

March 25, 2005

Mr. Merv Rockel, President
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#100, 115 Portage Close
Sherwood Park, Alberta

Subject: Review of the Fortis, ATCO, AESO and the DOE presentations to REAs, on March 23rd and 24th, 2005.

Dear Merv

We want to pass along a note of thanks to the AFREA for allowing us sit in on the LSA/AESO/DOE presentations held last week in Leduc and Vegerville. What we learned will be of value in helping us understand how we might be of greater service to the REAs with which we are currently working with: specifically North Parkland, Lakeland and Ermineskin, plus future customers of ZYNXX.

The two days invested gave us a better appreciation of the many frustrations that some of your members are struggling with. As an independent market participant we are focused on providing load settlement, validation, reconciliation, data mining and billing services to a wide cross section of commercial and industrial customers. UTILITYnet is more than a billing agent and as such, we had the luxury of being able to step back and look at the context and content of the various presentations from a different (and somewhat unique) perspective.

AFREA has a formidable challenge, in that we can appreciate the difficulty in getting a diverse group of REAs up to the same level of understanding as it pertains to the nuances and complexities of Alberta's restructured market. Given the differences in the purchase

agreements/contracts that the REAs have adopted, hence the Load Settlement presentation information would not necessarily be applicable to Non-Operating REAs.

It is suggested that the DOE/AESO may want to clearly define (from their perspective) the differences between; Self-Directed REAs, Self-Retail, Affiliate-Retail, Competitive-Retail, Non-Operating, and Operating REAs. The terms are used loosely and may be somewhat confusing. Depending upon the role that the REA assumes, the responsibilities and limitations needs to be both put into context and the criteria and prudentials governing each role needs to be categorized & documented. For the simplicity and the purpose of this paper we have grouped the REAs into two categories. The first is referred to as 'non-operating' (whereby Fortis and ATCO manage the wires and Direct and Epcor provide RRO invoicing services). The second category, we have referred to as Self-Directed (encompassing REAs that invoicing their members under the status of a Self-Operated, Self-Retail, Retailer or as an Affiliated Retailer). The term Self-Retail, was used loosely to describe the role that some REAs performed, but as the DOE will contend there is no such definition.

The definition of Load Settlement, as defined by AESO in determining the hourly consumption of electric energy for 'each customer' is not correct. Load Settlement itself does not reference the customer. Linking the customer into the definition of Load Settlement is misleading and has resulted in some people laying the blame on Load Settlement for past customer billing errors. It should be remembered, that when talking about pricing, it is important to keep the issue of 'Wholesale Pricing' & 'Retail Pricing' segregated and to keep issues related to wholesale and retail market in context.

We found it interesting that AESO didn't seem to grasp the reality that REAs don't use Load Settlement in the generation of the bill to their members, in fact very few retailers in the province base their customer invoice on Load Settlement data, (other than a few large industrials). For the vast number of REAs using Direct and Epcor as Retailers, the issue of wholesale pricing algorithms, profiling and Load Settlement do not directly impact them. Their invoice is simply based on their actual (or forecasted/calculated) meter reads. Given this; it is misleading to think that the e-LSI or Single LSA system that AESO has been promoting will have any impact on the accuracy of the customers invoice. All this would do is increase the

administrative burden to Retailers that would in turn be passed along to the consumer (REAs) as an extra cost to pay. The AFREA may want to re-think its position on e-LSI, rather than supporting a project that will result in an increase in the 'administrative cost burden' that its members will be saddled with.

With regards to the information of possible interest to Self-Directed REAs, there were a number of gaps in the presentation material, as provided by ATCO, Fortis and AESO.

A few questions from the floor (by some of the REAs) that rang loud; 'why can't we go back to the days when buying power was simpler; the government promised lower prices and hasn't delivered; why is buying power today so much more complicated; there is an industrial customer across the road from my farm and why am I paying 3 times more for power than he is?'

