included the content of those duplicate provisions in section 6 of the proposed terms and conditions.

6.10 Provision of Information by Market Participants (Section 7)

This section updates and clarifies provisions (previously in Article 8) relating to the provision of information to the AESO by a market participant. The Article 8.1(c) reference to provision of “Metering Equipment information outlined in Appendix A” as well as Appendix A itself have been removed in conjunction with reliance on the provisions of the AESO Measurement System Standard as discussed in section 6.9 above.

In addition, the AESO proposes that the current requirement for forecast information to be provided on October 1 of each year be revised to a requirement that it be provided in response to a request from the AESO, but not more than once in a 12-month period. This more closely reflects the practice of the AESO where forecast information is generally requested on an as-needed basis.

6.11 Construction Contributions for Connection Projects (Section 8)

The AESO proposes significant changes to certain aspects of the contribution policy in its tariff, and has also restructured and reorganized the contribution policy provisions to increase clarity, reduce subjectivity, and create more consistent and predictable results.

The changes proposed by the AESO reflect the contribution policy principles established during the proceedings on the AESO’s 2005-2006 and 2007 tariff applications. Decisions 2005-096 and 2007-106 on those applications, respectively, summarized the principles applicable to the AESO’s contribution policy.

(a) Construction contributions should relate only to the local connection costs for a system access service. Deeper system costs are properly the responsibility of all market participants receiving system access service and should be recovered from all market participants through rates for system access service. (Decision 2005-096, page 43)

(b) The underlying purpose of the contribution policy is to send price signals (reflective of the AESO’s economics) to market participants when they are considering siting alternatives for their facilities. (Decision 2005-096, page 43)

(c) An excessive local investment allowance could provide incentives for market participants to pursue higher standards of connection facilities than required and justify doing so on the basis that the cost of the higher standard facilities would not exceed the permitted investment allowance. (Decision 2005-096, page 44)

(d) Because an incremental revenue approach may place undue upward pressure on rates, maximum investment allowances should be below a level representing the incremental revenues expected to arise from the connection of a new system access service. (Decision 2005-096, page 44)
445 (e) Investment allowances should be set with regard to the anticipated costs of connecting a system access service reflecting acceptable standards of functionality and service established by the AESO. (Decision 2005-096, page 44)

446 (f) Connection facility service characteristics and standards of functionality may change over time. (Decision 2005-096, page 44)

447 (g) Cost, not revenue, is the appropriate starting point for establishing the contribution policy. (Decision 2005-096, page 56)

448 (h) Significant economies of scale occur as the size of connection projects increases, and such economies of scale should be reflected in the functional form of the maximum investment curve. (Decision 2005-096, page 57)

449 (i) It is still necessary to maintain the dual-use formula (implemented through the substation fraction) to ensure that market participants that are primarily generators are not able to gain an effective exemption from the requirement in the Transmission Regulation that generators are to pay for their local connection costs. (Decision 2005-096, page 61)

450 (j) The POD cost function used as the basis for the Rate DTS POD charge should be used as the basis for the maximum investment function. (Decision 2007-106, page 92)

451 (k) Electric distribution system owners and direct-connected market participants should be treated comparably under the contribution policy in the AESO’s tariff. (Decision 2007-106, page 103)

452 The AESO considers that these principles provide guidance for the development of and revisions to the contribution policy.

453 Contribution policy principles were also included in the recommendations resulting from AltaLink’s industry consultation process mentioned in section 3 of this application. The majority of the principles recommended from the AltaLink consultation are already addressed in the principles quoted above. In addition, the AltaLink consultation recommendations included the following three principles (in italics) with respect to which the AESO provides the following comments.

454 (l) *The contribution policy needs to consider minimizing intergenerational inequity.* — This recommended contribution policy principle is similar to the rate design principle of stability and predictability discussed in section 4.2 of this application. With respect to rate design, previous decisions on the AESO’s tariff determined that when rates are designed to reflect the primary cost causation principles, there should be little need for concern about considerations of stability, barring unusual regulatory events such as regulatory lag or dramatic changes in cost structure. The AESO generally considers that this conclusion is also applicable to the contribution policy. When a contribution policy is based on sound cost causation principles such as those
provided in the decisions discussed above, there should be little need for concern about consideration of intergenerational equity. The AESO also considers that it is accordingly appropriate to revise or update investment levels through an approved methodology generally at the same time rates are revised or updated, and has proposed such an update methodology in section 8 of this application. (The AESO notes that recognition of cost inflation was specifically mentioned as one element of this recommended principle, in additional information provided with the AltaLink recommendations.)

