Alberta Electric System Operator
2012 Amortized Construction Contribution
Rider I Reply Argument

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1 Introduction


Besides the AESO, the following two registered parties filed argument on the Application on September 28, 2012:

- AltaLink Management Ltd. (AltaLink);
- ATCO Electric Ltd.

As well, the Office of the Utilities Consumer Advocate (UCA) submitted a letter stating that its position remained that “the AESO has addressed and complied with the Commission’s direction concerning Rider I and its implementation.”

In this reply argument, the AESO comments on concerns raised in argument by AltaLink and ATCO Electric. Lack of reply to any specific matter raised in argument by other parties does not necessarily indicate the AESO’s agreement with that matter.
2 Reply to AltaLink

AltaLink stated (section 4, page 5, paragraph 17) that it intervened in this proceeding to draw attention to certain facts and understanding, including the following:

- “that AltaLink should not bear any default risk associated with the AESO’s implementation of its Rider I proposal” (section 3.1, page 3, paragraph 12);
- “that AltaLink is requesting, in its [2013-2014] GTA, that a deferral account be established to deal with credit default risk that could potentially arise from connecting customers who are eligible for the AESO’s proposed Rider I” (section 3.2, page 4, paragraph 15); and
- that “the Commission has indicated that to the extent that stranded asset issues arise as a result of the implementation of Rider I, those issues should be addressed in a separate proceeding.” (section 3.2, page 5, paragraph 16)

The AESO submits that the issues raised by AltaLink in its argument are beyond the scope of this proceeding, which is limited to the AESO’s compliance in its Application with the directions of the Commission in Decision 2011-474. The AESO considers that the matters raised by AltaLink are more appropriately addressed between AltaLink and the Commission in other proceedings, as suggested by AltaLink.

The AESO notes that AltaLink concluded its argument (section 4, page 5, paragraph 18) by stating that it “does not oppose the AESO’s Application.”
3 Reply to ATCO Electric

ATCO Electric raised concerns in its argument similar to those raised by AltaLink, including:

- that the “Commission has indicated that the matter of stranded asset issues resulting from the implementation of Rider I will be addressed in a future proceeding” (page 1, paragraph 3);
- that “ATCO Electric in its 2013-2014 Transmission General Tariff Application … is requesting that an AESO Rider I Credit Default Risk Deferral be established to address stranded costs that arise as a result of an AESO Rider I customer defaulting on its obligations” (page 1, paragraph 4); and
- that “ATCO Electric should be held harmless from any risk of default by a Rider I customer.” (page 2, paragraph 11)

The AESO submits that the issues raised by ATCO Electric in its argument, similar to those raised by AltaLink, are beyond the scope of this proceeding, which is limited to the AESO’s compliance in its Application with the directions of the Commission in Decision 2011-474. The AESO considers that the matters raised by ATCO Electric are more appropriately addressed between ATCO Electric and the Commission in other proceedings, as suggested by ATCO Electric.

In addition, the AESO provides the following comments on specific points raised by ATCO Electric in its argument.

ATCO Electric notes (page 2, paragraph 8) “that affording TFOs an opportunity to provide ‘input’ does not mean that the TFO will control the outcome” of whether to deny or rescind conversion of a contribution to Rider I. The AESO submits that subsection 1(5) of proposed Rider I imposes an obligation that “the ISO must consider” harm that may occur to a transmission facilities owner, and that the obligation goes beyond simply providing an opportunity for input.

ATCO Electric then suggests (page 2, paragraph 9) that circumstances could arise where ATCO Electric’s “own assessment shows that the credit default risk for a specific customer is unacceptable to the company” while being acceptable to the AESO. The AESO is unaware of circumstances that would lead to different credit default risk assessments by the AESO and ATCO Electric, unless ATCO Electric encountered difficulty initially collecting the construction contribution for the project and had not advised the AESO of that matter. Subsection 1(5)(b) of proposed Rider I specifically requires the AESO to consider “if the market participant is or has been in default on any other amounts owed … to an owner of transmission facilities.” As explained in information response AML-AESO-005(b), “The AESO expects to advise transmission facility owners when construction contributions are being converted to or from Rider I monthly charges,” and would request that a transmission facility owner advise the AESO of any default risk concerns at that time. The AESO does not expect to approve conversion of a construction contribution to Rider I monthly charges if a transmission facility owner expressed reasonable default risk concerns.

ATCO Electric states (pages 2-3, paragraph 12) that the “AESO appears to marginalize the issue of potential harm to TFOs” by suggesting that the risk of default and stranded assets is “extremely small.” The AESO notes that its comment on the risk of default and stranded assets simply repeated the Commission findings in Decision 2011-474, which stated:

*With respect to this matter, the Commission agrees with the AESO that the likelihood of a customer becoming insolvent at the same time as the backer of its financial security becomes insolvent is extremely small.* [Decision 2011-474, section 7.3, page 101, paragraph 542]

ATCO Electric also raises (page 3, paragraph 13) concern with “the risks associated with collecting on a letter of credit from such [foreign financial] institutions.” The AESO outlined its process for accepting letters of credit from foreign financial institutions in information response AML-AESO-013(c), and submits...
that process is thorough and appropriate. The AESO explained it will only consider accepting letters of credit from foreign financial institutions that are Schedule II and III banks with at least an A minus rating from an acceptable credit rating agency, and further noted that it does not automatically accept letters of credit from Schedule II or III banks.

The AESO notes that ATCO Electric concluded its argument (page 3, paragraph 15) by stating that it "will continue to pursue the Rider I credit default risk and stranded asset issue as well as possible remedies in future proceedings." ATCO Electric did not specifically state an objection to the Commission’s approval of Rider I in this proceeding nor request specific changes or revisions to the AESO’s proposed Rider I.
4 Conclusion

16 As noted in section 1 of the AESO’s argument (page 3, paragraph 4), several parties registered in the proceeding fully supported the AESO’s Application and recommended it be approved as filed, including FortisAlberta, the Industrial Power Consumers Association of Alberta, TransCanada Keystone Pipeline, and the Office of the Utilities Consumer Advocate.

17 In argument, AltaLink stated (section 4, page 5, paragraph 18) that it “does not oppose the AESO’s Application.” Similarly, ATCO Electric did not specifically state an objection to the Commission’s approval of Rider I nor request specific changes or revisions to the AESO’s proposed Rider I.

18 The AESO submits that no substantive matter has been raised in argument or in information requests that requires correction or revision to Rider I as included in the AESO’s 2012 Amortized Construction Contribution Rider I Application.

19 Having consideration for all the foregoing, the AESO reiterates, as earlier submitted in argument, that Rider I should be approved as filed and that the relief requested in section 1.2 of the Application (page 4, paragraph 13) should be granted in full.

20 As noted in the Application (section 3, page 14, paragraph 53), the AESO requests that the Commission allow at least two full calendar months after issuing its decision before Rider I is to become effective.