MILNER
Power Inc

October 30, 2009

Rob Baker
Alberta Electric System Operator
Calgary Place
2500, 330 - 5th Ave SW
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Re: Milner Power Inc. Comments following the October 27, Loss Factor Meeting

Dear Rob,

Thank you for the update on the Northwest transmission upgrade project as presented at the October 27th Loss Factor meeting. Milner Power Inc. (MPI) appreciates the discussion on the appropriate treatment of Transmission Must Run (TMR) in the Northwest as it is forecast to be retired over the next few years. MPI's view is that forecast reduction or elimination of TMR should be treated in a similar way to anticipated generator retirements. Given the known sensitivity of loss factors in the Northwest to generation levels, MPI firmly believes the AESO should remove TMR volumes from the Generating Stacking Order (GSO) based on the anticipated in-service dates of the planned transmission upgrades. As the AESO is aware, TMR in the Grande Prairie area had previously been forecast to be eliminated in 2010. Although it now appears that a portion of TMR will be required until 2012, recent changes to OPP 501 (See - http://www.aeso.ca/downloads/2009-10-21_Final_Proposed_-_OPP_501.pdf) indicate TMR requirements in the Grande Prairie area will in fact be reduced in 2010. As part of an ongoing process, MPI recommends that prior to constructing the GSO, the AESO review the anticipated in service dates of transmission upgrades that are tied to TMR, update the anticipated TMR requirements, and incorporate anticipated reductions/retirements into the GSO for the following year. Until the Northwest transmission upgrade is completed, MPI recommends that updates on the expected timeframes for the elimination of TMR in the Northwest be posted alongside updates on various parts of the Northwest upgrade.

At the October 27, 2009 AESO meeting there was considerable discussion on the loss factor treatment of new generation that is commissioned ahead of schedule. In these cases, the AESO would be required to calculate a loss factor for the unanticipated generator or generators. However, in the event the addition of the new generation causes any other generator's loss factor to vary by more than 0.25%, it would also trigger a recalculation of all other generators' loss factors. The question remains as to what is the appropriate level of output for the new generators if they are commissioned partway through a season. The AESO offered three alternatives for stakeholder comment:

1. Assume the output of the new generator is zero for the partial season in which it is commissioned.
2. Scale the anticipated output of the unit by 1/3 or 2/3 or 3/3 based on whether it is anticipated to be in service for one, two or all three months of the season.
3. Use the full anticipated output for the entire season when it is commissioned.

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The first approach would leave all loss factors for other generators unchanged in the first season of operation regardless of the size or impact of the new generator on real system losses. MPI does not support the first approach because it frustrates the rule that triggers a recalculation of loss factors for unanticipated changes that affect other generators loss factors by greater than 0.25%. MPI is supportive of either the second or third approach. Moreover, MPI asserts that early or unanticipated retirements or permanent reductions of generation that are significant enough to affect the loss factors of other generators by 0.25% should also trigger a recalculation of all loss factors. To be symmetrical, forecast generation that does not connect at the anticipated date should also trigger a recalculation of loss factors if by doing so the loss factors of other units are affected by more than 0.25%. To facilitate this, the AESO should undertake an assessment of the impact on others loss factors whenever it becomes aware of a change in generator in-service or retirement date or other permanent change in operation that would materially affect loss factors of individual units.

MPI appreciates the AESO's request for comments and looks forward to working with the AESO to find equitable solutions for all stakeholders.

Should you have any questions regarding these comments, please contact me at (403) 750-9317.

Sincerely,

Rob Watson
Manager, Canadian Facilities

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