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# **BALANCING POOL UPDATE**

**Presented by Gary Reynolds,  
CFO and Acting Administrator**

IPPSA Conference "Setting the Stage"

March 2003



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# Overview of Balancing Pool

- Beneficial owner of 3 thermal PPAs and H.R Milner (2,300 MWs total capacity)
- Also counterparty to Hydro PPA
- Provide risk backstop to other PPAs
  - e.g. force majeure, unit destruction
- Manage surplus funds (if any) in the Balancing Pool account



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# Present Governance

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- Presently governed by Power Pool Council
  - Balancing Pool Committee
  - MAP II Sale Committee
  - H. R. Milner Operating & Sale Committees
- Code of Conduct established with AESO re: confidential information



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# Future Governance

- New corporation will be established under new Electric Utilities Act
- Separate governance from AESO and MSA
- Members are independent of other interests in the Alberta electric industry
- Advisory Committees will be optional



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# Key Mandates under EUA

- Manage generation assets in a commercially reasonable manner
- Sell generation assets if market conditions will allow for competitive sales at fair market value
- Organize management of generation assets according to holding restriction limits



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# Key Mandates under EUA cont'd

- Each year to 2021, assess any potential shortfall or excess cash position
  - apply to consumers through AESO service tariff
- Participate in regulatory and dispute resolution processes to protect interests and assets



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# Update on Results

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Highlights of recent activities demonstrating mandate to:

- (i) divest capacity at fair market values and;
- (ii) manage assets in a commercial manner.



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# Flashback: MAP I

- Balancing Pool capacity sold through Market Achievement Plan I

<b>Year</b>	<b>Contract Volume</b>
2001	1,900 MW
2002	650 MW
2003	180 MW



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# MAP II Contract

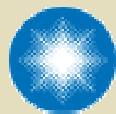
- In 2002, MAP II contract created:
  - Offer rights held by purchasers
  - Capacity offered in 80/100 MW strips and 157 MW units
  - 3 year contract term
  - Balancing Pool developed and implemented aggregator function



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# Stage I: Clover Bar

- During 2002, 3 of 4 Units were sold:



**Constellation**  
Power Source

**157 MW**



**157 MW**



**157 MW**

- 4<sup>th</sup> Unit is currently held by **balancingpool**



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# Stage II: Sheerness

- Eight strips sold to six buyers:



78 MW



100 MW



78 MW



200 MW



Constellation  
Power Source

100 MW



UBS Warburg

200 MW



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# MAP II: 2002 Summary

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- In 2002, sold offer rights for more than 1,200 MWs of capacity
- Sales of 11 units and strips to 6 different purchasers
- Process successful in bringing new participants to Alberta power market



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# Revised Clover Bar Offer Strategy

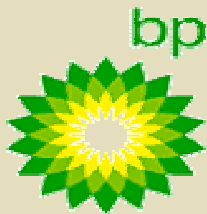
- Since 2001, Balancing Pool capacity offered at variable cost
- With MAP II sales to date, residual Balancing Pool capacity below holding restriction limits
- Power Pool Council approved change allowing flexibility in offer strategy
  - commercially reasonable manner



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# Stage III: Genesee

- Eight strips sold to six buyers:



81 MW

**SeeGen  
Alberta**

100 MW



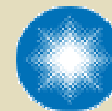
81 MW

*Confidential*

100 MW



100 MW



**Constellation  
Power Source**

300 MW



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# MAP II Summary

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- 2,000 MW of capacity has been sold to 11 different buyers
- MAP II enabled entrance of several new companies to the Alberta power market
- Sale process was highly competitive
- Maximized proceeds received by the Balancing Pool



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# H. R. Milner Sale Process

- Balancing Pool has engaged advisors to solicit interest in purchase of H. R. Milner station
- If no sale concluded, station will revert to ATCO on October 1, 2003
- Sale process is underway, and updates will be provided to stakeholders



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# **“What’s past is prologue”**

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**For more information:**

**Balancing Pool**

**403-538-3432**

**[www.balancingpool.ca](http://www.balancingpool.ca)**

**Annual Meeting: April 30, 2003**