



May 17, 2010

Dear Market Participants and Interested Parties:

Re: Letter of Notice –Expedited ISO Rule OPP 517 Keephills/Ellerslie/Genesee (“KEG”) Area Operation

The Alberta Electric System Operator (“AESO”) is providing notice to market participants on the attached ISO OPP 517 pursuant to Section 14 of the Alberta Utilities Commission (“AUC” or “Commission”) Rule 017. The AESO is authorized to make expedited ISO rules in accordance with section 20.6 of the *Electric Utilities Act*.

The proposed connection of the new Keephills 3 Generator to the Alberta interconnected electric system (“AIES”) and associated maintenance and upgrade improvements to the AIES in the KEG area (the “Project”) necessitate expedited amendments to ISO OPP 517.

Expedited ISO OPP 517 is applicable to all market participants and will be of specific interest to owners and operators of generation and transmission facilities in the KEG area.

Expedited ISO OPP 517 is considered by the AESO to be a Level I Change. Level I Changes are changes that have a significant operational or financial impact on the industry or the AESO.

Summary of ISO Rule

Expedited ISO OPP 517 sets out the operating policies and procedures for the reliable operation of the AIES in the KEG area.

Project Information and AESO Papers

In an effort to ensure that all affected market participants are provided with timely and accurate information regarding the Project schedule, including any specific projected outages or curtailments, the AESO has established a web page dedicated to providing information on the Project. To view the web page please [click here](#) or visit the AESO website at www.aeso.ca and follow the path Transmission > Project Updates > Keephills 3 Interconnection and Edmonton Region 240kV Line Upgrades – project updates.

In addition, the AESO also developed and distributed an industry communication and on April 8, 2010 provided notification of this letter in its weekly stakeholder newsletter setting out, among other things, the Project timeline, background, and information regarding how changes in the Project schedule will be communicated to stakeholders. To view the communication [click here](#) or visit the AESO website at www.aeso.ca and follow the path Transmission > Project Updates.



Background

The Project will complete the 500 kV reinforcement of the AIES in the KEG area (most of the KEG area was upgraded to 500 kV in 2008). The Project also includes the installation of new relay protection packages that will reduce stability concerns to the Lake Wabamun / KEG area generation and the installation of new special protection schemes, commonly known as remedial action schemes, to protect substation equipment and transmission lines from overloading and to protect against the resulting loss of the upgraded 500 kV lines. Together, these necessary improvements will result in increased capacity, stability and reliability to the AIES in the KEG area.

The Project will take approximately 18 months to complete, with construction scheduled to occur from May of 2010 to October of 2011. Numerous transmission line and generator derates are expected to occur on the AIES in the KEG area during construction.

The AESO requires flexibility and adaptability in order to manage both the pace at which AIES reconfigurations in the Project area will occur and the unpredictability of their occurrence. The current operational provisions of ISO OPP 517 do not provide the AESO the flexibility to mitigate AIES reliability risks that are anticipated to arise in the KEG area due to several system configurations resulting from the Project's construction plan, including those due to unexpected changes to the plan (due to factors such as weather and environmental mitigations). Interim procedures such as reliability directives are required during the Project.

AESO stakeholder consultation for each of the several system configurations that will occur as a result of the Project could not be completed in time to match or coincide with the numerous construction variables and would, in the AESO's opinion, result in Project delays, considerable financial risk to those involved in the Project, and further compromise AIES stability and reliability.

While it is generally the practice of the AESO to proceed with consultation on ISO rules changes in the usual course, that is, to proceed without recourse to section 20.6 of the EUA (which allows for filing of expedited ISO rules), the typical approach is not feasible in these circumstances.

The AESO confirms that a subsequent ISO rules version of expedited ISO OPP 517 will be put forward by the AESO for stakeholder consultation to be effective after Project construction is complete. The subsequent version will supersede expedited ISO OPP 517 and will be significantly different from the current ISO OPP 517, the expedited ISO OPP 517 and any iteration to ISO OPP 517 that would result were stakeholder consultation to occur now or during Project construction. As such, the AESO is of the view that stakeholder consultation regarding the content of ISO OPP 517 will have greatest value with respect to the ISO rules that will exist once Project construction is completed.



Consequently, due to reasons of efficiency, practicality, and most importantly, to ensure that AIES reliability is not compromised, the AESO will be filing expedited amendments to ISO OPP 517 to ensure operational readiness as a result of the Project. These amendments are attached.

Summary of Amendments

1. The expedited ISO OPP 517 removes the current operational provisions that will become invalid once the Project begins and substitutes interim procedures applicable during Project construction. Importantly, this will allow the AESO to issue reliability directives as required to the generating facilities affected by the Project. These interim procedures will last for the duration of the Project and will be superseded by the successor ISO rules once the Project is complete. It is important to reiterate that the successor ISO rules to the expedited ISO OPP 517 will follow the usual process for the development of ISO rules and will therefore include stakeholder consultation.
2. Four tables from ISO OPP 517 have been either deleted or transferred to the AESO's new internal System Controllers Procedures ("SCP"). Specifically, Tables 1 and 2 have been deleted as they are no longer applicable. Table 3 has been transferred to the SCP, Tables 4 and 5 have been renumbered as Tables 1 and 2, and Table 6 has been transferred to the SCP. Finally, confidential Table 7 has been renumbered as confidential Table 3 and confidential Table 8 has been renumbered as confidential Table 4.
3. Amendments have been made to the confidential Tables 3 and 4 attached to expedited ISO OPP 517 in order to include contracted supply transmission service levels and minimum stable generation for the new Keephills 3 Generator and to amend contracted supply transmission service levels for two other KEG area generators.

Confidential Tables Attached to Expedited ISO OPP 517

Expedited ISO OPP 517 includes confidential Tables 3 and 4 that contain amendments to information on contracted supply transmission service levels and minimum stable generation of KEG area generators. This information is considered to be commercially sensitive information by the KEG area generators.

The AESO will be requesting the Commission to determine that disclosure of confidential Tables 3 and 4 as a confidential attachment to expedited OPP 517 would not be in the public interest.



Attachments to Letter of Notice

In accordance with Section 16 of AUC Rule 017, the following documents are attached to this Letter of Notice:

- a) [Blacklined](#) and [clean](#) copy of the expedited ISO OPP 517.

Please note that the AESO has not issued any previous Letters of Notice regarding these changes.

Proposed Effective Date

The AESO proposes that expedited ISO OPP 517 take effect on May 27, 2010 or the date on which conductor 1202L returns to service and has been energized at 500 kV, whichever date occurs later. In the event the effective date of expedited ISO OPP 517 is other than May 27, 2010, the effective date will be communicated to all affected market participants through the AESO's weekly newsletter as well as posted on the AESO website at www.aeso.ca and follow the path Transmission > Project Updates.

Yours sincerely,

Original Signed By

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Attachments