

ATTACHMENT I

DESCRIPTION OF ALBERTA PARTICIPATION



Background:

In 1996, in consultation with industry stakeholders', Alberta deregulated its electric industry and created a structure composed of an independent Transmission Administrator (ESBI Alberta Ltd) and the Power Pool of Alberta. The Power Pool of Alberta is made up of the Power Pool Administrator (the market function) and the System Controller (an independent "real time" system operator). The combined objectives of these organizations are:

- Fair, open and efficient markets for energy, ancillary services and transmission
- Safe, reliable and economic operation of the interconnected transmission system

Alberta has made significant changes since deregulation first began in 1996. These changes are to make the market function more effectively and include:

- Establishment of an independent system coordination center which directs the operation of the Alberta Interconnected Electric System operations.
- The energy market started with a "pool" concept and has evolved to accommodate bilateral, forward and spot markets. The forward markets will be operational by 2001 and will be operated by independent electricity exchanges.
- The ancillary services market will be operational in 2001 and operated by independent electricity exchanges and dispatched by the System Controller.
- The use of innovative demand side programs to enhance system reliability.
- The implementation of an advanced Internet based energy trading systems in North America, which was commissioned in year 2000.
- The introduction of Location Based Credits in transmission tariffs to encourage siting of generation in locations most advantageous to the transmission system.

Alberta supports the formation of RTO West as an evolution to the activities already underway and considers it as another step towards achieving the same guiding objectives as noted above.

Alberta's Current Position:

The potential benefits of participation in RTO West that would be provided through open and non-discriminatory transmission access, competitive markets and common business practices are recognized by Alberta. Alberta has used a stakeholder consultative process in its deregulation efforts in the past and will continue this practice for receiving input on potential participation in RTO West. The deregulation of the electricity industry in Alberta has led to an increasing number of players, many of them new to the industry. The presence of a larger number of players in the industry in Alberta means that extensive consultation is required on significant strategic issues, such as RTOs. This consultation will facilitate the development of Alberta's proposal to the filing utilities for participation in RTO West. This consultation is now possible since the form and structure of RTO West is becoming better defined. Alberta has initiated action for the development of its proposal and will accelerate its activities for an anticipated completion by the second quarter of 2001. The decision for participation in RTO West is, of course, a mutual one to be made by RTO West and Alberta.

Alberta's current objective is to ensure that there are no major barriers created in the formation of RTO West that would prevent our future participation. Alberta is willing to consider modifications to its structure with the objective of enhancing competitive markets and open access to the interconnected transmission system while maintaining / enhancing system reliability.

Alberta is committed to working with the filing utilities or RTO West to find an appropriate mechanism for participation in the RTO that recognizes Alberta's accomplishments in restructuring and its legislative and regulatory requirements.

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