October 20, 2014

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

Dear Salma and Dwayne:

Re: AEO 2014 ISO Tariff Compliance Filing Pursuant to Decision 2014-242

Attached please find the AESO’s refiling of its 2014 ISO tariff to reflect the findings, conclusions, and directions in Decision 2014-242 of the Alberta Utilities Commission (Commission). The compliance filing addresses all matters to be included in the refiling, including rates and terms and conditions of service. Compliance with the specific directions in Decision 2014-242 is discussed in section 2 of the application.

As discussed in the response to Direction 11, the AESO believes it may be possible to submit the revised construction commitment agreement (CCA) discussed in that direction in the near future. If so, the AESO proposes to submit the CCA and related tariff provisions as a supplement to this compliance filing. The AESO considers that the incorporation of the CCA and related tariff provisions into the compliance filing proceeding would be an efficient and effective approach to address those matters.

As this application is a straightforward compliance filing in respect of directions in Decision 2014-242, the AESO suggests the application be dealt with through a written proceeding.

The AESO has requested that the 2014 tariff be approved to be effective April 1, 2015. In the event the tariff cannot be approved to be effective on that date, the AESO would appreciate being advised of the likely effective date as soon as practical to allow it to adjust its implementation plans accordingly.

Please direct all correspondence relating to this application to:

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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,

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  
Melissa Mitchell-Moisson, Senior Regulatory Coordinator, AESO
Alberta Electric System Operator
2014 ISO Tariff Compliance Filing
Pursuant to Decision 2014-242

Date: October 20, 2014
Prepared by: Alberta Electric System Operator
Prepared for: Alberta Utilities Commission
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A 2014 Point of Delivery Cost Function Workbook
B 2014 Rate Calculations Workbook
C 2014 Bill Impact Analysis Workbook
D 2014 Contribution Policy Investment Level Workbook
E Refiled 2014 ISO Tariff
F Blackline Comparison of Refiled and Originally-Proposed ISO Tariffs
1 Application

On August 21, 2014, the Alberta Utilities Commission (Commission) issued Decision 2014-242 (Decision) with respect to the 2014 ISO Tariff Application and 2013 ISO Tariff Update (Application) of the Independent System Operator, operating as the Alberta Electric System Operator (AESO). The AESO had filed the Application with the Commission on July 17, 2013. The Application requested approval of the rates to be charged for, and the terms and conditions that apply to, each class of system access service provided by the AESO.

The Decision provided various directions to the AESO with respect to the Application, and concluded as follows:

*It is hereby ordered that:*

1. The AESO shall refile its 2014 ISO Tariff Application and 2013 ISO Tariff Update to reflect the findings, conclusions and directions in this decision on or before October 20, 2014. [section 10, page 160, paragraph 806]

This compliance filing is submitted in response to the above order of the Commission, and complies with all directions in the Decision that were to be addressed in the refile. The AESO notes that some directions in the Decision are to be addressed in the AESO’s next comprehensive tariff application or in other future applications, and these accordingly are not addressed in this refile.

This compliance filing is organized into the following sections:

1 Application — Provides background on the application and specifies the relief requested.

2 Compliance With Decision 2014-242 — Summarizes the AESO’s compliance with the Decision and provides a response to each direction in the Decision.

3 Implementation — Discusses the effective dates of the refiled tariff and the AESO’s plans for implementation.

This application also includes the following appendices:

- A 2014 Point of Delivery Cost Function Workbook
- B 2014 Rate Calculations Workbook
- C 2014 Bill Impact Analysis Workbook
- D 2014 Contribution Policy Investment Level Workbook
- E Refiled 2014 ISO Tariff
- F Blackline Comparison of Refiled and Originally-Proposed ISO Tariffs

1.1 Relief Requested

For the reasons outlined in further detail in the remainder of this compliance filing, the AESO seeks the following relief pursuant to sections 30 and 119 of the *Electric Utilities Act* and in accordance with the orders and directions set out in the Decision:

(a) confirmation that the Commission’s directions in Decision 2014-242 have been satisfactorily responded to, for those directions which require responses at this time;

(b) approval of the 2014 rate calculations provided as Appendix B of this compliance filing;
(c) approval of the 2014 ISO tariff provided as Appendix E of this compliance filing, to be effective April 1, 2015, including rates, riders, terms and conditions, and appendices, all as refiled; and

(d) such other relief as the Commission deems appropriate.

