November 10, 2005

Loss Factor Stakeholder Team

Re: Penultimate Loss Factors for 2006

The AESO has completed its analysis with respect to the 2006 loss factors and the results are attached. The results are included in the attached email and will be posted on the AESO web site. The AESO is accepting comments on the final values until November 14 2005, and will be completing the final 2006 binding values on November 18 2005.

In order to provide perspective on the final values, the AESO offers the following clarifications:

1. **Changes to base cases:**

- Some slight changes in the base cases posted on November 3 2005 have been made. Bus impedances for the DOS sites and Import/Export buses on the BC border have changed slightly to conform with Teshmont software, but will not affect the results; and
- The Langdon SVC was adjusted slightly in two base cases to remain within normal operating limits.

2. **Import and Export**

Import and export loss factors on both Alberta borders is more favorable than listed in the Version 5 values posted in early 2005.

3. **Overall results:**

Generally:

- The Northwest area has more credits than in Version 5 results due to updated differences in the base cases (see below);
- The South area (including the majority of wind, and Calgary) receives less credits/more charges than Version 5 results. The area remains favorable with respect to loss factors as the results are still well below the system average loss factors;
- The Lake Wabamun area changes are due to actual historic levels of generation being implemented; and
- Sheerness and Battle River generation are subject to higher charges than indicated in the Version 5 results due to actual historic levels of generation being implemented.

The loss factors calculated in Version 5 had system changes up to and including information available in 2004. Further, the Version 5 values were based on STS levels on the system and the base cases had historical inter-tie flows included. In the base cases used in the 2006 loss factor

calculation, the tie lines are set to 0 MW and the import and export levels are calculated subsequently. The penultimate loss factor values include projects and system enhancements (generation and transmission related) reasonably included up to 2006 and are based on actual historic average values. Changes in loss factors can generally be attributed to the system changes and generation output differences.

Yours truly,

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AESO

cc: Jerry Mossing
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