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National Energy Board
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Attention: Ms. Anne-Marie Erickson, Secretary of the Board

Dear Ms. Erickson,

**RE: British Columbia Hydro and Power Authority ("BC Hydro") application for relief regarding the Montana Alberta Tie Ltd. ("MATL") Permit EP-301 ("NEB Permit") issued by the National Energy Board ("NEB" or "Board") on April 4, 2007 for the MATL 230-kV International Merchant Power Line ("IPL")
File OF-Fac-IPL-M159-2005-01 06
MATL's Response to the Board's Letter of October 5, 2011**

1. I am writing as counsel for MATL in response to the Board's letter dated October 5, 2011 in respect of BC Hydro's application dated September 1, 2011 for relief regarding the NEB Permit ("Application"). This letter provides MATL's response to the following questions set out in the Board's letter of October 5, 2011:

- (a) Should the Board establish a process to consider the issues raised by BC Hydro, in its Application?
- (b) If so, what is the appropriate process for considering the Application?
- (c) What issues should the Board consider in any review process established?

Summary

2. The Board should dismiss the Application without further process for two main reasons.

3. First, MATL has satisfied all requirements and conditions of the Board's April 4, 2007 Reasons for Decision ("NEB Decision") and the NEB Permit. The requirements in Condition 10 of the NEB Permit are filing requirements. MATL made the required filing nearly three years ago. BC Hydro offers no explanation for the timing of its Application nor does the Application raise anything new. In any event, the Application is flawed because it relies on an incorrect interpretation of MATL's commitments to the Board and the conditions in the NEB Permit.

4. Second, the Application is an attempt to use the NEB to launch an impermissible collateral attack on matters under provincial jurisdiction and to interfere with Alberta's regulation of its competitive electricity market. The Alberta Electric System Operator ("AESO"),

Alberta's Independent System Operator ("ISO"), is proposing a new ISO rule under which the allocation of available transfer capability ("ATC") within Alberta will be determined through a competitive process. BC Hydro openly acknowledges that it is opposed to the AESO's proposed approach.¹ Before the proposed ISO rule can take effect, it will be reviewed by the Alberta Utilities Commission ("AUC"). Parties that are opposed to the proposed ISO rule, such as BC Hydro, will have the opportunity to challenge it in a proceeding before the AUC. With great respect, the NEB should defer to Alberta's jurisdiction over the competitive operation of the Alberta electricity market.

Test

5. The Application was filed pursuant to sections 12, 13 and 21(2) of the *National Energy Board Act* ("NEB Act").²

6. To rely on section 12 or 13 of the NEB Act to support the Application, BC Hydro must show that MATL has failed to comply with the NEB Act, its regulations or the NEB Permit.

7. To the extent that BC Hydro relies upon subsection 21(2) of the NEB Act to seek to "clarify" the terms of the NEB Permit, section 43 of the *National Energy Board Rules of Practice and Procedure, 1995*³ makes it clear that the Application is an application to vary an order of the Board.⁴ Consequently, BC Hydro must show an error of law or jurisdiction, changed circumstances or new facts that have arisen since the close of the original MATL proceeding before the Board, or facts that were not placed in evidence in the original proceeding and that were not discoverable by reasonable diligence.⁵ The test is whether a doubt is raised with respect to the correctness of the decision or order of the NEB, in this case, the NEB Permit.⁶

8. For the reasons provided below, MATL submits that the Application does not meet the requirements of any of the provisions cited in the Application and should be dismissed.

Background

9. In 2007, pursuant to section 58.11 of the NEB Act, the NEB granted MATL the NEB Permit to construct and operate the IPL.⁷

10. In January 2008, pursuant to sections 14 and 15 of the *Hydro and Electric Energy Act* ("HEEA"),⁸ the Alberta Energy and Utilities Board ("EUB")⁹ conditionally approved the IPL in

¹ BC Hydro states "MATL is supportive of the proposed AESO approach to allocating Alberta ATC. BC Hydro is not." Application at para. 22.

² RSC 1985, c N-7.

³ SOR/95-208.

⁴ *Ibid* at s 43.

⁵ *Ibid* at s 44(2)(b).

⁶ This test was applied in a previous review application involving the NEB Permit. See NEB letter decision dated June 30, 2010 (NEB document A1T5C0).

⁷ The NEB Permit was issued March 30, 2007 and has been amended to extend the expiry date by Amending Orders AO-1-EP-301, AO-2-EP-301, AO-3-EP-301, and AO-M159-04-EP-301.

Decision 2008-006 ("EUB Decision").¹⁰ In Decision 2008-074, issued in August 2008, the Board concluded that all conditions precedent to the issuance of the permits set out in the EUB Decision had been satisfied.¹¹ The EUB then granted MATL transmission line permits and licences to construct and operate the IPL in Alberta (collectively the "EUB Permits").¹²

11. BC Hydro submits that "MATL has not established a need for the IPL based on the public interest – rather, commercial interests of project proponents and market participants have driven the MATL project."¹³ The decisions of the NEB and the EUB clearly show otherwise. In the NEB Decision, the NEB summarized MATL's position on the need for and benefits of the IPL and concluded as follows:

MATL submitted that the major purpose of the proposed IPL is to facilitate the import and export of power to and from Alberta. Once in place, the IPL will allow markets on both sides of the border to have efficient and economic access to existing and new generation sources, including new wind generators in southern Alberta. Once in Montana, power could flow through utility systems to the Mid-Columbia Hub in Washington or to Utah.

MATL submitted that while Albertans will not be required to bear any of the financial costs associated with construction of the proposed IPL, Albertans will benefit in a number of ways from the project. MATL submitted that the proposed IPL would:

- increase the reliability and stability of the existing power system grids in Alberta and Montana;
- provide an additional transmission route during tight supply situations;
- provide greater flexibility in scheduling generator and transmission line maintenance;
- provide more competition and options to the marketplace, leading to the optimal allocation of generation resources;

⁸ RSA 2000, c H-16.

⁹ Now the AUC.

¹⁰ Alberta Energy and Utilities Board Decision 2008-006, *Montana Alberta Tie Ltd., 230-kV International Merchant Power Line Lethbridge Alberta to Great Falls Montana* (January 31, 2008), online: AUC <<http://www.auc.ab.ca/applications/decisions/Decisions/2008/2008-006.pdf>>.

¹¹ Alberta Energy and Utilities Board Decision 2008-074, *Montana Alberta Tie Ltd., 230-kV International Merchant Power Line, Lethbridge Alberta to Great Falls Montana, Supplement to Decision 2008-006* (August 12, 2008), online: AUC <<http://www.auc.ab.ca/applications/decisions/Decisions/2008/2008-074.pdf>>.

¹² The EUB also granted related permits and licences and approvals to AltaLink Management Ltd.; to MATL and AltaLink Management Ltd. jointly; and to the AESO.

¹³ Application at para. 65.

- promote lower, sustainable rates for all customers by optimizing market functioning; and
- add facilities to the Alberta Interconnected Electric System at no cost to Canadian ratepayers. ...

Views of the Board

By definition, the purpose of an IPL is to transmit electricity from or to a place in Canada to or from a place outside of Canada. It is market conditions – which are driven by consumers - that would dictate when power should be exported or imported. The proposed IPL may have a positive or negative impact on power prices in Alberta, but these are determined by market conditions. In the Board's view, however, power producers in Alberta can benefit from access to new markets and consumers in Alberta can benefit from access to new sources of generation. ...

In addition, the Board is of the view that under normal operating conditions, system reliability can be fortified by interconnections with adjacent jurisdictions and interconnections such as the proposed IPL can optimize the construction and use of generation resources. ...

Regarding the potential impact of the proposed IPL on power systems in Alberta, the Board notes that AESO filed a Need Identification Document with the EUB. As explained earlier in this letter, the Board must seek to avoid duplication of measures taken by the government of any province through which the line is to pass. The Board is of the view that the issue of potential impacts on the AIES is being considered by AESO and the EUB. ...¹⁴

12. In the EUB Decision, the EUB accepted MATL's evidence that the IPL likely will:
- Add an interconnection point to the Alberta grid in a location that could fill a need in the future at no risk to rate payers.
 - Enhance access to American export markets.
 - Make the Alberta wholesale system more competitive by providing access to more import and export markets and the opportunity to increase the number of players.
 - Support the Alberta government's Transmission Development Regulation and Policy.¹⁵

¹⁴ NEB Decision - Application Schedule A at pp. 4 to 5 of 13 [emphasis added].

¹⁵ EUB Decision, *supra* note 10 at p. 57. Also see pp. 53 to 57.

