September 6, 2013

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

Dear Salma:

Re: AESO Response to CCA Comments on AESO Request for Approval to Commence a Negotiated Settlement Process
Application No. 1609765 and Proceeding ID No. 2718

1 The Independent System Operator, operating as the Alberta Electric System Operator (AESO), provides the following response to comments from the Consumers' Coalition of Alberta (CCA) regarding the AESO's request for approval to commence a negotiated settlement process. By letter dated September 4, 2013, the Alberta Utilities Commission (Commission) had invited parties to respond to CCA's comments by September 6, 2013.

2 CCA raised two concerns in its letter: the timing of the request for approval to commence a negotiated settlement process and the issues proposed to be resolved through the negotiated settlement.

1 Timing of Request for Approval

3 CCA expressed "reservations about committing to a negotiated settlement prior to receipt of IR responses." In its letter, the AESO stated (page 2):

[T]he AESO recognizes that participants in the proceeding would like the opportunity to further test the study. The AESO supports the examination of the study through the information request process scheduled in the Commission's letter dated August 13, 2013, prior to meeting with participants to discuss any potential negotiated settlement.

4 The AESO has not requested parties to commit to a negotiated settlement process before the information request process is completed. The AESO requested approval to commence a negotiated settlement process to avoid unnecessary delay after responses to information requests are filed. The AESO has clearly stated it intended to meet with participants to discuss a potential negotiated settlement only after the information request process is complete.

5 The AESO therefore submits that CCA's reservations with respect to timing of the AESOs' request are unwarranted.
2 Issues to be Resolved Through Negotiated Settlement

CCA expressed concern “that limiting the discussion to only the COSS [cost of service study] without regard to how those costs are charged to customers would be prejudicial to residential customers.”

Although a complete proceeding schedule has not yet been issued, the AESO presumes that issues not resolved in a negotiated settlement would be fully examined through an oral hearing process before the Commission. The AESO does not consider that rate design matters such as those mentioned by CCA should be included in the negotiated settlement process. Rate design issues may be controversial and potentially less amenable to negotiated settlement than the functionalization and classification of wires costs summarized in the 2014-2016 Cost Causation Study and in section 5.2 (pages 29-31) of the AESO’s application. The AESO assumes that rate design matters would be subject to full discussion and debate through the balance of the regulatory proceeding.

CCA also states that “the cost increases … would impact residential customers more severely than any other customer class.” The AESO notes that its tariff includes a single rate for system access service to load market participants, and that the AESO does not provide service directly to residential consumers. Transmission charges to residential and other classes of end-use consumers are determined by distribution system owners through their own tariff applications to the Commission. However, the AESO does acknowledge that ISO tariff charges to distribution system owners may influence residential transmission charges. CCA accordingly has valid interests in the rate design of the ISO tariff, and the AESO suggests such interests can be most appropriately addressed through a hearing process rather than negotiated settlement.

The AESO submits that examining rate design matters through a hearing process rather than negotiated settlement would not be prejudicial to residential consumers or any other class of end-use consumers.

If you require additional information concerning these comments, please contact me at 403-539-2467 in Calgary or at john.martin@aeso.ca.

Yours truly,

John Martin
Director, Tariff Applications

cc: Heidi Kirrmaier, Vice-President, Regulatory, AESO
    Lee Ann Kerr, Manager, Tariff Applications, AESO
    Raj Sharma, Senior Tariff Analyst, AESO