The reality is that things will not return '*days gone by*'. For the vast majority of REAs they are under supply agreement contracts with Direct Energy (approximately 30 REAs) and/or Epcor (approximately 20 REAs); irregardless what goes on with Load Settlement, UFE, Line Losses, Power Pool Pricing, RAM, PFAM and RSA transactions or e-LSI ~ all of this is buried in the RRO price (or the future Flow Through pricing model) that the Retailer charges ~ as such the REAs can not directly influence any of these cost factors whatsoever. Secondly; the only way your members may be able to lower their costs is to possibly learn how to work within the existing Settlement Systems Code and take advantage of the same opportunities some of the Self-Directed and Commercial & Industrial (C&I) customers have found.

Over the last few years, the electric power industry has undergone significant change, fueled by marketplace forces. As you look towards the future, more changes are on the horizon as the DOE explores the next round of regulatory restructuring of the retail and wholesale market. As the RRO pricing policy is scheduled to end in July 2006, the REAs will (more than ever), need to consider how best to protect their members, while taking full advantage of their bargaining power. One such issue for REAs to consider are the advantages of adopting commercial

contract hedges strategies and by doing so mitigating the impact of the 'price risk' associated with spikes in the hourly price or flow through averaging.

Some forward thinking REAs have already started down this path, but again, this option is only available to REAs that have taken advantage of becoming a Self-Directed or Affiliated Retailer. As your members consider the advantage of hedging and/or alternate supply arrangements and contract agreements; it might be worth while running a seminar on 'Risk Management', 'Exposure and Load Analytics', 'Blocking Strategies', 'Load Aggregation', 'Profile Classes' and 'On & Off Peak Pricing'.

However, we caution REAs, that moving to a Self-Directed model might not be their best interest as it all depends on balancing the economics of the number of sites, load and administrative costs. With this said, it is interesting to note that: *'the data to date indicates that, in general, the transition to competitive retail markets for industrial and large commercial rate classes is proceeding successfully, with switching rates for those classes at over 66 percent (or 87 percent of the load) by October 2004. In addition, metrics indicate that the smaller commercial customers also are embracing customer choice, given that over 30 percent of small commercial customer sites are under competitive contracts (as detailed in the DOE presentation).* This trend should be of interest to REAs, as more and more C&I market participants are continuing to migrating toward the perceived opportunities offered by participating in Alberta's restructured market.

Planning for July 2006: The proposed policy changes being studied by the DOE addresses, in part, the principles of 'Freedom of Choice' & 'Flow Through Pricing Models'. If you want to lower the price of power to your members, these changes will require REAs (more then ever), to adopt new innovative products, services and technology solutions designed to deal with many more complex decisions then they have been faced with in the past. As a suggestion; the AFREA and/or the DOE should consider developing and conducting a series of ongoing information program sessions focused on increasing the awareness of potential vulnerabilities and the availability of emerging solutions. At the same time, if the AFREA wants to help its Self-Directed or Affiliated Retail members reduce their costs then it might be of interest to provide benchmarking statistics, comparing the difference in fees charged that make up the bill.

You will find that some REAs are paying more than another for similar administrative and/or overhead fees charged by their assigned LSA.

The deregulation of the electric power industry has forced both investor owned as well as REA utilities to move further and faster than ever before. The next couple of year's hold considerable promise, but not without significant challenges and change. Those with a 'winning' corporate culture will succeed, but not without;

- offering new value-added services to their customers,
- optimizing efficiencies,
- developing stronger customer ties, and
- understanding the importance of / taking advantage of 'information management' tools.

Managing your information is all about being in a position to interpret (as well as take action), based on what the data (trends & anomalies) tells you. As the market restructures, stewardship of an REA will put increased pressure (on their internal operating staff and directors) to understand how to interpret and take advantage of what is hidden in the volumes of detailed data that flow through the various interconnected (REA, MDM, LSA, WO and AESO) systems. Market participants that take charge in managing their data, stand a better chance of identifying those business cost factors that they can control and influence. Alternatively, the member can simply stay with their incumbent retailer, as it is possible for some that the return on investment in managing your business may not warrant the cost of doing so, even if you are paying a higher price for your power and administration fees in dealing with Direct, Epcor and/or Enmax as your retailer of choice.

