October 31, 2011

Alberta Utilities Commission
Fifth Avenue Place, Fourth Floor
425 – 1st Street SW
Calgary, Alberta T2P 3L8

Dear Sir or Madam:

Re:  AESO 2012 Balancing Pool Consumer Allocation Rider F Application

1 Please find enclosed the 2012 Balancing Pool Consumer Allocation Rider F Application of the Alberta Electric System Operator (“AESO”). This application is made pursuant to subsection 82(6) of the Electric Utilities Act under which the Alberta Utilities Commission (Commission) is to approve the annualized amount transferred by the Balancing Pool to or from the AESO.

2 In this application, the AESO has proposed certain revisions to Rider F to be effective January 1, 2012. The proposed revisions would establish the applicability, calculation methodology, publishing, and billing obligations of the AESO and market participants, and allow the calculation of the actual $/MWh credit or charge to be completed by the AESO using the approved methodology but without further specific approval. The proposed calculation would use the annualized amount estimated by the Balancing Pool in its notice to the AESO, which for 2012 was issued on October 26, 2011 and provides a credit of $5.50/MWh.

3 All substantive aspects of Rider F, including applicability criteria, are proposed to continue unchanged from the currently-approved rider as established and approved in prior Rider F proceedings. Rider F currently provides a $2.00/MWh credit applicable to all system access services provided under demand transmission service Rate DTS and demand opportunity service Rate DOS, with the exceptions of such services provided to the City of Medicine Hat and BC Hydro at Fort Nelson.

4 The AESO requests that the Commission deal with this application through an expedited written process.

5 Please direct all correspondence relating to this application to:

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Director, Tariff Applications
Alberta Electric System Operator
2500, 330 – 5th Avenue SW
Calgary, Alberta T2P 0L4
Phone: 403-539-2465
Fax: 403-539-2524
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Fax: 403-539-2524  
Email: morag.maclachlan@aeso.ca  

If you have any questions on this application or need additional information, please contact me at 403-539-2465 or by email to john.martin@aeso.ca.

Yours truly,

[original signed by]

John Martin  
Director, Tariff Applications  

cc: Heidi Kirrmaier, Vice-President, Regulatory, AESO  
Raj Sharma, Senior Tariff Analyst, AESO
Alberta Electric System Operator
2012 Balancing Pool Consumer Allocation Rider F Application

Date: October 31, 2011
Prepared by: Alberta Electric System Operator
Prepared for: Alberta Utilities Commission
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1 Application

This application is made pursuant to subsection 82(6) of the Electric Utilities Act (Act) for approval of a Balancing Pool Consumer Allocation Rider F to refund or collect an annualized amount which the Balancing Pool estimates and transfers to or from the Alberta Electric System Operator (AESO). Rider F provides a credit or charge applicable to all system access services provided under demand transmission service Rate DTS and demand opportunity service Rate DOS, with the exceptions of such services provided to the City of Medicine Hat and BC Hydro at Fort Nelson.

Under subsection 82(4) of the Act, the Balancing Pool must notify the AESO of an annualized amount to be included in the ISO tariff under subsections 82(5) and 30(2)(b) of the Act. The Balancing Pool has notified the AESO of positive annualized amounts for each calendar year since 2006.

This application reflects the Balancing Pool’s notice to the AESO of a positive annualized amount of $324,500,000.00 for 2012. The AESO proposes to refund the annualized amount from January 1 through December 31, 2012, in a manner similar to that currently used to refund the 2011 annualized amount. The AESO also proposes to revise Rider F such that specific approval of rider levels reflecting annualized amounts will no longer be required, as described more fully in section 3 below.

