Alberta Electric System Operator

2014 ISO Tariff Application and 2013 ISO Tariff Update
Request to Enter into a Negotiated Settlement Process

September 10, 2013
The Alberta Utilities Commission
Decision 2013-340: Alberta Electric System Operator
AESO 2014 ISO Tariff Application and 2013 ISO Tariff Update,
Request to Enter into a Negotiated Settlement Process
Application No. 1609765
Proceeding ID No. 2718

September 10, 2013

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1 **Introduction and background**

1. On July 17, 2013, the Alberta Electric System Operator (AESO) filed an application with the Alberta Utilities Commission (AUC or Commission) regarding the AESO 2014 ISO (Independent System Operator) Tariff application and the AESO 2013 ISO Tariff Update. The Commission issued an alert of notice and a notice of application on July 19, 2013. The notice of application invited those who wished to participate in this proceeding to file a statement of intent to participate (SIP) with the Commission by 2 p.m., August 2, 2013.

2. On July 24, 2013, the AESO filed an invitation to interested parties and stakeholders to attend two technical sessions. A general technical meeting was proposed for the afternoon of August 8, 2013, for the first session and a cost causation technical meeting was proposed for the afternoon of August 15, 2013, for the second session. The cost causation technical meeting was subsequently rescheduled to August 19, 2013. The AESO provided notice of this schedule change to parties through its correspondence of July 25, 2013 (Exhibit 28.01).


4. With respect to the AESO 2013 ISO Tariff Update, the Commission asked for submissions from parties by August 20, 2013, regarding whether there were any objections to this component of the application and what process steps, if any, parties required to test this component should any objections arise.

5. With respect to the AESO 2014 ISO Tariff, the Commission established a schedule which enabled parties to provide information requests (IRs) to the AESO by September 4, 2013. Responses to the IRs are due from the AESO by September 18, 2013.

6. On August 28, 2013, the Commission issued Decision 2013-325\(^1\) approving the AESO 2013 ISO Tariff Update on an interim refundable basis and directed that the AESO 2013 ISO Tariff Update application would be tested concurrently with the AESO 2014 Tariff application.

2 **Discussion and views of the parties**

7. On August 29, 2013, the AESO submitted a letter to the Commission requesting approval to commence a negotiated settlement process pertaining to the Alberta Transmission System

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Cost Causation Study (2014-2016 cost causation study) pursuant to AUC Rule 018: Rules on Negotiated Settlements (Rule 018). The August 29, 2013, AESO letter stated:\(^2\)

The AESO and LEI held a technical meeting on the 2014-2016 Cost Causation Study on August 19, 2013 which was attended by about 15 participants in the proceeding. Prior to the technical meeting, some participants had raised with the AESO the potential for a negotiated settlement on the 2014-2016 Cost Causation Study, and the AESO discussed the suggestion near the end of the meeting. No participant in attendance objected to considering a negotiated settlement process, although several noted they would need further time to examine and test the 2014-2016 Cost Causation Study before taking a formal position on it.

8. The AESO indicated that there appeared to be limited issues raised to date with respect to the 2014-2016 cost causation study, but recognized that participants to the proceeding would like to further test the study. The AESO identified the following three issues that it believed could be resolved through a negotiated settlement process:

(a) the functionalization of transmission capital costs into bulk system, regional system, and point of delivery functions;

(b) the functionalization of transmission operating and maintenance costs into similar functions; and

(c) the classification of bulk system and regional system costs into demand-related and energy-related components.

9. Matters with respect to rate design, terms and conditions and the point of delivery cost function were not considered by the AESO to be matters to include in the negotiated settlement process.

10. The AESO submitted that if the request to negotiate is approved, the AESO would provide notice to all interested and registered participants\(^3\) by email. The negotiated settlement process would be open to all interested parties. The AESO stated it would advise the Commission by September 30, 2013, on the status of the negotiated settlement process and whether a formal application requesting approval of the 2014-2016 cost causation study may be expected.