One of the challenges that all market participants face, is how to take advantage of the business aspects imbedded within Alberta's deregulated market structure. REAs dealing with Epcor or Direct have no choice and can not directly impact the price charged. For the others, it is important to know what information is needed by REAs for the purpose of mitigating their risk and/or providing their members with the lowest possible competitive price for power. Only by doing so, will they be able to reduce their energy costs and ensure you are only paying for the power they consumed.

In review of the information provided at last weeks seminar by Fortis, ATCO, AESO and the DOE, I am not sure if many REAs walked away from the seminar with a basket full of gems of information that would clearly help them 'formulate an action plan' and/or 'increase their knowledge', that would have helped them better control the cost that their members have

to pay for power. But there were a few things that Fortis, ATCO and AESO said that should have set off a few alarm bells.

Observation:

- The seminar was a good forum for discussion, but with only limited time on each person's time slot, in all fairness it really did not allow the fullness of time to do justice to the wide number of topics and to the complexities of each of the topics touched upon.

Suggestion:

- Give consideration to publishing and circulating of a series of educational papers on each of the elements that ultimately impact the price your individual members have to pay on their monthly power bill. This process could prove to be over burdening, but if you circulate a paper on a different topic each time you published your news letter, then over time, your members would garner a tremendous amount of valuable knowledge on the 'workings of the industry'.

As a starting point, please find below a data dictionary of cost factors that impact the financial REAs statements; each item within the list could be easily expanded upon. As such, the AFREA may want to solicit 'white papers' and/or statistics from the various LSAs, the DOE, AESO and/or the EUB on these various topics and others.

Data Dictionary

Name	Description
Average Non-Usage Cost (\$/MWh)	Average Non-Usage cost is calculated from Non-Usage charge divided by Usage amount (MWh). This number represents the non consumption cost of energy (Loss, UFE, trading charges)

Name	Description
Average Usage Cost (\$/MWh)	Average Usage cost is calculated from Usage charge divided by Usage amount (MWh). This number represents your average cost for energy consumed. This number is comparable to average Pool Price, in that average Pool Price represents a flat 1 MW load.
Average Pool Price (\$/MWh)	Monthly average of pool prices posted by the AESO.
Average Wire Cost (\$/MWh)	This number is derived from all wires invoices divided by Usage MWh. This number represents the average cost to deliver energy to your sites.
Final Adjustment Charge	Final adjustment charge is the difference between Interim and Final settlement charges. Final settlement occurs 7 months after the month of consumption.
Interim Adjustment Charge	Interim adjustment charge is the difference between Interim and Initial settlement charges. Interim settlement occurs 3 months after the month of consumption.
Meter Data (Actual verses Estimated)	Four settlements occur on every consumption month. Initial (I) is virtually 100% estimate, no Pool charges occur. Initial (M) is the initial charge on consumption. Interim (R) adjustment occurs 3 months after initial. Final (F) adjustment is 7 months after initial. Percentage actual meter read information is tracked between settlement periods. Monitoring the numbers will provide an indication of the performance to published standards and outstanding/potential liability that the retailer or customer is carrying.
Non-Usage Energy Charge	Non-Usage energy charges include settlement charges Loss, UFE & spot trading charges.
Retailer Adjustment to Market (RAM)	RAM is the billing method to collect funds from all affected parties to pay for RSA claims.
Retailer Specific Adjustment (RSA)	RSA charges are a payment to a Retailer, in response to billing errors that occurred after Final (PFAM claims).