All of which is respectfully submitted this 20th day of October, 2014.

Alberta Electric System Operator

Per: 

Heidi Kirrmaier
Vice-President Regulatory
2 Compliance With Decision 2014-242

This refiling comprehensively addresses all matters in the Decision which required responses at this time.

2.1 Compliance Matters Addressed

Responses to the Commission’s directions to the AESO in the Decision are discussed in sections 2.2 and 2.3 below. This compliance filing also includes other changes, as discussed in this section.

The 2014 forecast costs for wires have been updated to reflect recent filings and approvals of transmission facility owner tariffs for 2014. These changes have been highlighted in Table B-2 in Appendix B of this application, with costs being updated for AltaLink, ATCO Electric, TransAlta Utilities Corporation, and FortisAlberta (for farm transmission costs). The updated costs result in transmission facility owner wires-related costs increasing by 1.1%, to $1,365.9 million compared to $1,350.9 million as filed in the negotiated settlement agreement update of appendices in January 2014.

The 2014 rate calculations have also been updated to reflect 2014 billing determinants based on the AESO 2014 Long-term Outlook as updated in June 2014. The 2014 billing determinants are provided in Table B-12 in Appendix B of this compliance filing.

Finally, typographical errors, grammatical errors, formatting inconsistencies, and similar minor errors have been corrected in the refiled tariff provided in Appendix E of this compliance filing.

2.2 Summary of Directions

The following table provides a summary of the directions provided in Decision 2014-242 and indicates whether each direction has been responded to in this compliance filing or will be responded to in a future AESO tariff or other application.

<table>
<thead>
<tr>
<th>No</th>
<th>Direction</th>
<th>Sec</th>
<th>Page</th>
<th>This Refiling</th>
<th>Future Application</th>
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<td>Continue to exclude participant-owned projects from project database</td>
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<td>2</td>
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<td>3</td>
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<tr>
<td></td>
<td>a system project</td>
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<td>6.2</td>
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<td></td>
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<td>requested connection project in-service date</td>
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<tr>
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<td>Direction</td>
<td>Sec</td>
<td>Page</td>
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<td>--------------------</td>
</tr>
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<td>7</td>
<td>Redraft applicable advancement cost provisions in terms and conditions</td>
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<td>Remove proposed subsection 3(3)(d) of section 8</td>
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<td>9</td>
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</table>

### 2.3 Responses to Directions

The following pages provide additional detail on the AESO’s responses to the directions in Decision 2014-242.
1 Continue to Exclude Participant-Owned Projects From Project Database

**Direction**

8 The proposal of the DUC is denied. The AESO is directed to continue to exclude customer-owned projects from the database and POD cost calculations. [section 5.3.1, page 42, paragraph 208]

**Response**

9 Participant-owned projects are excluded from the project database and point of delivery cost function calculations in Appendix A of this compliance filing.
Use Full Increased Capacity Made Possible by an Upgrade Project

Direction

10 The AESO is directed to use the full increased capacity made possible by an upgrade project. If the AESO cannot reasonably determine this capacity level for any given project, then the project should be excluded from the database. [section 5.3.3, page 51, paragraph 260]

Response

11 The AESO has reviewed all upgrade projects in the connection project database and, where applicable, has used the full increased capacity made possible by the upgrade rather than the increase in contract capacity to determine the point of delivery cost function.

The following conventions were followed to determine the capacity made possible by the upgrade.

13 (1) Transformer addition — When a transformer was added at an existing substation, the added capacity was the maximum transformer rating in MVA, converted to MW by multiplying by 0.9.

14 (2) Transformer replacement — When a larger transformer replaced a smaller transformer at a substation, the added capacity was the difference in maximum transformer ratings between the two transformers in MVA, converted to MW by multiplying by 0.9.

15 (3) Breaker addition — When one or more breakers were added at an existing substation, the added capacity was the sum of the MVA capacities of all added breakers, converted to MW by multiplying by 0.9, in accordance with the following standard capacities for breakers of different voltages:
   - 25 kV breaker: 13.0 MVA (11.7 MW)
   - 13.8 kV breaker: 7.0 MVA (6.3 MW)

16 (4) Transformer addition or replacement together with breaker addition — When an upgrade project involved both a transformer addition or replacement and a breaker addition, the added capacity was the lesser of the added transformer capacity or the added breaker capacity. The AESO considers the lesser of these capacities to limit the increased capacity made possible by the upgrade.

