

July 30, 2012

To Market Participants Who Receive System Access Service to Which Rider E Applies, Under:

- Demand Opportunity Service Rate DOS;
- Export Opportunity Service Rate XOS;
- Supply Transmission Service Rate STS; and
- Import Opportunity Service Rate IOS

Dear Loss Factor Stakeholders:

Re: **Updated Losses Calibration Factor Rider E for Third Quarter of 2012**

On June 28, 2012, the AESO advised stakeholders that it would maintain the Q2 calibration factor of -0.36% during the month of July 2012 and would publish an updated Q3 calibration factor on or before July 31, 2012. The AESO has now completed its investigation of issues that prompted that decision, and has determined that a Q3 calibration factor of -0.90% will apply during August and September 2012. The calculation of the Q3 calibration factor is provided on the attached pages.

The issues that prompted the earlier decision arose from changes in total loss volumes that did not appear to correlate with any system changes. The AESO has determined that post-final restated metering data was not propagating through the AESO's systems after final settlement to the calibration factor calculations. Some large post-final data adjustments from 2010 and 2011 which occurred earlier in 2012 resulted in the apparent lack of correlation. The data used for the calibration factor calculations has been fully updated, such that total loss volume changes now correlate with system changes such as the impacts of the shutdown of Sundance 1 and 2 units in late 2010 and the high hydro production and high import volumes that have occurred to date during 2011-2012.

The AESO has also recalculated the 2012 loss factors for all loss factor sites in accordance with the requirements of ISO rule Section 9.2.2(b), as explained in information posted on the [Current Loss Factors page for 2012](#). The loss factor recalculation is required because the system average loss has changed by more than 5% due to the effects of the Sundance units shutdown and high hydro and import volumes.

The updated Q3 calibration factor has been determined using the new recalculated loss factors as well as the updated data discussed above. For greater clarity, the updated Q3 calibration factor of -0.90% will apply from August 1 to September 30, 2012. The prior calibration factor of -0.36% will continue to apply from July 1 to July 31, as well as during the second quarter months of April, May, and June, 2012.

If you have any questions, please contact lossfactor@aeso.ca.

Yours truly,

[original signed by]

Fred Ritter, P. Eng.
Chief Engineer



CURRENT YEAR MONTHLY DETAIL

$$2012 \text{ Third Quarter Calibration Factor \%} = \frac{\text{Carryforward}_{\text{Dec 31 2011}} + [(\text{Cost of Losses} - \text{Loss Revenues}) - \text{Rider E Revenues}]_{\text{Jan 1 - Dec 31 2012}}}{[\text{Hourly Loss Factor Customer Volumes} \times \text{Hourly Pool Price}]_{\text{Aug 1 - Dec 31, 2012}}}$$

The following table provides a summary of the AESO's projected year-end losses account balance for Rider E for January to December 2012.

		Calibration Factor Calculation Inputs					Other Information			
		Numerator Values			Denominator Value					
Period	Data Source	Cost of Losses	Revenues Collected	Costs Less Revenue (Over Collected) / Under Collected	Rider E Refunded/ (Collected)	Outstanding Variance (Over Collected) / Under Collected	Monthly Loss Factor Customer Volumes x Pool Price	Average Monthly Pool Price	Monthly Loss Factor Customer Volumes	Monthly Loss Volumes
		\$ millions	\$ millions	\$ millions	\$ millions	\$ millions	\$ millions	\$/MWh	millions MWh	millions MWh
Carryforward Dec 31 2011						(13.9)				
January 2012	Actual	17.1	19.2	(2.1)	(0.0)	(2.1)	NA	84.54	5.15	0.20
February 2012	Actual	8.7	8.8	(0.0)	(0.0)	(0.1)	NA	43.67	4.78	0.19
March 2012	Actual	9.6	10.4	(0.8)	(0.0)	(0.8)	NA	51.08	4.91	0.19
April 2012	Actual	6.8	7.7	(0.9)	0.7	(0.2)	NA	41.69	4.57	0.17
May 2012	Actual	5.4	5.8	(0.4)	0.5	0.1	NA	29.46	4.58	0.18
June 2012	Forecast	8.5	9.6	(1.2)	0.8	(0.4)	NA	46.70	4.62	0.17
July 2012	Forecast	17.6	18.8	(1.3)	1.6	0.3	NA	87.70	4.86	0.18
August 2012	Forecast	16.1	14.7	1.4	0.0	1.4	421.20	81.31	4.90	0.19
September 2012	Forecast	9.1	8.6	0.5	0.0	0.5	242.94	48.54	4.83	0.18
October 2012	Forecast	9.8	9.4	0.4	0.0	0.4	258.91	51.65	4.99	0.19
November 2012	Forecast	6.6	6.4	0.2	0.0	0.2	182.09	34.34	5.17	0.19
December 2012	Forecast	14.3	13.0	1.3	0.0	1.3	369.73	67.08	5.31	0.21
Annual 2012		129.5	132.3	(2.8)	3.5	0.7	1,474.88	55.65	58.68	2.24
Total Balance						(13.2)	1,474.88			
Calibration Factor Calculation Outputs: Rider E Calibration Factor Q3 2012 (to be applied in Aug-Sep 2012)							(0.90%)	(Refund)/Charge		