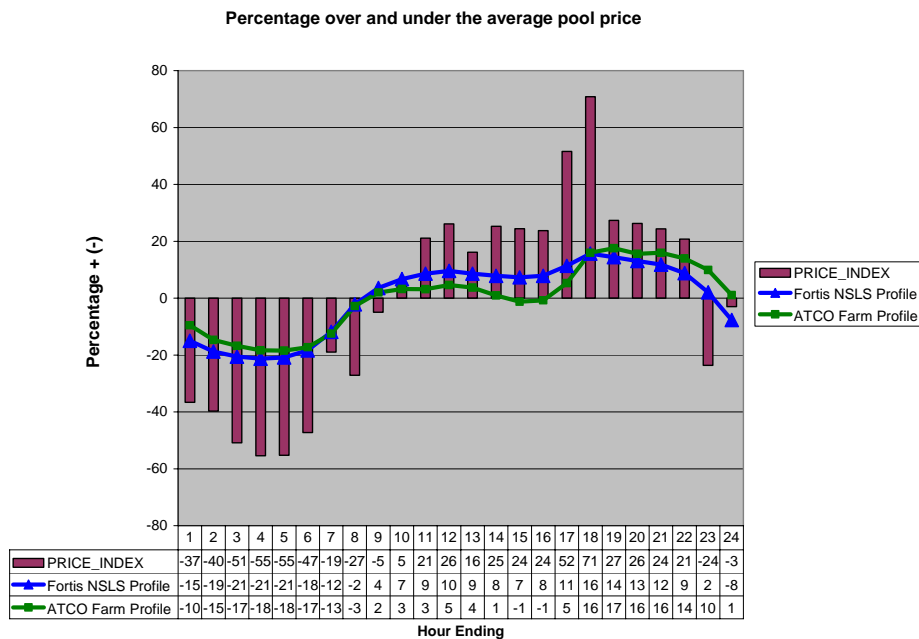
Name	Description
Total Charges	Total charge includes all Pool charges (usage, settlement adjustments, RSA and RAM amounts) and wire charges.
Total Delivery Charge	Charges associated with the delivery of energy to the meter. Delivery charges are invoiced by Wire Owners, not the AESO.
Total Pool Charge	Total of all Pool related charges including Usage, settlement adjustments, RAM, RSA and generation.
Total Usage Cost	Total Usage cost is the sum of consumption cost and delivery cost. This number represents the average cost for every MWh of energy you consume.
Usage (consumption) (MWh)	Amount of energy consumed on site. Source of data is cumulative meters, interval meters and, in the absence of meter data, estimates. (Excludes Loss and UFE)
Usage Pool Charge	Cost of consumed energy at the pool price.

- The presentations were not put into context as to how Load Settlement affected (or not) the REAs that were in attendance at the seminars. For those REAs operating under the concept of a Self-Directed REA, then issues around Load Settlement and the functioning of the Power Pool had meaning. But, for the other REAs, whereby their members are purchasing from retailers such as Direct Energy or Epcor then the function of Load Settlement, Losses, UFE and issues pertaining to AESO in reality is a mute point and really not applicable at all. The costs of these line items is absorbed by your retailer and buried in the RRO price paid by the REA member.

- There was no discussion around controllable verses un-controllable fees that impacted the cost of doing business as an REA. For Self-Directed REAs impacted by SSC policy and LSA processes, there might have been greater value in structuring the presentation to help REAs understand; (a) those cost factors that were regulatory and as such the REA had no control over, and (b) conversely detailing

matches more closely how you use power is critical to REAs, especially if the DOE moves to a concept of 'Flow Through' pricing.

- From a simplistic perspective, pricing is based on Supply and Demand. But, the more you know about pricing and your load profile then you will be in a more informed position to take advantage of Alberta's restructured market. The chart below shows you the hourly percentage swing in prices by hour, (charted against the average power pool spot price over a 25,000 hourly sample period). In this example, the early morning hours are approximately 40% below the average Power Pool price. Similarly, the Power Pool price always spikes around hour 17 and 18 (as the load increases) by 50% to 70% above the average pool price. But there is not an absolute correlation. (Example: the load profile used by ATCO shows that the demand at hour 8 is the same as the load at hour 15. But the price paid for power at hour 15 is +25% higher.) If REAs have an opportunity to shift their load, they can significantly reduce your power costs. (However, this only applies to time of use meter customers, or to customers who have a profile that accurately reflects the way they use power.)



- The following chart is based on the average pool price set to a zero index and the percentages indicate what days of the week the prices spike and are at their lowest. On average the price on Monday is the highest during the week. It falls off during mid week and is lower than the daily average over the weekend. This should be factored into the pricing strategy adopted by REAs when considering hedging.

