



November 6, 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 November 2, 2015 and in earlier communications of potential compliance concerns in relation to ISO rule section 501.10 (“the rule”). In its letter of November 2nd, the AESO raised the issue that consultation in relation to Module B of AUC Proceeding 790 has led to an AESO determination to apply 2015 loss factors into 2016 on an interim basis. This approach is based upon the Commission’s prior ruling (Decision 2014-110) that the current loss factor calculation methodology does not comply with the Transmission Regulation and the fact that the Commission has yet to rule on a new loss factor calculation methodology. Accordingly, the AESO has not calculated new loss factors for 2016 and thereby believes its intended approach places it in contravention of sections 2(1), 2(2), and 2(4) of the rule.

The MSA has an obligation to ensure compliance with the ISO rules but it has also exercised its discretion to forbear as set forth in s. 57 of the AUCA from time to time in circumstances that promote effective long term and enduring compliance with the rules and where the public interest is protected.

In this case, the AESO identified this matter to the MSA on the basis that strict adherence to the above-noted sections by the AESO is impacted by a stakeholder consultation process in relation to Proceeding 790 and by the timing of an awaited Commission decision confirming a new loss factor calculation methodology.

In recognition of the foregoing, the MSA is prepared to forbear in regards to AESO non-compliance with the requirements set out in sections 2(1), 2(2), and 2(4) of the rule as applicable to 2016 loss factors. Prior compliance concerns expressed by the AESO in relation to sections 2(5) and 2(6) of the rule continue to be addressed by the MSA’s letter of April 9, 2015.

The MSA intends to publish this letter by posting it on our website with the AESO’s letter of November 2, 2015 appended. If you have any questions, please contact me.

Yours truly,
/s/ Doug Doll

Director, Corporate Services and Compliance

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

November 2, 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 Forbearance Relating to the ISO Rule 501.10 – Transmission Loss Factor Methodology and Requirements (“Loss Factor Rule”)

The Alberta Utilities Commission (“AUC”) has ruled in Decision 2014-110 that the line loss methodology used by the AESO pursuant to the Loss Factor Rule does not comply with the *Transmission Regulation*.

Since issuing that decision, the AUC conducted Module B of AUC Proceeding 790 related to the line loss methodology and the AESO participated in the proceeding. The AESO anticipates a decision by the AUC related to this proceeding by the end of November 2015.

This letter is further to a meeting at the AESO office on August 21, 2015 during which AESO staff met with you to discuss circumstances related to the Loss Factor Rule, subsections 2(1), 2(2), and subsection 4.

Taking into account the anticipated timing of the AUC decision and subsequent implementation of the loss factor methodology, the AESO has made a decision to proceed with the use of the 2015 loss factors as interim loss factors for 2016 to be effective until Q1 2016 or potentially later, depending upon the decision of the AUC.

In order to continue using the 2015 loss factors in 2016 on this interim basis under the current Loss Factor Rule, the AESO would contravene subsections 2(1), 2(2), and subsection 4 of the Loss Factor Rule.

- Subsection 2(1) would be contravened as the AESO would not calculate loss factors for the 2016 calendar year.
- Subsection 2(2) would be contravened as the AESO would not take into account any modifications to the Alberta interconnected electric system, such as expansion to the transmission system, if such re-calculation would otherwise be required.
- Subsection 4 would be contravened as the AESO would not use forecast data for the calculation of 2016 loss factors.

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 subsections 2(1), 2(2) and subsection 4 of the Loss Factor Rule, during the period up to Q1 2016 or potentially later, pending the AUC decision.

In addition, the AESO notes it issued a letter on March 5, 2015 with respect to the 5th year loss factors and requested the MSA to refrain from finding the AESO to be in contravention of subsections 2(5) and 2(6) of the Loss Factor Rule. The MSA on April 9, 2015 issued a letter to the AESO that the MSA would temporarily forbear in respect of AESO non-compliance with the identified subsections. The AESO is requesting the MSA continue to forbear on the contravention of subsections 2(5) and 2(6).

If acceptable to the MSA, the AESO requests written confirmation of the above forbearances.

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 Mosing
Vice President Transmission Planning and Performance

c.c. Dan Shield Director Transmission Engineering and Performance
John Martin Senior Tariff and Regulatory Advisor
John Kehler Senior Technical Advisor
Diana Pommen Director Interjurisdictional Affairs and Compliance