13. The submissions of NaturEner Canada Inc. and NaturEner USA, LLC ("NaturEner"), Morgan Stanley Capital Group Inc. ("Morgan Stanley"), and the Industrial Power Consumers Association of Alberta ("IPCAA") in the current proceeding continue to support the need for and benefits of the IPL in the Alberta market.¹⁶

14. As Morgan Stanley points out, the Application has been filed more than four years after the Board initially rendered the NEB Decision.¹⁷ In that time, the NEB and EUB Permits have withstood a number of post-approval challenges in the form of appeals before the Alberta, Federal, and Supreme Courts, multiple reviews and complaints, as well as several contested amendment and extension applications. In each and every case, the NEB and EUB Permits have been confirmed.

MATL is in compliance with the NEB Decision and the NEB Permit

15. Condition 10 of the NEB Permit states as follows:

MATL shall file with the Board, at least thirty days prior to the commencement of construction:

- (a) the Western Electricity Coordinating Council (WECC) report that shows whether the power line will significantly impact the power transfer capabilities between Alberta and British Columbia and any other interprovincial or international import/export transmission systems;
- (b) any outstanding concerns or issues arising from the WECC report, related to the reduction in transfer capability on another path due to the MATL interconnection and a plan from MATL to mitigate such concerns through effective measures;
- (c) a mitigation plan with recommended Remedial Action Schemes from MATL arising from WECC studies to address dynamic stability concerns as a result of the MATL interconnection to the Alberta Interconnected Electric System grid, and identify who will be responsible for implementing the mitigation measures.¹⁸

16. The requirements in Condition 10 of the NEB Permit are filing requirements. MATL satisfied Condition 10 of the NEB Permit on January 15, 2009, almost three years ago, when it made a filing ("Compliance Filing") with the NEB that consisted of:

- a cover letter to the NEB dated January 15, 2009;¹⁹

¹⁶ NEB Documents A2F9T6, A2F9T0, and A2F9X3 respectively.

¹⁷ Morgan Stanley letter to the NEB dated October 21, 2011 at p. 3 (NEB Document A2F9T0).

¹⁸ NEB Permit - Application Schedule A at p. 11 of 13 [emphasis added].

¹⁹ Application Schedule D at p. 1 of 149 (NEB Document A1I4Y6).

- a letter from the WECC Planning Coordination Committee dated August 28, 2007 ("WECC Letter");²⁰
- a Phase 2 Study Report dated July 24, 2007 prepared by MATL and accepted by the Project Review Group ("PRG") ("WECC Report");²¹

17. There is no dispute that MATL made the Compliance Filing. BC Hydro referred to it as the "January 2009 Filing" and included an excerpt of it with the Application.²² MATL has identified the concerns or issues arising from the WECC Report and provided a plan to mitigate such concerns. In particular, MATL's responses to the comments on the Comprehensive Progress Report (which initiated the WECC path rating process) made by the British Columbia Transmission Corporation ("BCTC") (now BC Hydro)²³ are included in the Compliance Filing.²⁴

18. BC Hydro purports to recast Condition 10(b) to apply to any and all concerns, including its concerns over purely commercial issues arising from proposed regulatory changes to Alberta's competitive electricity market. MATL submits that Condition 10(b) of the NEB Permit could not have been intended, as advocated by BC Hydro, to impose an obligation on MATL to report and mitigate all "outstanding concerns of which it was and continues to be aware relating to the potential for diminishment of flows on other paths."²⁵ Such an obligation would allow BC Hydro, a MATL competitor, to dictate whether the IPL will proceed. With respect, that determination has already been made by the NEB and no such authority has been delegated to BC Hydro.

19. The commercial and financial concerns raised by BC Hydro, TransCanada Energy Ltd. ("TCE") and NorthPoint Energy Solutions, Inc. ("NorthPoint") are a result of the AESO's determination and allocation of ATC. However, the NEB Permit terms and conditions relate to the regulation of facilities and physical operations not commercial terms and benefits.

20. The phrase "transfer capability", as used in Condition 10 of the NEB Permit, means the WECC path rating and is concerned with reliability considerations. It does not mean ATC as submitted or implied by BC Hydro.

21. As stated in the Application, the WECC path rating of the Alberta-B.C. Interconnection is 1200 MW from B.C. to Alberta and 1000 MW from Alberta to B.C.²⁶ It is clear from the following

²⁰ *Ibid* at p. 2 of 149 (NEB Document A114Y7).

²¹ *Ibid* starting at p. 3 of 149 (NEB Document A114Y8). The WECC Report includes Appendices A to I, see online: NEB <<https://www.neb-one.gc.ca/ll-eng/livelink.exe?func=ll&objId=545454&objAction=browse>>.

²² Application at para. 33 and at Schedule D.

²³ The BCTC and BC Hydro joined into a single organization effective July 5, 2010. See BC Hydro website, online:

<http://www.bchydro.com/news/press_centre/media_updates/BCTC_bchydro_integration.html>.

²⁴ Application Schedule D at pp. 141 to 144 of 149 (Appendix B.1 of the WECC Report).

²⁵ *Ibid* at para. 40.

²⁶ *Ibid* at para. 7.

statement in the Application that BC Hydro does not equate "transfer capability" with the WECC path rating:

Transfer capability over the Alberta-B.C. Interconnection is far below the designed path rating largely due to internal AIES constraints.²⁷

22. Notwithstanding that "transfer capability" and "ATC" are distinct concepts, BC Hydro uses the terms interchangeably in the Application. For example, at paragraph 10 of the Application:

Interconnection of the MATL Merchant IPL to the AIES provides no additional transfer capability into or out of Alberta.²⁸

23. And at paragraph 20 of the Application:

Interconnection of the MATL Merchant IPL to the AIES provides no additional ATC into or out of Alberta.²⁹

24. Condition 10 was included in the NEB Permit pursuant to Section 6 of the *National Energy Board Electricity Regulations* ("NEB Regulations"),³⁰ which states in part:

The following are matters in respect of which terms and conditions may be included in any permit for the construction and operation of an international power line: ... (d) the electrical and physical characteristics, including the power transfer capability, of the facilities;³¹

25. Power transfer capability is defined in the NEB Regulations as follows:

"power transfer capability" means the amount of power that can be transferred from one power system to another without impairing the reliability criteria of the interconnected systems;³²

26. On the basis of limited authority, BC Hydro argues that the Board has the jurisdiction to address non-reliability related commercial matters when considering the effects of an IPL.³³ MATL submits that the conditions in the NEB Permit are specific to the IPL and must be interpreted in the appropriate context. To the extent that the historical inquiry report relied upon by BC Hydro has any application, the context of that report was to provide options to the Government's to simplify and reduce the regulation of electricity exports. In carrying out that

²⁷ *Ibid* [emphasis added].

²⁸ *Ibid* at para. 10 [emphasis added].

²⁹ *Ibid* at para. 20 [emphasis added].

³⁰ SOR/97-130.

³¹ *Ibid* at s 6(d) [emphasis added].

³² *Ibid* at s 2.

³³ Application at paras. 71-73.

mandate, the Board was asked to have particular regard to "the potential to reduce or eliminate any overlap of federal and provincial regulation."³⁴

27. BC Hydro also relies on Condition 11 of EP-196,³⁵ which was granted to the Manitoba Hydro Electric Board ("Manitoba Hydro") in 2002 for a 230 kV transmission line. Unlike the MATL NEB Permit, Condition 11 of EP-196 does not refer to the WECC path rating process. Instead, it refers to a provincial operating guideline and it should be interpreted in that context. Also, the NEB's letter decision accompanying EP-196 indicates that Condition 11 was included by agreement between Manitoba Hydro and the Ontario Independent Electricity Market Operator.³⁶ The Board should not use Condition 11 of EP-196 to interpret the MATL NEB Permit.

28. MATL submits that the record from MATL's December 2005 application to the NEB ("MATL NEB Application"), the NEB Decision, and the WECC Report provide the appropriate context to interpret the definition of "transfer capability" in this case. Each source is addressed in turn below.

29. BC Hydro has taken the commitments MATL made in its NEB Application in respect of "transfer capability" out of context.³⁷ Transfer capability was not used to refer to operating levels, including ATC. As shown below, the appropriate context is the WECC path rating:

2.3.3 System Impact Studies

The addition of the MATL project to the Alberta system will impact the existing transmission system in Alberta and Montana and adjacent states and provinces within the Western Grid. As part of the interconnection process, the AESO in Alberta and NWE in Montana will be conducting extensive in-depth power flow studies to determine the effect of the MATL line on the existing system. Power flow studies include steady state power flow, contingency conditions and stability analysis for multiple stressed cases modelling both present and future system conditions. The results of these studies will determine operation protection and control settings as well as transmission capabilities during certain conditions.

The transmission paths listed below are the major Western Electricity Coordinating Council (WECC) paths in the region of Montana and Alberta. The pre-project rating of each path also is listed. The MATL project will be the first interconnect between Montana and Alberta.

³⁴ NEB Decision re: The Regulation of Electricity Exports (June 1987) at p. 1 of 50.