17 (5) Addition of cooling fans — When cooling fans were added to a transformer, the added capacity was the difference in transformer ratings before and after the installation of the fans in MVA, converted to MW by multiplying by 0.9.

Some upgrade projects did not make any increased capacity possible at a substation and instead addressed reliability or operational matters, such as converting a radial line connection to an in-out configuration. For such a project, the increase in contract capacity was used as the increased capacity for the upgrade project.

19 When two or more upgrade projects occurred sequentially at a substation, the increased capacity made possible by each incremental upgrade was assessed to reflect the transformers, breakers, or other equipment added during each upgrade project.

20 Finally, when the increase in contract capacity was greater than the increased capacity determined through the conventions listed above, the increase in contract capacity was used as the increased capacity for the upgrade project.
As a result of the review of upgrade projects described above, no upgrade projects have 0 MW capacity in the connection project database.

As part of the review of upgrade projects, several columns of information were added for upgrade projects in the connection project database, including:

- description of upgrade details;
- number and size of pre-upgrade transformers;
- number and voltage of pre-upgrade breakers; and
- added capacity in MVA and in MW.

The updated capacity for upgrade projects is incorporated in the point of delivery cost function workbook provided as Appendix A of this compliance filing.
3 Use 1.5 MW Low End Data Point to Calculate the Point of Delivery Charge

**Direction**

In light of the considerations above, the AESO is directed to use the 1.5 MW low end data point to calculate the customer fixed charge in the POD charge in its DTS Rate in its compliance filing. [section 5.3.4, page 56, paragraph 285]

**Response**

The 1.5 MW low end data point has been used to calculate the customer fixed component of the point of delivery charge of Rate DTS in the rate calculations in Appendix B of this compliance filing.

The 1.5 MW low end data point has also been used to calculate the fixed first tier component of Rate DTS investment amounts in the investment level calculations in Appendix D of this compliance filing, to maintain alignment between the point of delivery charge and the maximum investment level.
4  Continue to Provide Long-Term Transmission Rate Impact Projections

**Direction**

27 The Commission finds the AESO’s current practice to be helpful and the AESO is therefore directed to continue its current practice of providing its long-term transmission rate projections. [section 5.8, page 83, paragraph 422]

**Response**

28 The AESO will continue to provide and periodically update the long-term transmission rate impact projection on its website. The AESO also anticipates including updated versions of the projection in future comprehensive tariff applications.
Direction 5
Accordingly, the Commission directs the AESO to redraft applicable elements of its terms and conditions to reflect the Commission’s findings that the AESO has discretion to move a previously discussed in-service target date for a system project to a later date when a change in key assumptions underpinning the target date have materially changed. For example, if projected dates for the filing or approval of a needs identification document or facility application has materially changed, the AESO has the discretion to shift the target in-service date as well. For greater certainty, if the AESO has been advised by the TFO that the originally discussed in-service target for a system-related project cannot be met without the TFO materially increasing its project budget, the Commission expects that the AESO should consider a change to the in-service date it sets as a possible solution. [section 6.2, page 94, paragraph 476]

Direction 6
Conversely, the Commission considers that if a market participant requires a planned system project to be completed earlier than the in-service date and the AESO considers it to be reasonable in light of all relevant circumstances, this should be accommodated in the AESO tariff terms and conditions. However, in conjunction with this change, the AESO is directed to make it clear in its redraft of the relevant provisions that when a market participant elects to specify an in-service date earlier than the date the AESO had forecast for the system project that may be required as part of the requirements to connect the customer, including a subsequent revision of a target to a later date, the present discounted value of all the incremental costs and benefits as described in paragraph 474 above incurred in order to complete the system project by the requested date, rather than the initial target date will be deemed to be a participant-related cost for all purposes under the AESO’s contribution policy. [section 6.2, pages 94-95, paragraph 477]

Direction 7
The AESO is directed to provide its redraft of the applicable provisions discussed above in its refiling application pursuant to this decision. [section 6.2, page 95, paragraph 479]

Direction 8
In considering this proposal, the Commission has taken into account that other provisions of the tariff terms and conditions would allow the cost of expansions and upgrades to be deemed system-related. However, for reasons discussed above in relation to the AESO’s proposed elimination of subsection 3(2)(l), the Commission is concerned that where a market participant triggers the need for additional facilities ahead of the planned timeframe for such expansion, it is reasonable for the market participant to be responsible for additional costs. The Commission finds that treating such costs as system-related solely on the basis that the facilities are used by more than one market participant would have the effect of nullifying subsection 3(2)(l) and be contrary to the legislative regime outlined above.