2 Background

Rider F was first approved as a $1.00/MWh credit for 2006 consumption by the predecessor of the Alberta Utilities Commission (Commission), the Alberta Energy and Utilities Board (Board), through Board Order U2005-464 for 2006 consumption. Rider F was revised in subsequent years and approved as follows:

- as a $3.00/MWh credit for 2007 consumption in Board Order U2006-332;
- as a $5.00/MWh credit for 2008 consumption through Board Order U2007-309;
- as a $6.50/MWh credit for 2009 consumption through Commission Order U2008-356;
- as a $4.00/MWh credit for 2010 consumption through Commission Decision 2009-239, subsequently amended to a $2.00/MWh credit for consumption from July 1 though December 31, 2010, through Commission Decision 2010-257; and
- as a $2.00/MWh credit for 2011 consumption through Commission Decision 2010-564.

In its notices to the AESO, the Balancing Pool has recommended that the annualized amount should be refunded to consumers as a $/MWh credit. That approach has been followed in Rider F to date, and the AESO continues to accept the Balancing Pool’s recommendation. The AESO notes that in accordance with Board Order U2006-307, the City of Medicine Hat and BC Hydro at Fort Nelson are ineligible for Rider F.

The AESO proposes that all substantive aspects of Rider F, including applicability criteria, continue unchanged from the 2011 Rider F which is currently in effect.

3 Change to Rider F Structure

No objections have been received in any of the AESO’s previous Rider F applications. For each application, the Board or Commission, as applicable, has conducted a proceeding to allow interested parties to participate in a review of the application. Although some parties have registered to participate in each proceeding, none have opposed the AESO’s application and in each case the application has been approved as filed.

The AESO considers that the substantive aspects of Rider F were established through the early Rider F applications and proceedings, in accordance with the requirements set out in section 82 of the Act. The most recent Rider F proceedings have provided little apparent value beyond satisfying the requirements
of subsection 82(6) of the Act. Accordingly, in this application the AESO proposes a change to the Rider F structure to avoid the need for future proceedings and to improve regulatory efficiency.

The AESO proposes that Rider F be approved with a structure that establishes the applicability, calculation methodology, publishing, and billing obligations of the AESO and market participants. The calculation of the actual $/MWh credit or charge would then be completed by the AESO in an information document, using the approved methodology but without specific approval of the Commission. The AESO considers that this approach satisfies the requirements of subsection 82(6) of the Act and provides for an efficient regulatory process.

The proposed approach would also assist distribution system owners who are required to apply to the Commission for approval of their own riders to transfer Rider F refunds or collections to end-use consumers of electricity served through distribution systems. In prior years, the AESO’s Rider F has been approved first, with subsequent approvals of each distribution system owner’s rider. The AESO understands that it has sometimes been challenging for the Commission to accommodate the sequential approvals of the AESO’s rider and multiple distribution riders in the limited time available between the Balancing Pool’s notice and January 1 of the refund year. Eliminating the need for filing and specific approval of the Rider F credit or charge calculated by the AESO should allow more time for approval of the distribution system owners’ riders.

As mentioned above, the AESO considers that its proposed approach satisfies the requirements of subsection 82(6) of the Act, which states:

82(6) The Commission must

(a) approve the annualized amount provided to the Independent System Operator by the Balancing Pool, without modification, and

(b) approve, with or without modification, the allocation of the annualized amount to the owners of electric distribution systems, industrial systems and persons that have made arrangements under section 101(2).

Subsection 82(6)(a) of the Act restricts the Commission from modifying the annualized amount provided by the Balancing Pool. Accordingly, subsection 2(3)(a) of proposed Rider F requires the AESO to use the annualized amount estimated by the Balancing Pool, without modification, when determining the Rider F credit or charge.

Subsection 82(6)(b) of the Act requires the Commission to approve the allocation of the annualized amount to owners of electric distribution systems, industrial systems, and persons that have made arrangements under section 101(2) of the Act. As discussed in prior Rider F applications, those are market participants who receive system access service under the AESO’s Rate DTS and Rate DOS, excluding the City of Medicine Hat and BC Hydro at Fort Nelson. The applicability of Rider F is specified in subsection 1 of the proposed rider, while the allocation is addressed in subsection 2(2).