% above or below the average Power Pool Price			
	2002	2003	2004
MON	+ 14.1	+ 8.6	+ 13.6
TUE	+ 5.1	- 2.6	+ 6.3
WED	- 1.3	+ 2.6	+ 0.9
THU	- 0.3	- 4.6	+ 0.9
FRI	- 8.0	+ 8.3	- 1.6
SAT	- 0.8	- 2.1	- 17.4
SUN	- 8.8	- 10.3	- 2.6

- Load profiles used for REA members in the Fortis and ATCO territories are different. Fortis uses the NSLS (Net System Load Shape – which is a catch all). ATCO has a specific class for Farms (but do not distinguish between types of farming activity – by using an average, ATCO charges all Farms the based on the same profile; in the world according to ATCO, a pig farm uses power at the same rate as a dairy or grain farmer). When you multiply the profile class by the average hourly power pool price you will find that REA members under the Fortis NSLS will be paying more than those assigned to ATCO’s Farm Profile Class.
- As the DOE redesigns the retail market and if they implement a ‘Flow Through’ pricing model, then the importance of ‘Load Profiling’ will become of critical importance to REA members. Re the previous chart: as both Fortis and ATCO demonstrated, the Load Settlement calculation is based on the load shape. But as noted, both use different shapes when dividing the day into hours (as needed given the AESO publishes its Power Pool price on an hourly basis).

Question: Does the deemed profile match the actual load of REAs? As an example, the above chart shows that the consumption/load for

REAs is lower between the hours of 5 am and 9 am than between the hours of 10 am to 10 pm. During this period the price for power conversely starts to rise around 11, at which time your usage is up. Does this correctly represent the nature of the mix and the way your members use power? The problem with averaging is that some are getting a free ride while others are paying a premium for power they are not using.

Question: Why are farms in the Fortis area paying more for power than in the ATCO territory?

Question: If the DOE restructures market pricing, shouldn't they simultaneously focus on ensuring the load profiles more closely match the actual consumption patterns?

Observation: We do not have enough profile categories, sufficient to represent the reality of the market. As a point of reference, we encourage the DOE to chat with Erin Puryear (804-290-2180) at Old Dominion Electric Cooperative or Debbie Marcum (334-427-3374) at Alabama Electric Cooperative. The ODEC project was put into place specifically to develop load profiles for customer choice. As Alberta moves towards advancing the concept of customer choice, then the DOE may want to seriously consider the impact of load profiling in their equation.

Learn from others: in the initial ODEC design, a relatively simple strategy was employed to develop regional profiles for residential, small power and large power customers (similar to what we currently have here in Alberta). This was soon altered to focus more directly on the various Cooperative rate classes. It is interesting to note that they subdivided farms into 5 sub-categories. Here in Alberta, if we want to encourage a market based on 'Customer Choice' then it would be appropriate to

more clearly distinguish between the way different classes of customer user power. It impacts what they pay. On a comparative basis, wherein Fortis has lumped most of their customers into a single NSLS load shape, below is an example of the degree that ODEC has gone to segment the customer groupings. Some of the profiles used ODEC today included:

Residential
Residential Seasonal
Ultra load use residential
Residential low summer and low winter use customers
Residential high summer and low winter use customers
Residential low summer and high winter use customers
Residential high summer and high winter use customers
Residential space heating customers
Residential direct load control (i.e., load management customers)
Churches
Schools
Small Power single phase
Small Power three phase
Large Power
[*Agriculture General*](#)
[*Irrigation*](#)
[*Poultry*](#)
[*Pig Farms*](#)
[*Tobacco barns \(pending\)*](#)
Athletic Field lighting
C&I High Load Factor
Interruptible power customers
Large Power Coincident Peak rates
Large Power Large Volume and Large Volume Interruptible
Commercial time of use
Sewage treatment plants
Non-Jurisdictional customers

The Alabama Electric Cooperative project went even further; as they focused mainly on gathering information including end-use information for analyzing the Company's marketing effort. End-use and total home data are being secured on residential customers with various types of heat pumps, e.g., air-to-air, geothermal, dual fuel, heat pumps in highly insulated homes (i.e., touchstone energy homes), with different types of water heating configurations, i.e., different combinations of upper and lower element wattages including 2500/2500, 4500/4500, and 750/2500, and other

“interesting” profiles, i.e., super insulated homes. For more information contact Curt Puckett, President of RLW Analytics in Clarklake MI.