³⁵ NEB Document AOC9F1. Condition 11 states:

"Manitoba Hydro shall construct and operate the proposed international power line in such a way as to maintain the existing transfer limits on Ontario's transmission system and interties, as required by the proposed 28 February 2002 Manitoba-Ontario Operating Guide" [emphasis added].

³⁶ NEB letter to Manitoba Hydro dated March 6, 2002. NEB Document AOC9E9.

³⁷ Application at para. 12.

Table 2.3.1 WECC Path Ratings

| WECC Path | Transfer Path | Path Rating (MW) |
|-----------|---------------------------------------|----------------------------------|
| Path 1 | Alberta - British Columbia | 1000 MW E to W 1200 MW W to E |
| Path 3 | British Columbia to Pacific Northwest | 3150 MW N to S 2000 MW S to N |
| Path 6 | West of Hawaii | 4300 E to W |
| Path 8 | Montana to Pacific Northwest | 2200 MW E to W 1350 MW W to E |
| Path 18 | Idaho-Montana | 356 MW N to S 337 MW S to N |

...

The proposed MATL line will have a continuous transmission capacity of 300 MW at an ambient temperature of 30 degrees C. At lower ambient temperatures, the transmission line is capable of much higher capacity.

As a member of WECC, MATL has started the path rating process and is currently completing Phase I -- planning and establishing the proposed rating, and has begun Phase II - planning and permitting.

MATL has applied for a maximum path rating of 300 MW. As per the WECC process, MATL has formed a Path Rating Review Group to study the effect of the MATL project on the connected control regions. The review group consists of representatives from: NWE, WAPA, Avista, AESO, BPA, BCTC, and ENMAX.

Under the WECC Procedures for Project Rating Review, the power flow on the MATL line is not allowed to reduce the flows on other existing interconnection paths. If MATL constrains another path so that its transfer capability is reduced, then MATL is responsible for mitigating these reductions. These mitigations can take the form of curtailments on MATL, additional facility additions, or monetary payments to the affected parties. ...³⁸

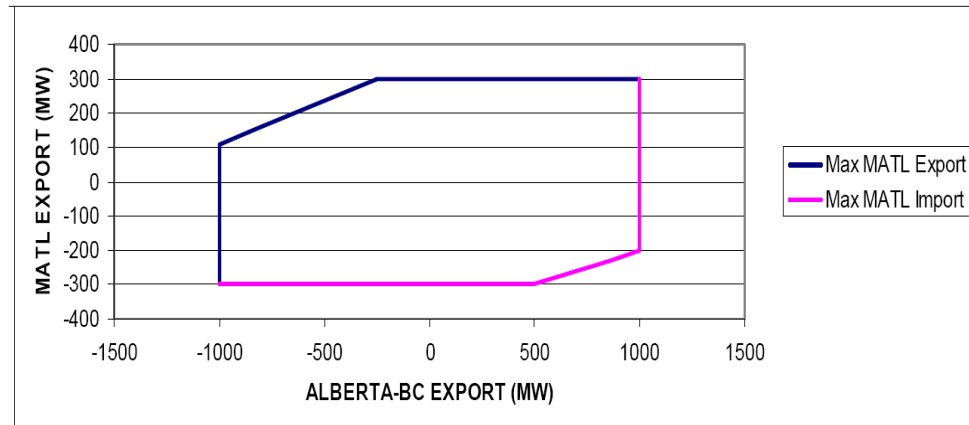
2.3.4 System Transfer Capabilities

The MATL transmission system is designed for 300 MW power flow in both directions. During certain system conditions, mainly the power flow on the Alberta to BC tie, the MATL transmission line is limited by phase angle to the amount of power flow (refer to diagram below). Conversely, MATL's phase shifter does not limit the import/export capability of the Alberta to B.C. tie.

³⁸

MATL NEB Application, Vol. 1 at pp. 30 – 31 (NEB Document A0S5Z6) [emphasis added]

Table 2.3.2 Alberta to B.C. vs MATL Transfers



The clipped corners of the diagram above illustrate the physical limitations of the phase shifting transformer during counter flow to the Alberta-B.C. tie flow. Remedial Action Schemes (RAS) may be needed to meet stability criteria for Alberta to B.C. flows.

Further detailed system studies will be completed during the design and regulatory phase to fully assess internal Alberta transmission system impacts under different system operating conditions. The AESO reserves the right, as transmission operator, to set operating limits and/or curtail load to maintain security and reliability of the AIES.³⁹

30. In response to information requests that MATL received during the NEB approval process, MATL stated:

Through the WECC Path Rating Process the MATL line will: Demonstrate conformance with WECC reliability criteria; identify transfer capability and path transfer capability limits for a specific plan of service; and address the mitigation of transfer capability problems relative to the existing system.⁴⁰

MATL will complete the power flow study as part of the WECC Path Rating Process.⁴¹

Power transfer capability will be submitted when the WECC studies are completed in March 2007.⁴²

³⁹ *Ibid* at pp. 31 – 32 [emphasis added].

⁴⁰ MATL Response to NEB 2.6 (f)(i) (NEB Document A0T7Y9).

⁴¹ MATL Response to NEB 5.3 (a) (NEB Document A0U4J4).

⁴² MATL Updated Response to NEB 5.3 (b) (NEB Document A0W5G9).

31. Again the context is clearly the WECC path rating. No reference was made to ATC or operating limits. Moreover, it is well understood that the WECC report to be filed under Condition 10 would not be concerned with ATC, as WECC path flow studies are not concerned with ATC. The WECC is the regional reliability organization of the North American Electric Reliability Corporation ("NERC"). NERC is the body responsible for setting reliability standards for the electric industry in North America. WECC has specific authority over the Pacific Northwest and British Columbia. NERC is not concerned with commercial terms and conditions of service.⁴³ The NERC recognizes that ATC is a commercial measure, as it defines ATC as "[a] measure of the transfer capability remaining in the physical transmission network for further commercial activity over and above already committed uses."⁴⁴ Accordingly, WECC reports are not concerned with commercial matters such as the allocation of ATC.

32. The NEB provided the rationale for Condition 10 of the NEB Permit in the NEB Decision. The NEB's reasons make it clear that the Condition is to be interpreted in the context of reliability concerns (not commercial concerns) and the WECC Report. The NEB Decision states as follows:

In the Board's view, MATL must meet or exceed the performance standards that would be set out by the WECC path rating process. The Board would therefore impose a condition on any permit issued to ensure that MATL files the WECC report with the Board prior to commencement of construction. Such a condition would also require that outstanding concerns related to reduction of transfer capability on another path due to interconnection of the proposed IPL be identified and mitigated, as committed to by MATL in its application.

The transient stability studies in the AESO Need Identification Document identified that there will be conditions where the proposed IPL will not meet appropriate criteria or become unstable as a result of certain contingencies. Therefore, the Board would impose a condition on any permit issued such that MATL mitigates such instabilities in operating conditions through effective measures.

To promote safe and reliable operation of power systems, the North American Electric Reliability Corporation (NERC) develops reliability standards. The Board has an interest in reliability matters of IPLs and is supportive of the goal of mandatory reliability standards. On 14 September 2006, the Board recognized NERC as the Electric Reliability Organization as applicable to IPLs and is developing regulatory tools to adopt NERC Reliability standards by reference. It is the expectation of the Board that in the operation of the proposed IPL, MATL will be compliant with the most recent NERC reliability standards. Therefore, the

⁴³ See e.g. British Columbia Utilities Commission, *In the Matter of a Complaint by TransCanada Energy Ltd. regarding the Service Agreement with British Columbia Transmission Corporation for Long Term Firm Point to Point Transmission Service* (September 10, 2009), at p. 3.

⁴⁴ NERC Glossary of Terms Used in NERC Reliability Standards (October 26, 2011), online: NERC <http://www.nerc.com/files/Glossary_of_Terms_2011October26.pdf>.

Board would impose a condition on any permit issued requiring that MATL ensure that operation of the proposed IPL is compliant with the current NERC reliability standards.

The Board notes that due to the nature of the interconnection between Alberta and Saskatchewan, instability on the proposed IPL would not negatively impact power systems in the province of Saskatchewan. As well, the Board is satisfied that once the WECC study is completed and appropriate mitigation measures and remedial action schemes are implemented, the proposed IPL would not negatively impact power systems in British Columbia.⁴⁵

33. Consistent with the MATL NEB Application and the NEB Decision, the WECC Report also uses the term "transfer capability" to refer to the WECC path rating for the IPL.⁴⁶ The WECC Report makes it clear that actual operating limits, such as ATC, are separate from the path rating process.⁴⁷

34. It is important to recognize that the WECC path rating process provided other parties with ample opportunity for review and comment. As confirmed in the WECC Letter, the IPL received Phase 2 status on February 2, 2006 and a Project Review Group ("PRG") was formed. The PRG included representatives from the BCTC (now BC Hydro). As a member of the PRG, BCTC received the WECC Report and was given 30 days to comment on it. The WECC Letter confirms this process as follows:

A Final Draft of the Phase 2 Report was submitted to the MATL Project Review Group (PRG) on June 11, 2007. All comments received have been addressed to the satisfaction of each party providing comments.