The Commission’s approval of proposed Rider F would therefore satisfy the requirements of subsection 82(6) of the Act. Proposed Rider F, if approved, could remain in place indefinitely without the annual proceedings currently required to reflect the Balancing Pool’s annualized amounts. Avoiding the need for future proceedings to approve Rider F credits or charges will improve regulatory efficiency and eliminate the time, resources, and expense associated with those unneeded proceedings.

Although the proposed Rider F, if approved, could remain in place indefinitely, the AESO notes that Rider F could be amended or revised through a future application to and approval of the Commission, like any component of the ISO tariff. The AESO would anticipate making such an application to the Commission if Rider F were materially impacted by changes to legislation, to the nature of the Balancing...
Pool annualized amount, or to matters relevant to the allocation of the annualized amount. The AESO does not currently foresee any such circumstances that would materially impact Rider F.

4 Proposed Rider F and Related Information Document

The AESO’s proposed Rider F is attached as Appendix A to this application.

The proposed Rider F specifies in subsection 1 the applicability of Rider F consistent with the applicability of the currently-approved rider, as established through prior Rider F proceedings.

In subsection 2, the proposed Rider F requires the AESO to determine Rider F as a $/MWh credit or charge calculated as the annualized amount estimated by the Balancing Pool divided by the total metered energy estimated by the AESO for the year. The AESO is required to publish the calculation promptly after receiving notice from the Balancing Pool. The AESO must then include Rider F credits or charges on monthly statements of account issued to market participants during the settlement periods during which the Rider F credit or charge applies. These provisions are all consistent with the approach of the currently-approved rider.

The calculation of the Rider F credit or charge will be published by the AESO as an information document. A draft information document is attached as Appendix B to this application, for information purposes only. The AESO is not requesting approval of the information document as part of this application.

The information document identifies Rider F as the authoritative document to which it relates, summarizes the AESO’s calculation of the $/MWh credit or charge, and details the settlement periods in which Rider F will apply. The AESO will attach the Balancing Pool notice to the information document. The AESO considers that the information document will provide transparency of the Rider F calculation and demonstrate the AESO’s compliance with the requirements of Rider F, as approved by the Commission.

The Balancing Pool’s notice to the AESO of a positive annualized amount of $324,500,000.00 for 2012, dated October 26, 2011, is included as Appendix D to this application.

5 Relief Requested

Accordingly, based on the foregoing reasons, the AESO requests approval of the Balancing Pool Consumer Allocation Rider F provided as Appendix A to this application, to be effective January 1, 2012.

As this application proposes that all substantive aspects of Rider F, including applicability criteria, continue unchanged from the currently-approved rider, the AESO requests that the Commission deal with this application through an expedited written process.

The AESO has also attached, as Appendix C to this application, an alternative 2012 Rider F which is based on the currently-approved rider with only the effective dates and credit level updated to reflect the Balancing Pool’s notice of October 26, 2011. In the event that the proposed revisions to Rider F cannot be approved to be effective January 1, 2011, the AESO requests that the alternative 2012 Rider F be approved prior to that date, on either an interim or final basis at the discretion of the Commission.

All of which is respectfully submitted this 31st day of October, 2011.

Alberta Electric System Operator

Per: ______________________________
Heidi Kirrmaier
Vice-President Regulatory

AESO 2012 Rider F Application
Page 3 of 7
Confidentiality: Public
**Applicability**

1(1) Rider F applies to **system access service** provided under:

   (a) demand transmission service Rate DTS; and

   (b) demand opportunity service Rate DOS.

(2) Notwithstanding subsection 1(1) above, Rider F does not apply to **system access service** provided to:

   (a) the City of Medicine Hat; or

   (b) BC Hydro at Fort Nelson, British Columbia.

**Rider**

2(1) Rider F refunds or collects an annualized amount the Balancing Pool estimates and transfers to or from the **ISO** under section 82 of the **Act**.

(2) The **ISO** will determine Rider F as an additional $/MWh credit or charge that applies to the **system access services** identified in subsection 1 above.