11. On September 3, 2013, the CCA submitted a letter to the Commission expressing its reservations about committing to a negotiated settlement prior to receipt of IR responses and requesting direction from the Commission to expand the scope of the negotiation to include billing determinants in the event that the request to negotiate is approved by the Commission. In that letter, the CCA stated:

Under the existing proposed rate design, which includes the method of charging bulk system costs to customers, the cost increases resulting from the 2013-2016 surge in bulk system costs would impact residential customers more severely than any other customer class due to the monthly coincident peak method of charging bulk system costs to customers …

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\(^2\) Exhibit 73.01, page 1.
\(^3\) Including the Commission observer according to Section 5 of AUC Rule 018.
[I]f the AUC is inclined to approve the AESO’s request to negotiate, CCA requests that the appropriate billing determinants (example: POD billing capacity, NCP demand, monthly CP demand etc. [sic]) to be used for charging out bulk, regional and POD costs to customers should be included within the scope of items to be negotiated.\(^4\)

12. Parties to this proceeding had an opportunity to attend a technical meeting on August 19, 2013, regarding the 2014-2016 cost causation study and responses to questions asked during the technical meeting have been provided on the record of this proceeding.\(^5\) As noted above in paragraph 7, no participant at the August 19, 2013, technical meeting objected to considering a negotiated settlement process for the 2014-2016 cost causation study. However, the scope of the negotiated settlement process did not envision the inclusion of billing determinants issues as requested by the CCA.

13. On September 4, 2013, the Commission issued a letter which requested comments from parties in response to the CCA’s request to broaden the scope of the settlement discussions. Parties were to provide their comments by 12 p.m., September 6, 2013.

14. Two parties provided a response on September 6, 2013. The AESO in its response reiterated its position that it “intended to meet with participants to discuss a potential negotiated settlement only after the information request process is complete”\(^6\) and therefore the CCA’s concern with respect to timing was unwarranted. In regards to the CCA’s second concern relating to what issues are to be resolved through the negotiated settlement process, the AESO stated:\(^7\)

> 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 …

> …

> 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.

15. The AESO also stated that it “presumes that issues not resolved in a negotiated settlement would be fully examined through an oral hearing process before the Commission.”\(^8\)

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\(^4\) Exhibit 75.01, CCA letter re Proceeding ID No. 2718: AESO Request for Approval to Commence a Negotiated Settlement Process, September 3, 2013.

\(^5\) Responses were included in exhibits 72.02 to 72.05 inclusive.

\(^6\) Exhibit 91.01, paragraph 4.

\(^7\) Exhibit 91.01, paragraphs 7 and 9.

\(^8\) Exhibit 91.01, paragraph 7.
16. The second response came from the UCA. The UCA stated it shared the CCA’s concerns regarding the impact on small customers of the increasing proportion of bulk system costs. Further, the UCA added.⁹

…the UCA considers that it would be in the interests of regulatory efficiency to attempt to negotiate a settlement of the transmission cost causation study prepared by London Economics, with the understanding that the treatment of special projects and the appropriate use of the cost causation study in the design of the AESO’s rates are matters to be litigated in the balance of the proceeding.

3 Commission findings

17. Negotiated settlements provide an alternative or complementary process to the traditional hearing process to consider utility-related issues. The Commission is supportive of the negotiated settlement process as part of its objectives to achieve regulatory efficiency and effectiveness. Issues that are not resolved in a negotiated settlement process may be subject to a full examination through a hearing process before the Commission. The Commission also accepts the views of the AESO and the UCA that rate design matters, in respect to this application, may be controversial and better suited to an oral hearing process.

18. The Commission understands that the purpose of the negotiated settlement is to give all parties an opportunity to fully understand the parameters of the 2014-2016 cost causation study and to seek agreement from all parties that the 2014-2016 cost causation study can be accepted as filed.

19. In view of the parties’ support for the AESO’s request to enter into negotiations for a settlement with respect to the 2014-2016 cost causation study for the purposes set out in paragraph 18 above, the Commission approves the AESO’s request to enter into settlement negotiations subject to the following conditions:

1. The scope of the negotiated settlement shall include only the issues related to the 2014-2016 cost causation study.

2. The AESO shall provide notice of the schedule for the negotiated settlement process by email to all registered parties in this proceeding.

3. The AESO shall advise the Commission on or before September 30, 2013, on the status of the negotiated settlement process, including whether a formal application requesting approval of the 2014-2016 cost causation study may be expected.

4. If a negotiated settlement agreement on all issues cannot be reached, the AESO shall submit to the Commission, on behalf of the parties to the negotiated settlement process, a list of the issues that are agreed upon and a list of those issues that remain in dispute.