35. After addressing all comments, MATL's next step is described in the final paragraph of the WECC Letter as follows:

On July 25, 2007, MATL sent a request to the PCC [Planning Coordination Committee] to enter Phase 3, along with the PRG Report. No additional comments were received during the 30-day review process.

36. This 30-day review process is separate from, and in addition to, the 30-day comment period described in paragraph 34.

⁴⁵ NEB Decision - Application Schedule A, at pp. 6 to 7 of 13 [emphasis added].

⁴⁶ See for example, WECC Report - Application Schedule D, at pp. 8 to 9 of 149. Also see WECC Report Appendix A, MATL Rating Study Scope - Application Schedule D, starting at p. 111 of 149.

⁴⁷ WECC Report - Application Schedule D, at p. 9 of 149.

37. The last sentence of the WECC Letter confirms that the MATL Project was granted Phase 3 status with an Accepted Rating of +/- 300 MW. WECC defines Accepted Rating as:

A project rating that has been reviewed and accepted by WECC members. This rating is granted by WECC at the conclusion of reviewed planning studies and will be the rating of the project when it is put into service, if it is built in accordance with [the] Plan of Service specified in the Phase 2 Rating Report. This is a comprehensive rating including both the simultaneous and non-simultaneous transfer capabilities.⁴⁸

38. MATL will not impair the WECC path rating of the Alberta-B.C. Interconnection. MATL is committed to implementing the Remedial Action Schemes ("RAS") identified through the WECC path rating process. The RAS are the mitigation required under the WECC path rating process, which is referenced in Condition 10(b) of the NEB Permit. The five conditions that require RAS, as identified in the WECC Report,⁴⁹ rely on input signals provided by BC Hydro. As such, MATL will work with BC Hydro to implement the RAS.

ATC is not an NEB issue

39. In the Application, BC Hydro states that "[s]ince 2003, transfer capability available for export into and import out of Alberta has ranged from zero to 725 MW for B.C. to Alberta transactions, and zero to 735 MW for Alberta to B.C. transactions."⁵⁰ This statement refers to ATC, not transfer capability. BC Hydro is seeking priority access to ATC for the Alberta-B.C. Interconnection.

40. In that regard, the Alberta *Transmission Regulation* is directly applicable. It states that:

16(1) In making rules under section 20 of the Act, and in exercising its duties under section 17 of the Act, the ISO must prepare a plan and make arrangements to restore each intertie that existed on August 12, 2004 to, or near to, its path rating.

(2) The plan to restore interties to their path ratings must specify how the ISO intends to restore and maintain each intertie to, or near to, its path rating without the mandatory operation of generating units.

(3) The plan to restore and maintain interties must be incorporated into and form part of the transmission system plan as soon as practicable.

⁴⁸ WECC, *Overview of Policies and Procedures for Project Coordination Review, Project Rating Review, and Progress Reports* (March 2010) at p. III-33 [emphasis added], online: WECC <http://www.wecc.biz/committees/StandingCommittees/PCC/Shared%20Documents/ProjectCoordination_ProjectRating_ProgressReports_approved%203-11.pdf>

⁴⁹ WECC Report - Application Schedule D, at p. 8 to 9 of 149.

⁵⁰ Application at para. 18 [emphasis added].

(4) This section shall not be interpreted as meaning that priority should be given to interties that existed on August 12, 2004 over interties existing after that date in respect of the allocation of available transfer capability.⁵¹

41. It is abundantly clear from section 16 of the *Transmission Regulation* that priority access to ATC is not available. As discussed below, this is further confirmed by the EUB Decision and the AESO's ATC rule consultation process.

42. The EUB and the AESO have both heard, and dismissed, this same request for priority access to ATC. Having failed to persuade the provincial authorities having jurisdiction over such matters, BC Hydro is advancing the argument for a third time before the NEB. With respect, this is abusive of the NEB's process and an impermissible collateral attack on the findings made by the Alberta regulators.

43. B.C. Hydro's subsidiary, Powerex Corp. ("Powerex"), participated in the EUB proceeding for the IPL. In argument, Powerex conceded, and indeed emphasized, the EUB's jurisdiction as follows:

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16 ... it is very,
17 very clear that the operational impacts of the proposed line
18 are for this Board's [EUB's] consideration in this proceeding. And
19 the basis for that is that in Exhibit -- in the NEB's
20 decision, in Exhibit 002-71, at page 5, the NEB expressly
21 acknowledges that the issue of potential impacts on the AIES
22 is an issue to be considered by this Board [EUB].⁵²

44. In argument, Powerex requested the EUB to condition the MATL permits as follows:

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1 If this Board considers it appropriate to
2 approve the line, in Powerex's view it is critical that the
3 Board ensure the line will not harm or negatively impact the
4 ongoing operations and reliability of the AIES and the
5 interties to which it's connected. Any approval should be
6 appropriately conditioned, requiring implementation of
7 sufficient remedial action schemes and operating policies and
8 procedures so as to eliminate any negative impacts and fully
9 protect transfers on existing interties from being diminished
10 due to MATL flows.⁵³

⁵¹ Alta Reg 153/2010 at s 16 [emphasis added].

⁵² EUB Transcripts - Application Schedule E, at p. 4 of 29.

⁵³ *Ibid* at p. 3 of 29 [emphasis added].

45. In other words, Powerex argued that the Alberta-B.C. Interconnection should have priority access to ATC. Powerex acknowledged that the requested condition went "a step or two further than perhaps what is captured by the NEB approval."⁵⁴

46. MATL replied, in part, as follows:

3165

18 AESO has already addressed how import and
19 export opportunities should be shared in Alberta over tie
20 lines and I think it has addressed it on the basis of a pro
21 rata basis, but however AESO has addressed it, that's its
22 responsibility, and if Powerex has an issue with that, they
23 should be taking it up with AESO and should not be leaning on
24 this Board to interject itself in the power marketplace.⁵⁵

47. In the EUB Decision, the EUB concluded:

The Board does not believe that the conditions proposed by Powerex are warranted as such conditions would either duplicate conditions imposed by the NEB or are matters that the Board is satisfied would be appropriately dealt with by the AESO in the fulfillment of its legislative mandate.⁵⁶

48. MATL also notes that the AESO has filed a submission with the NEB in the current proceeding, which states:

... In this Application before the Board, the AESO would be concerned if the Board's decision were to encroach upon either the AESO's or the Commission's authority by imposing certain operating requirements upon MATL which would have the consequence of either obligating the AESO to operate the AIES in a manner as directed by the Board, which may be contrary to provincial legislation, or intruding upon the Commission's authority with respect to the oversight of ISO rules. Any decision which interferes with either entity's jurisdiction would be contrary to the public interest.⁵⁷

49. During 2010, in fulfillment of its legislative mandate, the AESO commenced consultation with stakeholders on a proposed intertie framework, which includes a recommendation for the allocation of ATC on the interties ("Intertie Framework"). The unconditional and active participation of BCTC, Powerex, and now BC Hydro, in that consultation process is an acknowledgement by those parties of the AESO's jurisdiction over ATC allocation.

⁵⁴ *Ibid* at p. 6 of 29 (transcript p. 3088, lines 11-13).

⁵⁵ EUB Transcript at p. 3165 [**Attachment 1**], which is notably absent from the transcript excerpt provided in the Application, Schedule E.

⁵⁶ EUB Decision, *supra* note 10 at p. 16 [emphasis added].

⁵⁷ NEB Document A34181 at p. 2.

50. The AESO's September 20, 2011 *"Letter of Notice – Second Consultation on Proposed New ISO Rules and Proposed Removal of ISO Rules"* ("September Notice") provides the following summary of this consultation process:

On May 7, 2010, the AESO issued the Intertie Framework discussion paper presenting the various arguments and options associated with ATC allocation around transmission rights and priority tariff or commercial products and procedures.

Intertie workshops were held on June 23, 2010 and June 30, 2010 to further explore the fundamental question around the market design of interties in the Alberta market place with industry participants.

On October 7, 2010, the AESO issued the Intertie Framework recommendation paper. In this recommendation paper, the AESO reviewed and replied to stakeholder comments received on the May 7, 2010 discussion paper. The October 7, 2010 recommendation paper laid out the AESO's recommended direction on the following four main policy areas:

- ATC allocation rules would be implemented to arbitrate first on an energy price basis, and then on a pro rata basis for same priced schedule requests;
- Dynamic scheduling would be implemented to enable real-time dispatch of intertie transactions and to permit the submission of priced bids and offers;
- The [AIES] would be planned by the AESO such that each intertie could transfer to its path rating simultaneously; and
- That a merchant transmission service ("MTS") would be offered that reflected system access service to injection/withdrawal at the Alberta border for merchant transmission developers.