Here in Alberta load profiling has not gained the attention that we believe it should. If REAs want to capture similar advantages to their ‘Industrial Cousins’ then the topic of ‘Profiling’ should be high on your agenda. At the same time, Line Losses are structured by Profile Class and this is another area that was briefly brushed over during last week’s seminar. Enclosed is a copy of the latest numbers. You will find that a farm in the ATCO territory pays twice as much as a residential customer. Is this correct? Have the numbers been challenged?

How do farms compare to other profile classes? The attached chart gives you a perspective of the actual numbers.

- Thinking out of the box: It may be of interest to explore the option of Individual REAs establishing their own profile class and/or exploring together with the DOE/EUB the true cost and benefits of implementing an aggressive ‘Time of Use’ meters program. Additionally, there may be value to REAs in exploring the option of setting up their own POD/Zone. (Who defines / establishes settlement zones?) Can REA areas be separated into their own settlement Zones or Pods? (This way the Loss / UFE fees paid by REAs will more accurately reflect their real liability.) At the present time, regardless what you do to reduce the cost of Line Losses, UFE or LSA admin charges; each REA is paying an average rate that is applicable to all other REAs in either the ATCO or Fortis LSA territories.

- What is the ROI in implementing Interval Meters? Is it in your interest to do so? Is it in the Wires Company’s interest for you not to do so? ATCO indicated that the cost was prohibitive to install an interval meter, and the cost of preparing a load shape with an appropriate statistical sample size was likewise costly. Suggest you may want to challenge this and look at alternate suppliers that can provide load shape statistics. If you are interested in exploring this further, please contact UTILITYnet and our business partners, which are located in Texas, would be more than pleased to arrange to provide you a competitive quotation.

- If Self-Directed REAs want to increase settlement accuracy, then they may want to take a close look at the correlation between the percentage of meters read and the numbers making it into settlement. The issue is all about timing. If your meters are read but not used in the initial settlement process, the LSA will use its estimating program and you can be guaranteed that they will estimate high. You can save yourself some money if you focus on this issue. For individual REAs check the numbers. We have found that on Initial Settlement ATCO is estimating upwards of 50% of the meter reads, while for customers in the Fortis territory the number of estimates is now down to half of the ATCO numbers.

- The issue of why there is a difference between settlement data and billing data was not discussed. There are logical reasons related to the timing of processing transactions; but settlement timing problems have absolutely no impact on what REAs pay for power. REAs customer invoices are based on meter read data not settlement data. I was surprised that AESO didn't know this. Settlement data is needed to reconcile the wholesale price for power, and this activity is only applicable to REAs that are operating outside the retail arm of Direct and Epcor.

- What information could AESO have provided that would have given Self-Directed REAs help in understanding the power pool pricing methodologies and thus putting the REAs in a more informed position when reviewing competitive contract, wholesale and retail pricing terms? AFREA may want to add this topic to your agenda, the next time a seminar is held.

- As indicated by AESO the service that they provide is based on cost recovery (similar to a non-profit organization). But as Lakeland asked: what is AESO doing to control their costs? If AESO was able to reduce their costs: all Self-Directed REAs would directly benefit. Can AESO/LSAs streamline their operations and reduce their costs? If REAs want to reduce the administration fees that they pay as part of their electricity prices then this is a valid question. Here are two possible areas that they may want to consider;