(3) The **ISO** will:

   (a) determine the Rider F credit or charge for a calendar year based on:

      (i) the annualized amount the Balancing Pool estimates, without modification, divided by

      (ii) the total **metered energy** the **ISO** estimates for the **system access services** identified in subsection 1 above;

   and

   (b) adjust the Rider F credit or charge during a calendar year to reflect an amendment to the annualized amount by the Balancing Pool.

(4) The **ISO** must publish on the AESO website promptly after receiving a notice from the Balancing Pool of an annualized amount or an amendment to the annualized amount:

   (a) the Rider F credit or charge;

   (b) the **settlement periods** during which the Rider F credit or charge will apply; and

   (c) the notice the **ISO** receives from the Balancing Pool.

(5) For each **settlement period** during which a Rider F credit or charge applies pursuant to subsection 2(4)(2) above, the **ISO** must refund to or collect from a **market participant** an amount equal to:

   (a) the Rider F credit or charge determined under subsection 2(3) above, multiplied by

   (b) the **metered energy** for the **system access service** in the **settlement period**.
Terms

3  The terms and conditions of the ISO tariff form part of this rider.

Revision History

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1 Purpose

The AESO issues information documents to provide additional information and interpretation regarding certain subject matters set out in the AESO’s authoritative documents.

The purpose of this information document is to provide the AESO’s determination of the 2012 Balancing Pool consumer allocation Rider F credit or charge.

2 Related Authoritative Documents

The AESO’s authoritative documents consist of ISO rules, the ISO tariff and reliability standards. Authoritative documents contain binding rights, requirements and obligations for market participants and the ISO. Market participants and the ISO are required to comply with provisions set out in authoritative documents.

Market participants are encouraged to review the authoritative documents related to this information document, which include:


3 Determination of Rider F

In accordance with the methodology described in subsection 2 of Rider F in the ISO tariff, the AESO has determined the Rider F credit or charge as follows:

(a) annualized amount the Balancing Pool estimates: $324,500,000 refund

(b) total metered energy the AESO estimates: 59,000,000 MWh

(c) Rider F credit or charge ($(a) ÷ (b)$): $5.50/MWh credit

4 Applicable Settlement Periods

The Rider F credit of $5.50/MWh determined in subsection 3(c) above applies in each settlement period from January 1 to December 31, 2012.

5 Balancing Pool Notice

On October 26, 2011, the Balancing Pool provided notice to the AESO of the annualized amount in subsection 3(a) above. The Balancing Pool’s notice is attached to this information document.

Revision History

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Applicability

1(1) Rider F applies to system access service provided under:

   (a) demand transmission service Rate DTS; and
   (b) demand opportunity service Rate DOS.

(2) Notwithstanding subsection 1(1) above, Rider F does not apply to system access service provided to:

   (a) the City of Medicine Hat; or
   (b) BC Hydro at Fort Nelson, British Columbia.

(3) Rider F applies in all settlement periods from January 1, 2012 to December 31, 2012.

Rider

2(1) Rider F is a credit of $5.50/MWh of metered energy during the settlement period.

(2) For the market participants receiving system access service from the ISO under subsection 1 above, Rider F refunds or collects an annualized amount estimated by the Balancing Pool and transferred to the ISO under section 82 of the Act.

Terms

3 The terms and conditions of the ISO tariff form part of this rider.

Revision History

Effective Description

October 26, 2011

Ms. Heidi Kirrmaier, Vice-President, Regulatory
Alberta Electric System Operator
Suite 2500, 330 – 5th Avenue SW
Calgary, AB T2P 0L4

RE: AESO 2012 Tariff Application

Dear Ms. Kirrmaier:

The Balancing Pool has announced a consumer allocation of $5.50 per MWh of consumption for an estimated annualized amount of $324,500,000. Pursuant to Section 30(2) (b) of the Electric Utility Act, any such allocation must be included in the AESO’s tariff.

Please consider this our formal request to have this included as part of the AESO’s tariff effective January 1 to December 31, 2012.

If you have any questions, please contact the undersigned at (403) 539-5351.

Sincerely,

[Signature]
Peter Flynn
Interim President and CEO

C.C John Martin, Alberta Electric System Operator