On October 20, 2010, the AESO issued the Proposed Rules Framework and Transition Approach for Market Rules discussion paper setting out the AESO's proposed phased approach for the redrafting and transitioning the market rules. On April 7, 2011 the AESO issued the Transition of Market Rules – New Framework Transition Approach and Update on Status of the TOAD Project recommendation paper finalizing its approach to redrafting transitioning the market rules, and based on stakeholder comments received on the discussion paper, the AESO aligned the redrafting and transitioning of the market rules with its Market Services initiatives, including the redrafting and transitioning of the OPP 500 Series into the new authoritative document format and location in the new ISO rules framework.

On December 16, 2010 the AESO issued the Intertie Framework – Available Transfer Capacity Allocation – Draft Term Sheet letter which set out a roadmap for the development of the new section of the ISO rules, and included an attachment which summarized the comments on the ATC allocation part of the intertie framework and a draft ISO rules term sheet to be used in the development of the new integrated interties section of the ISO rules.

On March 17, 2011 the AESO issued a Letter of Notice announcing consultation on Proposed New ISO Rules Section 203.6 Changes and the removal of existing ISO OPPs 301, 302, 303, 304, 306, 307 and ISO Rules Subsection 6.3.3. This Letter of Notice summarized the key rule changes being proposed and the rationale for removing the existing ISO OPPs and Rules Subsections mentioned and provided comment-rationale matrices to allow stakeholders the opportunity to comment on the suggested changes.

On July 26, 2011 the AESO issued a reply to stakeholder comments received regarding Proposed New ISO Rules Section 203.6 Changes and the removal of existing ISO OPPs 301, 302, 303, 304, 306, 307 and ISO Rules Subsection 6.3.3.⁵⁸

51. BC Hydro and Powerex, among others, provided comments in response to the September Notice on October 17, 2011.⁵⁹ The following is an excerpt from BC Hydro's submission:

| 2. ISO Rules | <i>Stakeholder Comments and/or Alternate Proposal</i> |
|---|--|
| <p>(a) New With the pending energization of the Montana-Alberta Tie Line ("MATL"), system available transfer capability will need to be allocated between participants from adjacent balancing authorities. Consequently, ISO rules are required to allocate available transfer capability since external operators of transmission facilities cannot be expected to allocate across competing interties. The proposed New ISO Rules Section 203.6 Changes Version 2.0 set out the requirements and obligations with respect to the calculation and communication of transfer capability limits, interchange transaction bids and offers, submission and validation of e-</p> | <p><i>Comment # 1</i> <i>BC Hydro has significant concerns with the AESO's proposed pro rata allocation of ATC between the Alberta-BC and MATL transfer paths.</i> <i>1. The AESO's proposed ATC allocation does not align with AESO's section 16 Transmission Regulation obligation to restore interties existing at August 2004 to their path ratings. The proposed ATC allocation further reduces access to existing intertie capacity.</i> <i>2. MATL does not create additional transfer capability. ATC should be allocated to existing interties up to their respective path rating. New interties</i></p> |

⁵⁸ AESO letter dated September 20, 2011 [Attachment 2].

⁵⁹ All of the comments are available online: AESO <[http://www.aeso.ca/downloads/2011-10-20_SH_Comment_Letter_\(ATC_Rule_2nd_Consult\).pdf](http://www.aeso.ca/downloads/2011-10-20_SH_Comment_Letter_(ATC_Rule_2nd_Consult).pdf)>.

| | |
|---|---|
| <p>tags, scheduling of interchange transactions including schedule changes and dispatches, Saskatchewan inadvertent energy management, and constraints management including allocation of available transfer capability and interchange transaction curtailment.</p> <p>The following outlines the key differences and rationale for each of the amended subsections between the previously consulted on March 17, 2011 New ISO Rules Section 203.6 Changes and proposed New ISO Rules Section 203.6 Changes Version 2.0.</p> | <p><i>should only utilize ATC that they add to the system or which would otherwise be unutilized by existing interties.</i></p> <p><i>3. The ATC allocation may significantly devalue the firm transmission rights held by existing transmission customers in British Columbia. BC Hydro has concerns that the AESO is ignoring the implications of its actions on neighbouring jurisdictions.</i></p> <p><i>4. As proposed, the allocation of ATC is being done at the expense of BC Hydro transmission customers and ratepayers.⁶⁰</i></p> |
|---|---|

52. The AESO has indicated its intention to finalize the proposed ISO rule for filing with the AUC in November, 2011.⁶¹ The AUC will consider that filing in accordance with an established review process that is outlined in the *Electric Utilities Act*⁶² and in AUC Rule 17: *Procedures and Process for Development of ISO Rules and Filing of ISO Rules with AUC*.⁶³ The review process includes the following steps:

- the issuance of a notice of filing;
- the opportunity to file objections, on one or more of the following grounds:
 - (a) that the Independent System Operator, in making the ISO rule, did not comply with Commission rules made under section 20.9;
 - (b) that the ISO rule is technically deficient;
 - (c) that the ISO rule does not support the fair, efficient and openly competitive operation of the market;
 - (d) that the ISO rule is not in the public interest;
- after hearing an objection, the Commission may, by order

⁶⁰ BC Hydro Comment Matrix dated October 17, 2011 at p. 2, online: AESO <[http://www.aeso.ca/downloads/Comment-Rationale_\(New_ISO_Rule_203_6_2nd_consult\)_BC_Hydro.pdf](http://www.aeso.ca/downloads/Comment-Rationale_(New_ISO_Rule_203_6_2nd_consult)_BC_Hydro.pdf)>.

⁶¹ AESO letter dated October 20, 2011, which was amended by the AESO and reissued on October 25, 2011 [**Attachment 3**].

⁶² RSA 2000, c E-5.1.

⁶³ Effective April 1, 2010, online: AUC <<http://www.auc.ab.ca/acts-regulations-and-auc-rules/rules/Documents/Rule017.pdf>>.

- (a) confirm the ISO rule,
- (b) disallow the ISO rule, or
- (c) direct the Independent System Operator to change the ISO rule or a provision of the ISO rule.⁶⁴

53. The AUC's order may then be appealed on a question of law or jurisdiction, with leave, to the Alberta Court of Appeal.⁶⁵ If BC Hydro is dissatisfied with the proposed ISO rule, then its proper recourse is to the AUC, not the NEB.

Late Submission

54. If the Board decides that it will accept the late submission of Capital Power Corporation ("CPC"), then MATL provides the following comment in response. CPC submits that "one issue that should be considered as part of the process is the extent of the Board's jurisdiction to consider the relief requested by BC Hydro, relative to the responsibilities of other agencies and commissions (notably the AESO and the AUC) to consider rules relating to the allocation of ATC capacity into the Alberta market."⁶⁶ The appropriate time for CPC to provide its views on that issue was in response to the Board's October 5, 2011 letter, as MATL has now done.

Conclusion

55. MATL requests that the NEB dismiss the Application without further process. If the NEB determines that further process is required, then MATL reserves comment on the remaining questions set out in the NEB's letter of October 5, 2011.

56. MATL is making this filing by placing it in the Board's electronic repository and by providing electronic notification to interested parties, as directed by the Board in its October 5, 2011 letter.

Yours truly,

Fraser Milner Casgrain LLP



Laura K. Estep

cc: Mr. Bob Williams, MATL

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⁶⁴ *Electric Utilities Act* at ss. 20.2 to 20.5. Also see Rule 17, *ibid.*

⁶⁵ *Alberta Utilities Commission Act*, SA 2007, c A-37.2 at s. 29.

⁶⁶ NEB Document A2G3H3.

03164

1 possible carcinogen; in fact, probably a carcinogen. These
2 are possibilities.

3 Now, do you take the coffee off the back table

4 because it's a possibility? No. And people still drink it.

5 The fact that it's a possible carcinogen means no more than
6 the fact that it hasn't yet been possible to prove that it's
7 not a carcinogen.

8 Let me address a few comments to Ms. Hughes'

9 argument for Powerex, and there are just a couple of

10 observations that I would like to make beyond those made by
11 Mr. Nettleton.

12 Firstly, it's notable that Powerex chose not

13 to provide any evidence so that we would have any reasons in
14 front of us to support the conditions that Powerex has

15 requested. They just show up here and ask for them,

16 apparently as a right, but I think the more important

17 argument that I would like to make with respect to Powerex is

18 that they are not being quite as forthright with you as they
19 should be.

20 They didn't tell you that they are a

21 competitor in the merchant power supply business. They

22 didn't tell you that the objective of the conditions that

23 they -- particularly one condition that they are seeking to

24 have you make is to protect Powerex's market share of the

25 import and export market.

