



April 9, 2015

Diana Pommen – Director Interjurisdictional Affairs and Compliance
Alberta Electric System Operator
2500, 330-5th Avenue SW
Calgary, Alberta T2P 0L4

Dear Diana:

RE: AESO Compliance per ISO Rule Section 501.10

The AESO informed the MSA in a letter dated March 5, 2015 and in earlier communications of a potential compliance concern in relation to ISO rule section 501.10 (“the rule”). In particular, the AESO raised the issue that sections 2(5) and 2(6) of the rule require the AESO to post certain forecasted non-binding loss factor ranges on or before March 31st each year. The AESO suggested that it would be inefficient and potentially misleading to post such information further to the March 31, 2015 deadline given scheduled proceedings before the AUC regarding a revised loss factor calculation methodology in April 2015.

The MSA has an obligation to ensure compliance with the ISO rules but it has also exercised its discretion to forbear from time to time in circumstances that act to promote effective long term and enduring compliance with the rules.

In this case, the AESO identified this matter to the MSA on the basis that strict adherence to the section 2(5) and 2(6) requirements by the AESO under the circumstances, could be misleading to market participants and hence, contrary to the fair, efficient, and openly competitive operation of the market. The AESO has further indicated that the process to confirm a revised loss factor methodology is the subject of a Commission proceeding and accordingly outside its control.

In recognition of the foregoing, the MSA is prepared to temporarily forbear in respect of AESO non-compliance with the posting requirements set out in section 2(5) and 2(6) of the rule conditional upon the following:

- 1) Posting of a Notice to the AESO website to inform the market that the relevant forecast non-binding loss factor ranges will not be published in accordance with the rule until such time as the AESO is in a position to do so as a result of the Commission proceeding.

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

Yours truly,

/s/ Doug Doll

Manager, Compliance and Corporate Services

cc: Jerry Mossing – AESO
John Kehler – AESO
Dan Shield - AESO

March 5, 2015

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

Attention: Doug Doll,
Manager, Compliance and Corporate Services

Dear Sir:

Re: Independent System Operator, operating as the AESO (“AESO”), Request for a Forbearance Relating to the Fifth Year Loss Factor Ranges Identified in ISO Rule 501.10 – Transmission Loss Factor Methodology and Requirements

This is further to a meeting at your offices on February 6, 2015 and a follow up telephone call on February 26, 2015 during which AESO staff met with you to raise and to discuss circumstances related to ISO Rule 501.10 Transmission Loss Factor Methodology and Requirements (“Loss Factor Rule”), Requirements 2(5) and 2(6).

As was noted in the meeting, the Alberta Utilities Commission (“AUC”) has found the Loss Factor Methodology and Assumptions made by the AESO pursuant to the Loss Factor Rule, to be in contravention of the *Electric Utilities Act*. The AESO was directed by the AUC to submit a revised loss factor methodology to the AUC by December 4, 2014. The AESO filed a Compliance Filing in this regard on that date. A hearing on the proposed loss factor methodology is scheduled to occur before the AUC in April, 2015.

The Loss Factor Rule, among other things, requires that the AESO post non-binding loss factor ranges for up to five years in the future on or before March 31 of each year. As we have advised at the above meeting and subsequent telephone call, given the above AUC finding and the AUC hearing scheduled for this April, posting the ranges for the fifth year out would not only be inefficient, but potentially misleading to market participants. Accordingly, the AESO is requesting that pursuant to s. 57(1) of the *Alberta Utilities Commission Act* the MSA refrain from finding the AESO to be in contravention of Requirements 2(5) and 2(6) of the Loss Factor Rule, pending a determination by the AUC of the AESO’s above Compliance Filing and the final determination of the AUC’s decision in the above noted April hearing.

If acceptable to the MSA, we would appreciate your written confirmation of the above request.

Please do not hesitate to contact me if you have any questions or require anything further from us.

We look forward to hearing from you.

Yours truly,



Jerry Mossing
Vice President Transmission Planning and Performance

c.c. Dan Shield - Director, Engineering
John Kehler – Senior Technical Advisor
Diana Pommen – Director, Interjurisdictional Affairs and Compliance