- a) Eliminate the 'I' Settlement Run. As noted there are four settlement runs; the daily Initial ('I'), the Monthly ('M'), the Interim ('R') and the Final ('F'). No one that we know uses the 'I' Run, except possibly AESO. As noted in their explanation, they think the data is used for to calculate/confirm the prudential requirements of the Retailers. HOWEVER, 100% of the data published by the LSAs when they prepare the 'I' Run is based on estimated data. AESO and the DOE should be requested to re-examine the value of the 'I' Run and consider canceling it. This would save the industry the associated costs pertaining to processing ¼ of load settlement transactions.
- b) AESO is spending millions of dollars on their e-LSI project and have yet to show the market participants any value directly attributed to the expenditure. For REAs that are buying power off of a retailer; then this project will have ZERO impact to you, except for the reality that you will have to pay your portion of the millions of dollars that AESO will / or has already spent.
- It was interesting to note in the Fortis presentation, that they 'do not validate' and 'do not do reasonableness checks' on any of the DCM (meter read) information that they receive from Self-Directed REAs. If you explore this issue/reality a little further, you will find the root of the reason for many of past problems by those REAs that are attempting to reconcile wholesale and retail billing anomalies.
- ATCO does not send out ENC/DEC notification for internally generated ENR/DER request; is AESO aware of this and are there plans to make sure all ENC/DEC are sent out to the retailers? When a site is salvaged, does Fortis issue an SRO to the retailer to de-enroll the site? They are supposed to – but do they? This, was raised at the seminar – but brushed over. Why is this important? For Self-Directed REAs to fully automate their internal systems and to ensure accuracy then issues such as this (and others) are important to you. As more and more REAs consider the option of Self-Directed (Affiliate Retail) options, then the quality of data must be increased

(thus reducing your risk exposure). In setting priorities we have encouraged the LSAs and AESO to focus their attention on 'Business Processes'. Without a solid foundation in the way we communicate and if SSC transactions that are processed are not clearly defined, your members will be continually faced with difficulties in reconciliation of the wholesale power which they are invoiced for by AESO.

- The LSAs and Retailers are not definitive regarding the administrative costs that they charge for their services; i.e. ATCO indicated that their customer charge for LSA service was \$1.42 per site, plus a further 4 dollars for load settlement services. The fees from Fortis are different. Suggestion: The AFREA may want to consider publishing a comparative chart of all the direct and indirect costs that their members are charged. The fees should be an 'open book' and clearly defined for comparative purposes. When you do this it may pinpoint opportunities to challenge the fees.
- UFE in a number of zones is above the published AESO tolerances. Suggest the AFREA may want to hold AESO accountable to report on the differences.
- During the seminar, it was referenced that AESO was proceeding forward with the implementation of e-LSI; but you should be made aware, that not everything is as it seems. Actually AESO has been requested to re-evaluate its priorities related to settlement by the Load Settlement Business Advisory Committee, of which UTILITYnet is a member. It is our suggestion that issues such as reducing the settlement period from 7 months to 4 or 5 months, establishing clearly defined process business rules, streamlining the PFAM process, investing in time of use meters, correcting UFE, evaluating line losses, updating profile classes; makes far more business sense than spending 11 million dollars on implementing the first phase of e-LSI. We suggest, given that the vast majority of REAs will not benefit from e-LSI and it simply is another administrative fee that you will be required to fund with no return on your investment, the Federation may want to reconsider endorsing the e-LSI project, as all it will do is add yet another hidden administrative fee to your members monthly invoice.

- As REAs plan for the future – we suggest that they need to look at information technology services as an integrated solution bringing together all the various aspects of deregulation. No longer can you simply consider systems in isolation. The key to success is “integration”. Isolated systems that singularly handle such business needs as Billing are outdated. Today, businesses require their systems to be integrated with the LSA and Pool. REAs will benefit if they ensure that they have an integrated application that includes; rigorous meter validation services, wholesale power reconciliation, information and data mining modules, site catalog, automated enrolment and de-enrolment, price alert signal, load profiling and hedging analysis tools. As the market evolves topics such as revenue assurance, margin analysis and customer contact management will grow in importance.

- Information Sharing: We had the feeling that a number of REAs were in the dark when it came to clearly understanding all the complexities of what was included in their (wholesale & retail) monthly invoice. The AFREA may want to consider setting up a data bank of Key Performance Indicators. In light of regulatory changes that are being considered, it may be of value to REAs for the AFREA to take a central repository role, so that all members can gain access to a chart with each cost line item. By being aware of what each member is comparatively paying for Spot Trading Charges, Power Pool Fees, Wholesale Contract Prices, Administration Services, Transmission Fees, Wires Riders, Load Settlement, UFE, Losses, RAM, ect.; then the REAs in general will be in a far more informed and proactive position. Only with access to information can a business manager take control of their business, hold market participants accountable and to drive down the price their members are paying for power. Comparing information may help lead to identifying possible areas for potential cost reductions.

We hope you find our comments and observations of interest.

Regards