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NEB / ONE

National Energy Board
Attn: Michel Mantha, Secretary of the Board
444 - Seventh Avenue S.W.
Calgary, Alberta
T2P 0X8

February 6th, 2006

Dear Mr. Mantha,

Review of National Energy Board Cost Recovery Regulations

In Toronto on January 19th 2006, the NEB hosted an information session setting out its proposed cost recovery concept for the electricity sector. Brookfield Energy Marketing Inc., formerly named Brascan Energy Marketing Inc., holds a number of NEB electricity export permits and is directly affected by any changes to the cost recovery mechanism. We thank the NEB for the opportunity to participate in the stakeholder process and the invitation to comment on its proposals.

We generally endorse the proposed cost recovery concept presented during the information session. We believe the proposals strike a balance between equity, predictability and operational simplicity.

NEB's decision to review and update the existing cost recovery regulations is timely because the existing regulations no longer reflect the dynamics of Canada's electricity industry, nor how it trades with the United States. Under the existing regulations, all non-attributable costs are recovered from exporters. This is clearly not fair because it fails to recognise the benefits that International Power Line owners and their customers receive from the NEB's regulatory work. Both importers and Canadian electricity consumers benefit from the increased economic efficiency and greater supply reliability that comes from being connected to neighbouring US systems, yet currently neither contribute towards the NEB's costs. We believe the NEB's concept is correct in proposing to recover these costs through IPLs.

We have no objection to the concept of aligning the cost recovery year with the NEB's internal year end. The virtues of this proposal are obvious and the costs to the industry, we believe, negligible.

One aspect of the cost recovery mechanism unchanged by the NEB's proposals is the inability of the NEB to recover costs from unsuccessful IPL applicants not already regulated by the NEB. We encourage the NEB to work with the relevant governmental authorities to correct this.

continued



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We would be pleased to help the NEB stakeholder the detailed implementation of its proposed cost recovery concept.

Yours Sincerely



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cc: Chantal Robert, Project Manager
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