⁹ Exhibit 92.01.
4 Order

20. It is hereby ordered that:

   (1) The AESO’s request to enter into a negotiated settlement process for the 2014-2016 cost causation study for the period up to September 30, 2013, is approved, subject to the conditions set out in this decision.

Dated on September 10, 2013.

The Alberta Utilities Commission

(original signed by)

Mark Kolesar
Vice-Chair

(original signed by)

Bill Lyttle
Commission Member

(original signed by)

Henry van Egteren
Commission Member
## Appendix 1 – Proceeding participants

<table>
<thead>
<tr>
<th>Name of organization (abbreviation)</th>
<th>counsel or representative</th>
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</table>
| Alberta Electric System Operator (AESO) | D. Holgate  
A. Pinjani  
I. Chow  
J. Martin  
N. Weigel  
L. Kerr |
| Access Pipeline Inc. (Access) | E. de Palezieux  
J. Dawson |
| Alberta Direct Connect Consumers Association (ADC) | C. Chekerda |
| ATCO Electric Ltd. (AE) | L. Keough  
J. Grattan  
T. Martino  
A. Phillips  
S. Ambeault  
D. Hoshowski  
S. Yee  
L. Kizuk  
B. Yee  
L. Kerckhof  
S. Weiss  
B. Li |
| AltaLink Management Ltd. (AML) | Z. Lazic  
J. Yeo  
J. Piotto  
D. Madsen  
T. Kanasoot  
R. Senko  
N. Burns  
J. Wrigley |
| 2615991 Canada Ltd. (ATCO Power) | M. Buchinski  
C. Fuchshuber  
H. Klinlenborg |
<p>| British Columbia Hydro and Power Authority (BC Hydro) | J. Fraser |</p>
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<th>Name of organization (abbreviation)</th>
<th>counsel or representative</th>
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<tbody>
<tr>
<td>Consumers’ Coalition of Alberta (CCA)</td>
<td>J. A. Wachowich, A. P. Merani, R. Retnanandan</td>
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<tr>
<td>Capital Power Corporation (CPC)</td>
<td>D. E. Crowther, S. Pillott</td>
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<tr>
<td>Devon Canada (DEVCANAD)</td>
<td>E. de Palezieux, P. Speight</td>
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<td>Dual Use Coalition (DUC)</td>
<td>D. Hildebrand</td>
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<tr>
<td>ENMAX Corporation (EC)</td>
<td>J. Schlauch, D. Crippen, T. Carle</td>
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<tr>
<td>EPCOR Distribution &amp; Transmission Inc. (EDTI)</td>
<td>G. Zurek, N. Lamers</td>
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<tr>
<td>Enbridge Pipelines (Athabasca) Inc. (ENPIPE)</td>
<td>E. de Palezieux, K. Svidal</td>
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<tr>
<td>FortisAlberta Inc. (FAI)</td>
<td>T. Dalgleish, I. Lorimer, M. Stroh, M. Nuynh, J. Walsh</td>
</tr>
<tr>
<td>Industrial Power Consumers Association of Alberta (IPCAA)</td>
<td>M. Forster, R. Mikkelsen, V. Bellissimo</td>
</tr>
<tr>
<td>The City of Lethbridge (LETH)</td>
<td>M. Turner, O. Lenz</td>
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<tr>
<td>Montana Alberta Tie Ltd. (MONTA)</td>
<td>R. Mcfarlane, R. Stade</td>
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<td>Powerex Corp. (Powerex)</td>
<td>L. Manning, M. Thompson</td>
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### Name of organization (abbreviation) and counsel or representative

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<thead>
<tr>
<th>Organization</th>
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<tbody>
<tr>
<td>The City of Red Deer (RD)</td>
<td>M. Turner, J. Jorgensen</td>
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<td>TransAlta Corporation (TC)</td>
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<td>TransCanada Energy Ltd. (TCE)</td>
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<tr>
<td>TransCanada Keystone Pipeline GP Ltd. (TCKEY)</td>
<td>K. Thrasher, N. Banner</td>
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### The Alberta Utilities Commission

**Commission Panel**
- M. Kolesar, Vice-Chair
- B. Lyttle, Commission Member
- H. van Egteren, Commission Member

**Commission Staff**
- C. Wall (Commission counsel)
- M. Ali (Commission counsel)
- S. Karim
- D. Ward
- J. Cameron
- J. Halls
- W. MacKenzie