03165

1 So let me cut to the chase with respect to the
2 requested conditions proposed by Powerex.
3 What you have there from Powerex's request
4 disguised behind a number of rather insignificant and
5 meaningless conditions -- and I say they're relatively
6 meaningless only in the context that the National Energy
7 Board has already imposed the conditions and to duplicate
8 them really makes no sense, but the fact that Powerex has
9 chosen to bury in those -- and you may recall Ms. Hughes'
10 words, perhaps we could just go a step or two further I think
11 she put it. What Powerex has done is kind of buried in there
12 a request for a new condition that you, this Board, regulate
13 the opportunities that are available in the marketplace to
14 ensure that Powerex's market share, which is as a virtual
15 monopolist now, be protected. And I'm going to suggest to
16 you that, as Mr. Nettleton said, this is an area of AESO's
17 responsibility.

18 AESO has already addressed how import and
19 export opportunities should be shared in Alberta over tie
20 lines and I think it has addressed it on the basis of a pro
21 rata basis, but however AESO has addressed it, that's its
22 responsibility, and if Powerex has an issue with that, they
23 should be taking it up with AESO and should not be leaning on
24 this Board to interject itself in the power marketplace.
25 Lastly, let me make a couple of comments with



September 20, 2011

Dear Market Participants and Interested Parties:

Re: Letter of Notice – Second Consultation on Proposed New ISO Rules and Proposed Removal of ISO Rules:

- a) **Proposed New ISO Rules Part 200 Markets, Division 203 Energy Market, Section 203.6 Available Transfer Capability and Transfer Path Management and location under the New ISO Rules Framework (“New ISO Rules Section 203.6 Version 2.0”); and**
 - b) **Proposed Removal of Existing:**
 - (i) **ISO OPP 309 Saskatchewan Inadvertent Energy Management; and**
- (collectively the “New ISO Rules Section 203.6 Changes Version 2.0”)**

Pursuant to Section 2 of the Alberta Utilities Commission (“AUC” or “Commission”) Rule 017, the Alberta Electric System Operator (“AESO”) is providing notice and seeking further feedback from market participants on the attached proposed [New ISO Rules Section 203.6 Version 2.0](#).

Applicability

The proposed New ISO Rules Section 203.6 Changes Version 2.0 will apply to all pool and market participants and will be of specific interest to market participants engaging in import or export transactions.

Background

On March 17, 2011, the AESO posted a [Letter of Notice](#) and commenced consultation on the proposed New ISO Rules Section 203.6 Changes and requested stakeholder comments on the same.

The AESO received and considered stakeholder comments in response to its March 17, 2011 Letter of Notice, made further amendments to the proposed New ISO Rules Section 203.6 Changes as a result of all written comments received, and is of the view that the additional amendments now warrant re-consultation.

Accordingly, the AESO is now re-consulting on proposed New ISO Rules Section 203.6 Changes Version 2.0. [Click here](#) to view the AESO replies to written comments received by the AESO regarding the proposed New ISO Rules Section 203.6 Changes attached to its March 17, 2011 Letter of Notice.

Summary of Proposed New ISO Rules Section 203.6 Changes Version 2.0

The proposed New ISO Rules Section 203.6 Changes Version 2.0 set out the requirements and obligations with respect to the calculation and communication of transfer capability limits, interchange transaction bids and offers, submission and validation of e-tags, scheduling of interchange transactions including schedule changes and dispatches, Saskatchewan inadvertent energy management, and constraints management including allocation of available transfer capability and interchange transaction curtailment.

Key additions in New ISO Rules Section 203.6 Changes Version 2.0 compared to New ISO Rules Section 203.6 Changes are provisions for allocation of available transfer capability between transfer paths based on energy offers received at T-2 and the inclusion of authoritative provisions currently contained in existing ISO OPP 309 *Saskatchewan Inadvertent Energy Management* regarding the management of inadvertent energy with Saskatchewan.

Information Document

While the applicable authoritative provisions currently specified in the previously consulted on ISO OPPs and ISO rules have been relocated to proposed New ISO Rules Section 203.6, many of the non-binding calculation details and information tables have been relocated to either a draft Information Document or the AESO's internal System Controller Procedures Manual, as appropriate.

An updated draft Information Document 2011-001R *Available Transfer Capability and Transfer Path Management* ("ID 2011-01R") has been created to support the proposed New ISO Rules Section 203.6 Changes Version 2.0. [Click here](#) to view the updated draft ID 2011-001R or visit the AESO website at www.aeso.ca, and follow the path Rules & Standards > Draft Information Documents.

Updated draft ID 2011-01R contains the non-binding and procedural content (including background and other information) related to the specific requirements in the proposed New ISO Rules Section 203.6 Changes Version 2.0 and includes many of the calculation details and information tables currently located in ISO OPPs 301, 302, 303, 304, 306, 307 and 309. A copy of updated draft ID 2011-01R blacklined to the March 17, 2011 version is attached for stakeholder convenience.

Previous AESO Consultations, Papers and Other Related Communications

On May 7, 2010, the AESO issued the [Intertie Framework discussion paper](#) presenting the various arguments and options associated with ATC allocation around transmission rights and priority tariff or commercial products and procedures.

Intertie workshops were held on June 23, 2010 and June 30, 2010 to further explore the fundamental question around the market design of interties in the Alberta market place with industry participants.

On October 7, 2010, the AESO issued the [Intertie Framework recommendation paper](#). In this recommendation paper, the AESO reviewed and replied to stakeholder comments received on the May 7, 2010 discussion paper. The October 7, 2010 recommendation paper laid out the AESO's recommended direction on the following four main policy areas:

- ATC allocation rules would be implemented to arbitrate first on an energy price basis, and then on a pro rata basis for same priced schedule requests;
- Dynamic scheduling would be implemented to enable real-time dispatch of intertie transactions and to permit the submission of priced bids and offers;
- The Alberta interconnected electric system ("AIES") would be planned by the AESO such that each intertie could transfer to its path rating simultaneously; and
- That a merchant transmission service ("MTS") would be offered that reflected system access service to injection/withdrawal at the Alberta border for merchant transmission developers.

On October 20, 2010, the AESO issued the [Proposed Rules Framework and Transition Approach for Market Rules discussion paper](#) setting out the AESO's proposed phased approach for the redrafting and transitioning the market rules. On April 7, 2011 the AESO issued the [Transition of Market Rules – New Framework Transition Approach and Update on Status of the TOAD Project recommendation paper](#) finalizing its approach to redrafting transitioning the market rules, and based on stakeholder comments received on the discussion paper, the AESO aligned the redrafting and transitioning of the

market rules with its Market Services initiatives, including the redrafting and transitioning of the OPP 500 Series into the new authoritative document format and location in the new ISO rules framework.

On December 16, 2010 the AESO issued the [Intertie Framework – Available Transfer Capacity Allocation – Draft Term Sheet letter](#) which set out a roadmap for the development of the new section of the ISO rules, and included an attachment which summarized the comments on the ATC allocation part of the intertie framework and a draft ISO rules term sheet to be used in the development of the new integrated interties section of the ISO rules.

On March 17, 2011 the AESO issued a [Letter of Notice announcing consultation on Proposed New ISO Rules Section 203.6 Changes and the removal of existing ISO OPPs 301, 302, 303, 304, 306, 307 and ISO Rules Subsection 6.3.3](#). This Letter of Notice summarized the key rule changes being proposed and the rationale for removing the existing ISO OPPs and Rules Subsections mentioned and provided comment-rationale matrices to allow stakeholders the opportunity to comment on the suggested changes.

On July 26, 2011 the AESO issued a [reply to stakeholder comments](#) received regarding Proposed New ISO Rules Section 203.6 Changes and the removal of existing ISO OPPs 301, 302, 303, 304, 306, 307 and ISO Rules Subsection 6.3.3.