Accordingly, the Commission denies the AESO’s request to add subsection 3(3)(d) of Section 8 to its tariff terms and conditions. The AESO is directed to reflect this finding in its refiling. [section 6.2, page 95, paragraphs 481-482]
Response

In response to Directions 5, 6, 7, and 8 of Decision 2014-242, the AESO has redrafted the relevant provisions of subsection 3 of section 8 of the ISO tariff. The redrafted provisions are included in the refiled 2014 ISO tariff provided as Appendix E of this compliance filing.

The provisions that have been redrafted in response to Directions 5, 6, 7, and 8 are also extracted below. Clauses are underlined when they have been added to address specific aspects of the directions. Clauses are not underlined where they continue provisions in the existing ISO tariff, although those clauses may be relocated or use different language from the existing tariff.

3(2) The ISO must include as participant-related those costs … associated with: …

(b) new radial transmission line …, except when the line costs are classified as system-related in accordance with subsection 3(3)(c) below …

(n) an enhancement or upgrade to existing transmission facilities that were previously classified as system-related, when:
   (i) the enhancement or upgrade is required only to accommodate the connection project; and
   (ii) the enhancement or upgrade costs are not classified as system-related in accordance with subsection 3(3)(c) below;

(o) the advancement of the in-service date of a new radial transmission line or an enhancement or upgrade to existing transmission facilities referred to in subsection 3(3)(c) below to accommodate the market participant’s requested in-service date for the connection project, where such advancement costs are calculated, using the discount rate provided in subsection 11 below, as the difference between the net present values of:
   (i) the costs of the advanced transmission facilities including all incremental costs and benefits associated with the advanced in-service date; and
   (ii) the costs of the as-planned transmission facilities associated with the as-planned in-service date; ….

3(3) The ISO must include as system-related those costs … associated with: …

(c) a new radial transmission line that is part of looped transmission facilities; or an enhancement or upgrade to existing transmission facilities that were previously classified as system-related; when such transmission facilities are included in a critical transmission development or regional transmission system project with a planned in-service date, which the ISO may revise to a later date at its reasonable discretion, within five (5) years of commercial operation of the connection project in accordance with:
   (i) the ISO’s most recent long-term transmission system plan;
   (ii) a needs identification document filed with the Commission; or
   (iii) the ISO’s reasonable expectation of future transmission system requirements;

but excluding any costs associated with the advancement of the in-service date of such transmission facilities that are included as participant-related costs in subsection 3(2)(o) above; ….
The AESO considers that the above provisions address the requirements of Directions 5, 6, 7, and 8. Details on the specific provisions responding to each direction are as follows.

(a) **Direction 5** — Subsection 3(3)(c) above incorporates existing advancement costs provisions (currently included in subsection 3(3)(b) of section 8 of the existing ISO tariff) and also specifically includes the discretion of the AESO to move a planned in-service date to a later date.

(b) **Direction 6** — Subsection 3(2)(o) above incorporates existing advancement costs provisions (currently included in subsections 3(2)(l) of section 8 of the existing ISO tariff) and also specifically includes as participant-related the present discounted value of all the incremental costs and benefits arising when a system project’s in-service date is advanced to accommodate the in-service date requested for a connection project.

(c) **Direction 7** — Subsections 3(2)(b), 3(2)(o), and 3(3)(c) above incorporate existing advancement costs provisions (currently included in subsections 3(2)(l) and 3(3)(b) of section 8 of the existing ISO tariff), including costs associated with radial transmission line that is part of looped transmission facilities included in a system project.

(d) **Direction 8** — Subsection 3(3)(d) of section 8 as originally proposed by the AESO has been removed from the refiled ISO tariff.

The Commission findings leading to Direction 8 refer to avoiding nullifying subsection 3(2)(l), which in the existing ISO tariff applies the advancement costs provisions to “radial transmission facilities which … are planned to become looped as part of a … system project.” Subsections 3(2)(b), 3(2)(o), and 3(3)(c) above address the advancement of radial line as discussed in response to Direction 7.

Subsections 3(2)(n), 3(2)(o), and 3(3)(c) above include provisions to clearly apply the advancement costs provisions to “an enhancement or upgrade to existing transmission facilities that were previously classified as system-related.”