Notes:

- The Rider E Calibration Factor will apply to all loss factor customers receiving service under Rates STS, DOS, XOS, and IOS as provided on the Rider E rate sheet.
- If the Rider E Calibration Factor for Q3 remained in place during the months August to December, it would collect the variance between cost of losses and revenues by the end of 2012, as currently forecasted.
- Forecast amounts in the above table and calculation reflect the AESO's best estimates at the time of preparation. The values represent forecasts and estimates only, and final values will differ.
- Actual amounts in the above table are subject to revision in future periods due to interim and final settlement and to other adjustments.
- The calibration factor calculation itself is based on summing hourly costs, revenues, and loss factor customer volumes x pool price, and the same result will not be obtained by using the monthly values presented.
- Numbers may not add due to rounding.
- "NA" means "not applicable".
- The revenue, cost and Rider E amounts are shown on a production month basis.
- The following system level metering adjustments have occurred in 2012 and have been incorporated into Rider E consistent with the methodology pertaining to the allocation of outstanding variances.
 - a refund of \$5.4 million related to January to August 2011 allocated over Q1 to Q4 in 2012 (first incorporated into Rider E in Q1),
 - a refund of \$0.5 million related to December 2009 to December 2010 allocated over Q2 to Q4 in 2012, and
 - a refund of \$4.1 million related to December 2010 to October 2011 allocated over Q2 to Q4 in 2012.

PRIOR YEARS MONTHLY DETAIL

The following table provides a summary of the AESO's losses account balance for Rider E for the period 2006 to 2011.