Summary of Amendments to Proposed New ISO Rules Section 203.6 Changes Version 2.0

The following outlines the key differences between the March 17, 2011 New ISO Rules Section 203.6 Changes and the proposed New ISO Rules Section 203.6 Changes Version 2.0:

1. A number of general and incidental clarifying amendments have been made throughout proposed New ISO Rules Section 203.6 Changes Version 2.0;
2. Subsection 3(2) has been amended to specify the reliability standards referenced in the ISO's determination of total transfer capability;
3. Subsection 4 has been amended to clarify that scheduled quantities on a transfer path cannot exceed calculated available transfer capability. Additionally the timing requirement for the AESO's posting of changes to available transfer capability has been clarified;
4. Subsections 5 and 6 have been significantly amended to clarify requirements regarding the submission of bids and offers for energy interchange transactions. Requirements regarding submission of e-tags have been relocated to an amended subsection 6 in New ISO Rules Section 203.6 Changes Version 2.0, which deals specifically with submission of e-tags. Specific changes include the following:
 - a) The addition of more detail to clarify the AESO's expectations regarding what actions constitute a reasonable effort to obtain transmission services for interchange transactions;
 - b) Clarification of the restatement requirements in circumstances where transmission cannot be obtained or is subsequently curtailed;
 - c) Relocation of subsection 5(2) of New ISO Rules Section 203.6 Changes to subsection 6(2) of New ISO Rules Section 203.6 Changes Version 2.0;
 - d) Subsection 5(3) of New ISO Rules Section 203.6 Changes has been relocated to subsection 7(4)(b) of New ISO Rules Section 203.6 Changes Version 2.0 and has been amended to reflect that compliance with the requirement will be monitored through the e-tag validation process;
 - e) Subsection 5(6) of New ISO Rules Section 203.6 Changes has been relocated to subsection 6(3) of New ISO Rules Section 203.6 Changes Version 2.0 and has been

amended to clarify e-tag submission requirements and better align with current requirements in ISO OPPs 301 and 302. As well, statements regarding emergency conditions have been removed as these are covered by other ISO Rules, particularly existing ISO OPP 801 *Supply Surplus*;

- f) Subsection 5(7) of New ISO Rules Section 203.6 Changes has been relocated to subsection 6(4) of New ISO Rules Section 203.6 Changes Version 2.0 and has been expanded to clarify restatement requirements; and
 - g) The addition of subsection 6(1) to New ISO Rules Section 203.6 Changes Version 2.0 to clarify that e-tags are required for all interchange transactions as is currently required by existing ISO OPPs 301 *Alberta-BC Interconnection Scheduling* and 302 *Alberta-Saskatchewan Interconnection Scheduling*;
5. Subsections 6, 7 and 8 dealing with e-tag validation, scheduling and dispatching have been significantly re-ordered to enhance clarity and have been relocated in subsections 7 and 8 of New ISO Rules Section 203.6 Changes Version 2.0. Specific changes include the following:
- a) Subsection 6(1) of New ISO Rules Section 203.6 Changes has been divided into two separate requirements to improve clarity and relocated to subsections 7(1) and 7(2) of New ISO Rules Section 203.6 Changes Version 2.0;
 - b) Subsection 6(2) of New ISO Rules Section 203.6 Changes has been divided into two separate requirements to improve clarity and relocated to subsections 7(3) and 7(4)(a) of New ISO Rules Section 203.6 Changes Version 2.0. The requirement has been amended to specify the reliability standards referenced in the validation of e-tags;
 - c) Subsection 6(3) of New ISO Rules Section 203.6 Changes has been amended to improve clarity and relocated to subsection 8(1) of New ISO Rules Section 203.6 Changes Version 2.0;
 - d) Subsection 6(4) of New ISO Rules Section 203.6 Changes has been relocated to subsection 7(5) of New ISO Rules Section 203.6 Changes Version 2.0;
 - e) Subsection 7(1) of New ISO Rules Section 203.6 Changes has been relocated to subsection 8(2) of New ISO Rules Section 203.6 Changes Version 2.0 and amended to include reference to the new available transfer capability allocation procedures detailed in the new subsection 10 of New ISO Rules Section 203.6 Changes Version 2.0;
 - f) Subsection 7(2) of New ISO Rules Section 203.6 Changes has been relocated to subsection 8(3) of New ISO Rules Section 203.6 Changes Version 2.0 and amended for clarity and to be more robust by referring more generically to the settlement interval rather than giving a specific duration;
 - g) Subsection 7(3) of New ISO Rules Section 203.6 Changes has been relocated to subsection 8(4) of New ISO Rules Section 203.6 Changes Version 2.0 and amended to clarify that it is specifically referring to energy transactions;
 - h) Subsection 8(1) of New ISO Rules Section 203.6 Changes has been relocated to subsection 8(5) of New ISO Rules Section 203.6 Changes Version 2.0 and amended to remove references to dynamic interchange transactions and to specifically reference supply surplus and shortfall situations; and
 - i) Subsection 8(2) of New ISO Rules Section 203.6 Changes has been relocated to subsection 8(6) of New ISO Rules Section 203.6 Changes Version 2.0 and amended to remove specific reference to dispatch considerations as these are sufficiently covered in subsection 7(4) of New ISO Rules Section 203.6 Changes Version 2.0;

6. Subsection 9 of New ISO Rules Section 203.6 Changes has been relocated to the new subsection 11 of New ISO Rules Section 203.6 Changes Version 2.0. The requirements of this subsection remain largely unchanged except for the following amendments:
 - a) Available transfer capability allocations calculated in new subsection 10 of New ISO Rules Section 203.6 Changes Version 2.0 will now be referenced while implementing curtailments;
 - b) The curtailment sequence has been reversed so that the order now progresses from the individual transfer path level to the combined Montana and British Columbia transfer path level to the Alberta interchange level; and
 - c) Subsections 9(5) and 9(6) of New ISO Rules Section 203.6 Changes have been removed as these are sufficiently covered in subsections 5(3), 6(4) and 8(5) of New ISO Rules Section 203.6 Changes Version 2.0.

7. Subsection 9 of New ISO Rules Section 203.6 Changes Version 2.0 has been added to include authoritative provisions of existing ISO OPP 309. In the AESO's opinion, these requirements are more appropriately specified in New ISO Rules Section 203.6 Changes Version 2.0. Removal of ISO OPP 309 will be consulted on concurrently with New ISO Rules Section 203.6 Changes and is proposing that existing ISO OPP 309 be removed once New ISO Rules Section 203.6 Changes Version 2.0 come into effect. Removal of existing ISO OPP 309 is being consulted on concurrently with proposed New ISO Rules Section 203.6 Changes Version 2.0; and

8. Based on stakeholder comments, a new subsection 10 of New ISO Rules Section 203.6 Changes Version 2.0 has been added. This section includes the advanced calculation and posting of available transfer capability allocations, if necessary, based on the expectation that capability limits will be violated if all proposed interchange transactions occur. The allocation calculation is intended to mirror as much as possible the curtailment calculation methodology now contained in subsection 11 of proposed New ISO Rules Section 203.6 Changes Version 2.0. Specific details regarding the allocation methodology have been added to the subsection with posting of the allocation to occur at seventy (70) minutes before the start of the settlement interval.

Affected ISO Rules and OPPs

Consultation on proposed New ISO Rules Section 203.6 Changes included the removal of the following existing ISO rules and OPPs:

- a) ISO OPP 301 *Alberta-BC Interconnection Scheduling*;
- b) ISO OPP 302 *Alberta-Saskatchewan Interconnection Scheduling*;
- c) ISO OPP 303 *Alberta-BC Interconnection Operation*;
- d) ISO OPP 304 *Alberta-BC Interconnection Transfer Limits*;
- e) ISO OPP 306 *Reliability Curtailments to Alberta-Saskatchewan Transactions*;
- f) ISO OPP 307 *Alberta-Saskatchewan Interconnection Transfer Limits*; and
- g) ISO Rules Subsection 6.3.3 Interconnection Dispatching.

No written comments were received from stakeholders regarding the proposed removals.

The proposed ISO rules and OPP removals will be filed concurrently and become effective on the same date as the proposed New ISO Rules Section 203.6 Changes Version 2.0.

In response to stakeholder comments, the AESO has prepared attached tables of concordance between New ISO Rules Section 203.6 Changes Version 2.0 and the ISO rules and OPPs proposed for removal. These tables are provided for reference and are intended to provide participants with a clear mapping of the authoritative provisions of the existing ISO rules and OPPs subsections to be relocated to proposed

New ISO Rules Section 203.6 Changes Version 2.0 and the applicable non-binding informational content to updated draft ID 2011-001R or the AESO's internal System Controller Procedures Manual, where appropriate.

Separate Consultation on ISO Rules Definition Changes

As part of the development of the proposed New ISO Rules Section 203.6, the AESO identified a number of key definitions that required updates and also determined the need for one new definition.

On March 17, 2011 the AESO issued a [Letter of Notice announcing consultation of Proposed "Package 7" New and Amended ISO Rules Definitions](#). This Letter of Notice summarized definition additions and changes proposed by the AESO to compliment Proposed New ISO Rules Section 203.6 Changes and provided comment-rationale matrices to allow stakeholders the opportunity to comment on the suggested changes.

On July 28, 2011 the AESO issued a [reply to stakeholder comments](#) received regarding Proposed "Package 7" New and Amended ISO Rules Definitions.

In conjunction with the consultation on the proposed New ISO Rules Section 203.6 Changes Version 2.0, the AESO will be re-consulting on the "Package 7" ISO Rules Definition Changes Version 2.0 separately pursuant to the AUC Rule 017. [Click here](#) to view the Letter of notice for the "Package 7" ISO Rules Definition Changes Version 2.0 dated September 20, 2011.