The AESO has interpreted Directions 5, 6, 7, and 8 to apply to all connection projects, whether for load or generation. The AESO notes the Commission discussed distinctions between load and generation connection projects in section 6.2 of the Decision (in paragraphs 459-460, 467, and 473) and in particular distinctions with respect to the AESO’s duty to eliminate congestion (in paragraphs 463-464). However, Directions 5, 6, 7, and 8 do not direct the AESO to propose separate advancement costs provisions for load and generation connection projects, or for system projects that provide congestion relief (as appears to be contemplated, for example, in paragraph 58 of Decision 2014-258 regarding AltaLink’s 2013-2014 General Tariff Application Compliance Filing), and the AESO accordingly has not done so.

The AESO also notes that the refiled advancement costs provisions may affect cost classification for certain load and generation connection projects currently in the connection process, including the Harmattan Energy Centre Connection Project before the Commission for approval of a needs identification document in Proceeding ID No. 2341. The AESO considers that it may be helpful and efficient if the Commission provided additional clarity on the application of advancement costs provisions to both load and generation projects in its decision on this compliance filing.

The AESO has also found it helpful when discussing the advancement costs provisions to describe the process through which responsibility for advancement costs will be determined and applied. That process is summarized in Table 2-2, which includes references to relevant subsections of the refiled ISO tariff. The AESO notes that the planning and execution of connection and system projects is a multi-stage process that may result in one or more changes to planned in-service dates to accommodate various factors. The in-service date assessment contemplated in step 2 of Table 2-2 responds to the
Table 2-2  Process to Apply Advancement Costs Provisions

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
<th>Tariff</th>
</tr>
</thead>
</table>

When a connection project involves a new radial line that will be looped or an enhancement or upgrade to existing system facilities, the AESO will make several determinations.

1. Is the looped line, enhancement, or upgrade included in a planned system project?
   - If not, costs are classified as participant-related.

2. If the looped line, enhancement, or upgrade is included in a planned system project, should the planned in-service date for the system project be maintained, deferred, or otherwise changed, having consideration for all costs and benefits?
   - The planned in-service date for the system project is maintained, deferred, or changed.

3. If the planned in-service date for the system project resulting from Step 2 aligns with the market participant’s requested in-service date for the connection project, advancement costs provisions do not apply (that is, the advancement period is zero and all costs of the system project are system-related).

4. If the planned in-service date for the system project resulting from Step 2 is to be advanced to accommodate the market participant’s requested in-service date for the connection project, then the advancements costs provisions apply as follows:
   - If the system project is advanced by five years or less, then advancement costs are calculated and included as participant-related.
   - If the system project is advanced by more than five years, then the capital cost of the looped line, enhancement, or upgrade is included as participant-related, and are subject to pro rata refund when the line, enhancement, or upgrade is needed for system purposes in the future.

5. If the planned in-service date for the system project resulting from Step 2 should not be advanced to accommodate the market participant’s requested in-service date for the connection project, then:
   - The AESO may complete the connection project without advancing the system project, and instead implement an alternative connection project option or request approval of an exception under section 15(2) of the Transmission Regulation.

The AESO considers that the process to apply the advancement costs provisions summarized in Table 2-2 may result in a variety of cost classifications. For additional clarity, the AESO summarizes those potential cost classifications in Table 2-3.

The AESO considers that the advancement costs provisions included in the refiled 2014 ISO tariff, together with the additional discussion provided in this section, fully respond to Directions 5, 6, 7, and 8.
Table 2-3  Potential Cost Classification Outcomes of Advancement Costs Provisions

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<th>No</th>
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<th>Classification of Costs</th>
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<tr>
<td></td>
<td>Radial Transmission Line</td>
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</tr>
<tr>
<td>1</td>
<td>Not planned to be looped</td>
<td>Participant-related</td>
<td>§8:3(2)(b)</td>
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<td>2</td>
<td>Planned to be looped within five years</td>
<td>Capital: system-related</td>
<td>§8:3(3)(c)</td>
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<td>Advancement: participant-related</td>
<td>§8:3(2)(o)</td>
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<tr>
<td>3</td>
<td>Planned to be looped beyond five years</td>
<td>Participant-related</td>
<td>§8:3(2)(b)</td>
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<tr>
<td></td>
<td></td>
<td>Refundable when reclassified as system-related due to system need</td>
<td>§9:2(2)(d)</td>
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<td>Enhancement or Upgrade to Existing Facilities Previously Classified as System-Related</td>
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<td>Required only for market participant and not included in a planned system project</td>
<td>Participant-related</td>
<td>§8:3(2)(n)</td>
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<td></td>
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<tr>
<td>6</td>
<td>Required only for market participant and included in a planned system project beyond five years</td>
<td>Participant-related</td>
<td>§8:3(2)(n)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Refundable when reclassified as system-related due to system need</td>
<td>§9:2(2)(d)</td>
</tr>
</tbody>
</table>
**Direction**