		Calibration Factor Calculation Inputs					Other Information			
		Numerator Values			Denominator Value					
Period	Data Source	Revenues Collected	Costs Less Revenue (Over Collected) / Under Collected	Rider E Refunded/ (Collected)	Outstanding Variance (Over Collected) / Under Collected	Monthly Loss Factor Customer Volumes x Pool Price	Average Monthly Pool Price	Monthly Loss Factor Customer Volumes	Monthly Loss Volumes	
		\$ millions	\$ millions	\$ millions	\$ millions	\$ millions	\$/MWh	millions MWh	millions MWh	
Annual 2006 to 2008		640.3	692.7	(52.4)	53.1	0.7	NA	79.23	173.69	8.33
January 2009	Actual	19.2	20.9	(1.6)	0.2	(1.5)	NA	92.97	5.08	0.22
February 2009	Actual	10.8	11.2	(0.4)	0.1	(0.4)	NA	52.84	4.51	0.20
March 2009	Actual	9.0	9.7	(0.7)	0.1	(0.6)	NA	43.21	4.87	0.21
April 2009	Actual	6.5	6.7	(0.3)	0.1	(0.2)	NA	31.53	4.43	0.20
May 2009	Actual	6.9	6.8	0.1	0.1	0.1	NA	31.91	4.46	0.21
June 2009	Actual	6.5	7.0	(0.4)	0.1	(0.4)	NA	33.48	4.40	0.19
July 2009	Actual	8.7	8.9	(0.2)	0.0	(0.2)	NA	41.39	4.57	0.21
August 2009	Actual	7.5	7.7	(0.2)	0.0	(0.2)	NA	34.60	4.62	0.22
September 2009	Actual	15.5	15.5	(0.0)	0.0	(0.0)	NA	73.25	4.43	0.19
October 2009	Actual	7.7	8.1	(0.3)	0.2	(0.1)	NA	34.93	4.78	0.22
November 2009	Actual	10.0	10.3	(0.3)	0.3	(0.0)	NA	50.16	4.64	0.20
December 2009	Actual	13.3	13.5	(0.2)	0.3	0.2	NA	53.86	5.23	0.25
Annual 2009		121.6	126.2	(4.7)	1.3	(3.4)	NA	47.84	56.03	2.52
January 2010	Actual	11.3	10.6	0.7	0.3	1.0	N/A	43.43	5.11	0.26
February 2010	Actual	10.9	9.7	1.3	0.3	1.6	N/A	43.90	4.59	0.25
March 2010	Actual	8.7	8.2	0.5	0.3	0.7	N/A	35.31	4.86	0.24
April 2010	Actual	9.7	10.0	(0.4)	0.2	(0.2)	N/A	49.71	4.48	0.19
May 2010	Actual	23.8	25.4	(1.7)	0.5	(1.2)	N/A	134.69	4.46	0.18
June 2010	Actual	11.3	11.1	0.1	0.2	0.3	N/A	57.27	4.47	0.20
July 2010	Actual	8.4	8.5	(0.1)	(0.7)	(0.9)	N/A	40.01	4.66	0.21
August 2010	Actual	8.7	8.5	0.2	(0.7)	(0.6)	N/A	38.64	4.69	0.22
September 2010	Actual	6.5	6.1	0.4	(0.5)	(0.1)	N/A	28.42	4.56	0.23
October 2010	Actual	7.0	6.8	0.2	(0.7)	(0.5)	N/A	30.92	4.76	0.23
November 2010	Actual	10.8	10.7	0.1	(1.2)	(1.1)	N/A	48.09	5.00	0.23
December 2010	Actual	14.2	13.7	0.5	(1.6)	(1.0)	N/A	58.89	5.30	0.24
Annual 2010		131.2	129.5	1.7	(3.6)	(1.9)	NA	50.77	56.96	2.67
January 2011	Actual	17.1	16.6	0.5	0.2	0.7	N/A	79.05	5.19	0.22
February 2011	Actual	22.7	21.9	0.8	0.2	1.0	N/A	122.45	4.66	0.18
March 2011	Actual	10.4	10.2	0.2	0.1	0.3	N/A	48.52	5.15	0.21
April 2011	Actual	9.4	9.1	0.3	(1.4)	(1.1)	N/A	52.23	4.50	0.18
May 2011	Actual	6.3	6.3	0.0	(0.9)	(0.9)	N/A	32.27	4.49	0.19
June 2011	Actual	14.4	13.4	1.0	(2.0)	(1.0)	N/A	71.85	4.52	0.19
July 2011	Actual	14.4	14.2	0.2	(0.2)	(0.0)	N/A	61.21	4.76	0.21
August 2011	Actual	25.8	28.3	(2.5)	(0.5)	(3.0)	N/A	126.36	4.80	0.20
September 2011	Actual	20.5	21.4	(0.8)	(0.3)	(1.2)	N/A	96.57	4.61	0.19
October 2011	Actual	13.1	15.1	(2.0)	1.0	(1.0)	N/A	69.75	4.73	0.19
November 2011	Actual	22.0	25.5	(3.5)	1.7	(1.8)	N/A	108.24	4.93	0.20
December 2011	Actual	10.0	12.3	(2.3)	0.8	(1.5)	N/A	51.26	5.05	0.20
Annual 2011		186.2	194.2	(8.0)	(1.3)	(9.3)	NA	76.65	57.40	2.37