minimizes any potential market impact that could arise as a result of non-compliance with the Rule until full implementation is achieved as it does not result in the potential for a different impact to intertie transactions. Until full implementation is in place, the AESO intends to notify the MSA of the times and dates any erroneous posting of ATC values occur.

Rather than provide notice of each occurrence, the AESO proposes that it provide to the MSA semi-monthly status updates to the MSA on the fifteenth (15th) and last day of each month, or first business day thereafter. At the first instance, the AESO proposes to provide to the MSA a detailed mitigation plan complete with milestones regarding implementing the proposed IT solution. The continuous status updates thereafter would include a

summary of the dates and times any inaccurate ATC postings occurred, along with an update on the AESO's mitigation plan.

The AESO's internal compliance process with respect to self-reporting contraventions of ISO rules and other authoritative documents provides for a single point of contact for initial reporting and follow-up, being Diana Pommen. As such, the proposed status updates will be sent to the MSA from Diana Pommen and any necessary follow up by the MSA should also be coordinated through Diana Pommen.

The Montana-Alberta intertie is expected to energize within approximately two (2) weeks. Therefore, the AESO proposes to provide the MSA with its first status update and detailed mitigation plan by September 30, 2013.

While the AESO is of the view that there is a reasonable interpretation that would allow the MSA to forbear in advance under the provisions of the *Alberta Utilities Commission Act*, the AESO appreciates the difficulty in determining on a prospective basis whether any inaccurate ATC posting would be "subject to competition sufficient to protect the public interest¹."

However, notwithstanding the above, the MSA is also permitted for forbear in circumstances in which the reliable operation of the interconnected electric system is ensured. Section 23.1 of the *Transmission Regulation* states:

23.1(1) The Market Surveillance Administrator may decide to refrain, in whole or in part and conditionally or unconditionally, from the exercise of any power or the carrying out of any part of its mandate if the Market Surveillance Administrator finds as a question of fact that there are in place practices, processes, plans or any other measures sufficient to protect the safe, reliable and economic operation of the interconnected electric system.

This section of the *Transmission Regulation* offers the MSA another ground upon which forbearance can be exercised, provided the MSA is confident that the result of forbearing would not impair the reliable operation of the interconnected electric system.

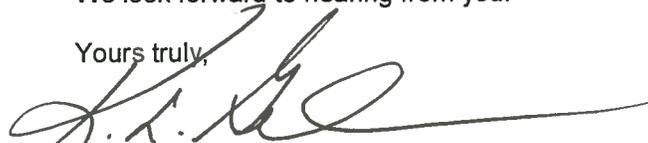
The AESO is confident that the partial IT fix, coupled with our proposal would not result in contraventions of the Rule that would impair the reliable operation of the interconnected electric system. Further, and as mentioned previously, it is not expected that the market will be subject to significant impacts in that the same volume of electric energy will be delivered irrespective of any inaccurate ATC postings.

Please respond to this letter indicating whether the proposal outlined above is acceptable to the MSA.

With respect to the MSA's proposal to notify market participants that their restatement activities in relation to interties will be more closely monitored, the AESO agrees that said monitoring has the potential to encourage compliance with their restatement obligation. This in turn will improve the AESO's ability to monitor its own compliance with the Rule.

We look forward to hearing from you.

Yours truly,



Kelly Gunsch
Vice President, Market Services

¹ See, s. 57(1) of the *Alberta Utilities Commission Act*, S.A. 2007, c.A-37.2