50 The Commission acknowledges the UCA’s concern that the updated data workbook has not been extensively vetted and that the AESO’s intention to utilize further updated data was not disclosed until a relatively late stage in the proceeding. With regard to the dataset used to prepare the response to ACCESS-AESO-001, parties had an opportunity to test this evidence during the oral hearing. The Commission understands that the updated data workbook has been prepared using this dataset. Although the AESO did not indicate that it would be using the updated workbook until the oral hearing, the Commission considers the preparation of the workbook is a fairly straightforward exercise. As there was an opportunity to test the dataset that formed the basis of the inputs into the workbook, the Commission is prepared to accept the results set out in the workbook for the purposes of this decision. However, the AESO is directed to identify any changes and adjust any results in its application of the updated dataset as part of its compliance filing. As there has been no opportunity to test any changes to the dataset since the oral hearing, the AESO is directed to remove any further changes to the dataset that it may have employed in the workbook that were not disclosed in the response to ACCESS-AESO-001.

[section 6.3.3.3, page 115, paragraph 585]

**Response**

51 The AESO has used the project data provided in information response ACCESS-AESO-001 in the point of delivery cost function workbook provided as Appendix A of this compliance filing, with upgrade project capacities updated as discussed in the response to Direction 2.

52 In addition to the updates discussed in the response to Direction 2, the AESO made two changes to the project data:

- correction of errors, and
- correction and updating of the inflation index with more recent Statistics Canada values.

53 As noted in information response ACCESS-AESO-001, the database update in that information response was completed “on a best efforts basis in the time available.” While reviewing the database for this compliance filing, some errors were identified which have been corrected in the cost function database in Appendix A of this compliance filing. The specific corrections to the project database are listed below.

54 (a) Projects deleted due to cancellation:

- Upgrade Project 450 – Flyingshot
- Upgrade Project 768 – ATCO Ethel Lake

55 (b) Projects removed due to generation capacity existing at substation:

- Greenfield Project 1314 – ENMAX 162S POD
- Upgrade Project 494 – Namaka Upgrade
- Upgrade Project 651 – Fortis Balzac Transformer Addition
- Upgrade Project 824 – Balzac Capacity Increase

56 (c) Projects merged with other projects:

- Upgrade Project 523 – Fort Assiniboine Transformer Replacement, which became wholly included in Upgrade Project 658 – Fort Assiniboine Upgrade
- Upgrade Project 1207 – Willesden Green Breaker Addition, which became wholly included in Upgrade Project 1083 – Willesden Green Upgrade
The net impacts of these deletions, removals, and merges were a decrease in the number of greenfield projects in the database from 100 to 99, and a decrease in the number of upgrade projects in the database from 130 to 123.

As discussed in section 5.3.2 of the Decision (pages 42-46), the inflation index used to escalate project costs to 2014 is based on two Statistics Canada series. While preparing this compliance filing, the AESO discovered the inflation index used in the Application inadvertently contained values from an alternative based on Conference Board of Canada (rather than Statistics Canada) data. Although the Conference Board of Canada data has similar, but no identical, characteristics, the AESO had intended to use Statistics Canada data for the inflation index.

In this compliance filing, the AESO has corrected the inflation index to use the Statistics Canada data as described in the Application.

As well, at the time the Application was filed, actual values for the Statistics Canada series were available up to 2012. For 2013 and 2014, values were based on Conference Board of Canada forecasts. Actual values for the Statistics Canada series are now available for 2013. The inflation index has accordingly been updated with the latest Statistics Canada and Conference Board of Canada information to reflect more recent data than used in the Application. The corrected and updated inflation index is included in the point of delivery cost function workbook provided as Appendix A of this compliance filing.