Alignment with Alberta Reliability Standards

In the AESO's opinion, proposed New ISO Rules Section 203.6 Changes Version 2.0 is aligned and consistent with the Alberta Reliability Standards. Specifically, current Alberta Reliability Standards INT-006-AB-2 *Response to Interchange Authority*, TOP-007-WECC-AB-1 *System Operating Limit* and proposed future reliability standards proposed for adoption MOD-029-AB-1 *Rated System Path Methodology* and MOD-001-AB-1 *Available Transmission System Capability* are relevant.

Request for Stakeholder Comments

Comments and suggestions on the proposed New ISO Rules Section 203.6 Changes Version 2.0 are encouraged.

Please use the attached comment matrix provided when submitting comments to the AESO on the proposed New ISO Rules Section 203.6 Changes Version 2.0. The AESO's rationale for the proposed New ISO Rules Section 203.6 Changes Version 2.0 has been provided in the respective comment matrix. Only written comments will be considered in finalizing the proposed New ISO Rules Section 203.6 Changes Version 2.0.

In keeping with the [AESO Principles for Consultation on ISO Rules Changes](#) please ensure that comments provided represent all interests within each stakeholder organization with respect to the proposed New ISO Rules Section 202.7 Changes.

Please provide feedback or questions by **October 17, 2011**, to Kevin Dawson, (403) 539-2623 at rules_comments@aeso.ca.

The AESO will be publishing all stakeholder comments received for industry review in October 2011. The AESO expects to publish stakeholder comments received and the AESO's replies to the comments with the final proposed New ISO Rules Section 203.6 Changes Version 2.0 in November 2011 or January 2012, depending on the quantity of stakeholder comments received.

AESO Reply to Stakeholder Comments

In accordance with Section 8 of AUC Rule 017, the AESO is required to provide a reply to stakeholder comments received regarding the proposed New ISO Rules Section 203.6 Changes Version 2.0.

If no comments are received by the AESO regarding the proposed New ISO Rules Section 203.6 Changes Version 2.0, the AESO will proceed pursuant to AUC Rule 017 to file the proposed New ISO Rules 203.6 Section Changes Version 2.0 with the Commission. The AESO will be expecting to file with the Commission in November 2011.

The proposed removal of ISO OPPs 301,302,303,304,306,307, 309 and ISO Rules Subsection 6.3.3 will be filed concurrently and become effective on the same date as the proposed New ISO Rules Section 203.6 Changes Version 2.0.

In accordance with Section 20.4 of the *Electric Utilities Act*, market participants may object to ISO rules filed with the Commission within 10 days of the publication by the Commission of the notice of filing of the ISO rules.

Attachments to Letter of Notice

In accordance with Section 4 of AUC Rule 017, the following documents are attached to this Letter of Notice:

- a) Copy of the proposed New ISO Rules Section 203.6 Changes Version 2.0 [blacklined](#) to the March 17, 2011 version of proposed New ISO Rules Section 203.6 Changes; and [clean](#) copy of the proposed New ISO rules Section 203.6 Changes Version 2.0;
- b) Copy of the [comment-rationale matrix](#) for the proposed New ISO rules Section 203.6 Changes Version 2.0;
- c) [Copy](#) of the existing ISO OPP 309 *Saskatchewan Inadvertent Energy Management*;
- d) Copy of the [comment-rationale matrix](#) for removal of ISO OPP 309;
- e) Copy of updated ID 2011-001R [blacklined](#) to the March 17, 2011 version for reference;
- f) Tables of concordance, for stakeholder reference:
 - i) [ISO OPP 301](#);
 - ii) [ISO OPP 302](#);
 - iii) [ISO OPP 303](#);
 - iv) [ISO OPP 304](#);
 - v) [ISO OPP 306](#);
 - vi) [ISO OPP 307](#);
 - vii) [ISO OPP 309](#); and
 - viii) [ISO rules Subsection 6.3.3](#).

Proposed Effective Date

The AESO proposes that the proposed New ISO Rules Section 203.6 Changes Version 2.0 take effect on July 1, 2012.

Yours sincerely,

Original Signed By

Paul Glatthor
Manager, Authoritative Documents Process
Ph: (403) 539-2464
E-mail: paul.glatthor@aeso.ca

Attachments



October 20, 2011

Dear Market Participants and Interested Parties:

Re: Stakeholder Comments on Letter of Notice – Second Consultation on Proposed New ISO Rules and Proposed Removal of ISO Rules:

- a) **Proposed New ISO Rules Part 200 Markets, Division 203 Energy Market, Section 203.6 Available Transfer Capability and Transfer Path Management and location under the New ISO Rules Framework (“New ISO Rules Section 203.6 Version 2.0”); and**
 - b) **Proposed Removal of Existing:**
 - (i) **ISO OPP 309 Saskatchewan Inadvertent Energy Management.**
- (collectively the “New ISO Rules Section 203.6 Changes Version 2.0”)**

Pursuant to Section 7 of the Alberta Utilities Commission (“AUC” or “Commission”) Rule 017, written comments received from stakeholders in response to the Alberta Electric System Operator’s (“AESO”) [Letter of Notice](#) of September 20, 2011 for the proposed New ISO Rules Section 203.6 Changes Version 2.0 have been posted on the AESO website. The AESO is authorized to make ISO rules, including Operating Policies and Procedures, in accordance with Sections 19 and 20 of the *Electric Utilities Act*.

The following grid is hyperlinked to provide assistance in directing you to these written comments.

| New ISO Rules Section 203.6 Changes Version 2.0 | |
|--|--|
| BC Hydro and Power Authority | Northpoint Energy Solutions |
| Capital Power – Response to ISO Rule 203.6 | Powerex Corp. |
| Capital Power – Comment Rationale | SaskPower – Removal of OPP 309 |
| Montana Alberta Tie Ltd | SATL Inc |
| Morgan Stanley Capital Group | TransAlta |
| NaturEner | TransCanada Energy Ltd |

Thank you to all stakeholders who participated in this consultation. The AESO appreciates stakeholder comments and all written comments received will be considered in the AESO's finalization of the proposed New ISO Rules Section 203.6 Changes Version 2.0.

The AESO intends to finalize the proposed New ISO Rules Section 203.6 Changes Version 2.0 for filing with the AUC in November, 2011.

As required in Section 8 of AUC Rule 017, the stakeholder comments received and AESO's replies to these comments are expected to be published on the AESO website in November, 2011.

Yours sincerely,

Original Signed By

Paul Glatthor
 Manager, Authoritative Documents Process
 Ph: (403) 539-2464
 E-mail: paul.glatthor@aes0.ca



October 25, 2011

Dear Market Participants and Interested Parties:

Re: Amended Stakeholder Comments on Letter of Notice – Second Consultation on Proposed New ISO Rules and Proposed Removal of ISO Rules:

- a) **Proposed New ISO Rules Part 200 Markets, Division 203 Energy Market, Section 203.6 Available Transfer Capability and Transfer Path Management and location under the New ISO Rules Framework (“New ISO Rules Section 203.6 Version 2.0”); and**
 - b) **Proposed Removal of Existing:**
 - (i) **ISO OPP 309 Saskatchewan Inadvertent Energy Management.**
- (collectively the “New ISO Rules Section 203.6 Changes Version 2.0”)**

On October 20, 2011, the Alberta Electric System Operator (“AESO”) posted stakeholder comments received on proposed New ISO Rules Section 203.6 Changes Version 2.0 and provided notice to market participants in our weekly stakeholder newsletter.

On October 23, 2011 the AESO received additional stakeholder comments from a market participant and is therefore required to re-post, pursuant to Section 7 of the Alberta Utilities Commission (“AUC” or “Commission”) Rule 017, the written comments received from stakeholders in response to the AESO’s Letter of Notice of September 20, 2011.

The AESO is authorized to make ISO rules, including Operating Policies and Procedures, in accordance with Sections 19 and 20 of the *Electric Utilities Act*.

The following grid is hyperlinked to provide assistance in directing you to these written comments.

| New ISO Rules Section 203.6 Changes Version 2.0 | |
|--|--|
| ATCO Power | Northpoint Energy Solutions |
| BC Hydro and Power Authority | Powerex Corp. |
| Capital Power – Response to ISO Rule 203.6 | SaskPower – Removal of OPP 309 |
| Capital Power – Comment Rationale | SATL Inc |
| Montana Alberta Tie Ltd | TransAlta |
| Morgan Stanley Capital Group | TransCanada Energy Ltd |
| NaturEner | |

Thank you to all stakeholders who participated in this consultation. The AESO appreciates stakeholder comments and all written comments received will be considered in the AESO’s finalization of the proposed New ISO Rules Section 203.6 Changes Version 2.0.

The AESO intends to finalize the proposed New ISO Rules Section 203.6 Changes Version 2.0 for filing with the AUC in November, 2011.

As required in Section 8 of AUC Rule 017, the stakeholder comments received and AESO’s replies to these comments are expected to be published on the AESO website in November, 2011.



Yours sincerely,
Original Signed By

Paul Glatthor
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Ph: (403) 539-2464
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