Stakeholder Comment & AESO Response Form

2008 Loss Factors
December 11, 2007

Date of Comment: October 25, 2007
AESO Response: December 11, 2007

AESO 2008 Loss Factors

Response to an email from Larry Sibbald, TCE, October 25 2007

TCE Concern	AESO Response
Rob your schedule showed completion of the final loss factors on November 2 but the AESO has finalized the loss factors 2 weeks earlier than expected. TransCanada still has major problems with the 2008 loss factors as described in the attached email and may have further comments once we complete our review the loss factor models.	**The AESO rule indicates the final loss factors will be published by the first week of November of the preceding year.** **However, two years ago stakeholders, including TCE requested the AESO to publish the final loss factors as early as possible to assist in preparing budgets. The AESO indicated it would attempt best efforts to publish results as early as possible. The draft loss factors were published on October 17, 2006 for 2007 and the final loss factors were published on November 01, 2006. The draft loss factors were published on September 27, 2007 for 2008 and the final loss factors were published on October 24, 2007. The AESO has focused extra effort to publish the loss factors as early as possible to allow the stakeholders more time to review and plan budgets.** **We understand TCE has taken initiative to determine loss factors independent from AESO to confirm results, however independent validation of loss factor results are not part of the loss factor process. Comments and suggestions from stakeholders on the loss factor models are welcome and will continue to be addressed.**
In particular the inclusion of the Valleyview, Northern Prairie Power Project and Epcor Cloverbar project as base loaded generators when they are clearly peaking plants is an error in judgement. This incorrect modeling of the loss factors has resulted in increased generator loss factors of 1.5% to 6.3% from 2007 to 2008 for	**The AESO has made a commitment to employ rules and processes to determine loss factors that reduce its level of judgment. In particular, the use of historic generation rather**

NW generators. TransCanada understands that the AESO is following the ISO Rules but some judgement is needed in this case as the impact to generators in NW Alberta is significant. The Valleyview, Northern Prairie Power Project and Epcor Cloverbar should be modeled as peaking plants. Below is a table showing the changes to generators in NW Alberta from 2007 to 2008.	**than forecasts assists us in meeting this commitment. Under the current loss factor rule, new generators are also subject to a specific process, since no historical generation is available. In the case of gas peaking generators, the AESO acknowledges that result of new generator process did not produce a reasonable result and so we have recalculated the 2008 loss factors.** **For further clarity, the same "new generator" process was used in 2006 and 2007 loss factors calculations and stakeholders did not raise objections.** **Finally, the change in loss factors between 2007 and 2008 as described in TCE's e-mail is reflective of the load-generation scenarios of the areas and not solely attributable to new gas generator outputs.**
Another concern is the difference between generators on the same or adjacent bus in the same substation having significantly different loss factors. The new Valleyview #2 and the existing Valleyview generators are in the same location and yet the loss factors are 1.75% for the existing generator and 2.41% for the new generator. Similarly the Rainbow Lake generators are at the same location and yet the loss factors very between a credit of 0.72 and a charge of 1.47. Yet when the AESO calculates the losses at TransCanada's Bear Creek facility, the losses are the same for both generators. Generators at the same location should have the same or similar loss factors.	**The loss factor rule defines a location as the bus where the generators are connected. The loss factor document also shows the bus numbers used to calculate loss factor for a specific generators.** **For the case in question the VVW1 loss factor is calculated at the generator bus (1171) level because of a transmission load connected at the same bus. In the case of VVW2, it is calculated at the high voltage bus (1172). Bear Creek generators loss factors are calculated at the same bus (10142). All determinations are as per the AESO rules.**
TransCanada is also completing a review of the models and may have some comments on the models next week. If we find significant problems with the models TransCanada will be asking that the AESO consider making further changes to the 2008 loss factors.	**We understand TCE has taken initiative to determine loss factors independent from AESO to confirm results, however independent validation of loss factor results are not part of the AESO's loss factor process. Comments and suggestions from stakeholders on the loss factor models are welcome and will continue to be addressed.**