The contribution policy needs to consider that most market participants should not pay a contribution for standard facilities, such that utilities are compensated for the assets they own, operate, and use to provide service. — The AESO considers that this recommendation includes two concerns. The first is that most market participants should not pay a contribution for standard facilities, which was discussed in some detail in Decision 2007-106 with the conclusion that changes to investment levels should be based on actual project costs and should not rely on ensuring a specific proportion of market participants do not pay a contribution. The AESO considers this conclusion to be reasonable, and has followed that approach in the 2010 POD Cost Function and Investment Level Update Recommendations provided as Appendix F to this application.

The second concern included in this recommendation relates to the reduction of the compensation to utilities when they receive construction contributions for assets they own, operate, and use. This was one of the drivers behind the management fees proposed by AltaLink and ATCO Electric and mentioned in section 4.16 of this application. The AESO suggests the concern relates more to the traditional approach to and impact of construction contributions than to how many market participants make contributions. As an alternative to the traditional approach, the AESO’s proposal for amortized construction contribution Rider I in section 4.16 allows a utility to be compensated for the assets they own, operate, and use, but does not affect the number of market participants making contributions. The concern about utility compensation can be addressed by ensuring the market participant making the contribution provides adequate compensation to the utility, through either a Rider I or other mechanism. For example, in the AESO’s working group discussion of the point of delivery cost function, participants proposed an approach where each system access service would be attributed all costs associated with the connection (in effect providing zero investment) but the costs would be recovered over time through a site-specific rate that provided appropriate compensation to the utility.

The contribution policy methodology should be simple to administer and applied in a consistent and transparent manner. — This recommended contribution policy principle is similar to the rate design principle of practicality discussed in section 4.2 of this application. The AESO supports this recommendation and has added a significant amount of detail and clarity to the contribution provisions proposed in this application. With the added detail and clarity, the proposed contribution provisions can be readily administered. However, the AESO notes that administrative simplicity, consistency, and transparency could be achieved with most contribution policies, and
this recommendation in itself provides little guidance on the basis for the contribution policy itself.

Having consideration for all of the principles discussed above, the AESO in this application is proposing to generally continue the contribution policy approach established in its 2007 tariff proceeding. That approach is based on a multi-tiered maximum investment level developed through analysis of recent project costs, the application of that investment to connection project costs attributed to a market participant, and the payment by the market participant of any connection project costs in excess of the maximum investment.

Rather than change the approach to the contribution policy, the goals of the proposed revisions to the contribution policy in this application are to increase clarity and reduce subjectivity in the classification of connection project costs, and to produce construction contribution results that are more consistent and more predictable by the market participant.

In revising the contribution policy, the AESO has reorganized Article 9 in the current terms and conditions into three separate sections in the proposed terms and conditions:

- section 8 includes the provisions and calculations that apply when transmission facilities are constructed either to provide system access service to a new point of delivery or point of supply, or to increase the capacity of or improve system access service to an existing point of delivery or point of supply (previously in Articles 9.1 through 9.8, 9.14, and 9.15);
- section 9 includes the provisions and calculations that apply to changes to system access service that do not require construction of transmission facilities (previously in Articles 9.9 and 9.10, as well as 13 and 14); and
- section 10 includes the provisions that apply to the calculation, payment, and refund of the owner’s contribution for a generating unit (previously called “system contribution” in Articles 9.11 and 9.12).

The proposed section 8 addresses how costs associated with a connection project are allocated to a market participant or rolled into system costs recovered through the AESO’s rates. Figure 6-2 illustrates the general process that results in the determination of a construction contribution for a market participant. The provisions of section 8 have been reordered from the current Article 9 to more closely correspond to the steps for determining a construction contribution as provided in Figure 6-2. For ease of reference, the location of section 8 provisions in the current Article 9 is provided in Table 6-3 after the figure.

### 6.11.1 Connection Costs

The AESO proposes to explicitly state that the costs for a connection project will include those related to facilities required to meet the market participant's forecast load or generation and the market participant's reliability and operating requirements. This is consistent with the AESO’s current practice, although not stated in the current terms and conditions.