Other than the correction of errors and the updating of the inflation index discussed above (and the upgrade project capacities update discussed in the response to Direction 2), the project data used for the point of delivery cost function is the data provided in information response ACCESS-AESO-001.
10 Discuss Tariff Update and Deferral Account Matters With Stakeholders and Report in Next Comprehensive Tariff Application

Direction

62 The Commission acknowledges the view expressed by both the ADC and the DUC that the AESO should be directed to examine further the structure of Rider C with an eye to minimizing imbalances among customers. Therefore, the Commission directs the AESO to discuss the related matters of annual tariff updates, deferral account reconciliation processes and Rider C design with stakeholders prior to filing its next comprehensive GTA, and to provide a report on the outcome of any such discussions, including any recommended changes (if any) within its next comprehensive GTA. [section 7.3, page 139, paragraph 704]

Response

63 The AESO will consult with stakeholders on the matters of annual tariff updates, deferral account reconciliation processes, and Rider C design in the future and report on the outcome of the consultation, including any recommended deferral account process or tariff changes, in the AESO’s next comprehensive tariff application.
Submit Amended Proforma Construction Commitment Agreement by December 31, 2014

**Direction**

64 This direction remains outstanding. As it has roughly been nine months since the Commission directed the AESO to submit for testing and approval its amended *pro forma* construction commitment agreement, the Commission directs the AESO to file its application for approval of its *pro forma* construction commitment agreement by December 31, 2014. [section 8.3, page 144, paragraph 740]

**Response**

65 In its letter of December 11, 2013, removing the proforma construction commitment agreement (CCA) from the Application proceeding, the AESO noted the following:

> The AESO has concluded that two subsections of the terms and conditions of the ISO tariff are closely related to the CCA and may need to be revised to maintain alignment with revisions that may be proposed for the CCA. In accordance with the Commission’s direction, the AESO accordingly removes the following from this proceeding:

(a) the proforma Construction Commission Agreement included as part of Appendix B of the proposed 2014 ISO tariff;

(b) subsection 3 of section 5 of the terms and conditions of the proposed 2014 ISO tariff, relating to Form and Provision of Financial Security for Projects Eligible for Local Investment (parts 3(1) through 3(6) inclusive); and

(c) subsection 5 of section 5 of the terms and conditions of the proposed 2014 ISO tariff, relating to Cancellation (parts 5(1) through 5(7) inclusive).

66 During the months since the conclusion of the Application proceeding, the AESO, AltaLink, and ATCO Electric have worked together to address the concerns with the CCA and related tariff provisions. The AESO believes that all substantive issues have been resolved, and language reflecting that resolution may be finalized in the next few weeks.

67 If the CCA and related tariff provisions can be finalized before information requests are due in the compliance filing proceeding, the AESO proposes to submit the CCA and related tariff provisions as a supplement to this compliance filing. The AESO considers that the incorporation of the CCA and related tariff provisions into the compliance filing proceeding would be an efficient and effective approach to address those matters.

68 In the event the CCA and related tariff provisions are not available for filing before information requests are due, the AESO proposes to submit them in a separate application as contemplated in Direction 11.

69 In the meantime, the CCA, subsection 3 of section 5, and subsection 5 of section 5 as currently approved in the existing ISO tariff have been inserted into the proposed ISO tariff provided as Appendix E of this compliance filing.
3 Implementation

The AESO requests that the 2014 ISO tariff, as provided in Appendix E of this compliance filing, be approved to be effective April 1, 2015.

The AESO considers it has fully complied with all applicable directions in the Decision. An effective date of April 1, 2015, will provide sufficient time to modify and test the AESO’s tariff billing system in accordance with the rates and other provisions of the refiled tariff.

In the event the 2014 ISO tariff cannot be approved to be effective April 1, 2011, the AESO would appreciate being advised of the likely effective date as soon as practical, and will then adjust its implementation plans accordingly.

The AESO notes that although the refiled rates will become effective in 2015, they are based on the AESO’s 2014 revenue requirement and 2014 billing determinants. The AESO’s 2015 revenue requirement has not yet been established through the AESO’s Budget Review Process, discussed in section 2.1 of the Application (pages 9-12).

As discussed in section 7.1 of the Decision (pages 134-135), the AESO’s practice is to apply for approval of annual tariff updates in years between comprehensive tariff applications. The AESO anticipates filing a 2015 tariff update application shortly after the 2014 ISO tariff becomes effective, to allow rates and investment levels to be promptly updated to reflect the AESO’s 2015 revenue requirement and billing determinants.