Appendix C – Targeted Mitigation Consultation Materials

Date	Consultation Step / Purpose	Notes / Attachments

(April - June 2021)	The AESO's overall purpose of this targeted mitigation engagement was to work with the stakeholders most heavily impacted (“impacted parties”) by the preferred Bulk and Regional Tariff rate design to identify a path to a minimally disruptive transition to the new rate design. The impacted parties are those with an estimated transmission cost of greater than 10 per cent increase under the AESO's preferred rate design.
	
	The AESO's specific objectives of this targeted mitigation engagement included:
	• Reach a shared agreement on a temporary mitigation option that supports ‘a path to minimal disruption’
	• Engage efficiently and actively at the table to progress conversations forward
	• Achieve regulatory efficiency in the resulting AUC proceeding by putting forward a solution that is acceptable to all or most of the impacted parties, the AESO and the broader stakeholder group
		• Summary - Targeted Mitigation 1:1 Meetings
		• Summary - Targeted Mitigation Status Report
		• Stakeholder Comments - Targeted Mitigation Status Report
		• Summary - Targeted Mitigation Engagement
		• Draft Memorandum of Agreement
		• Rationale letters:
		  ○ AltaSteel Inc. (July 6, 2021)
		  ○ ERCO Worldwide LP (July 14, 2021)
		  ○ West Fraser Mills Ltd. (August 25, 2021)
		  ○ Alberta Newsprint Company (August 26, 2021)
		  ○ Millar Western Forest Projects Ltd. (August 31, 2021)
		  ○ Air Liquide Canada Inc. (September 2, 2021)

Bulk and Regional Tariff Design – Targeted Mitigation Engagement 1:1 Meetings hosted between March 29 and April 16, 2021

I. Meetings overview

As part of the AESO's targeted mitigation engagement, 1:1 meetings were held with those stakeholders ("impacted parties") that are estimated to experience a transmission cost impact of 10 per cent or more.

Each impacted party was engaged in a kick-off meeting with the AESO and Stack'd Consulting ("Stack'd"), and a subsequent 1:1 meeting with Stack'd. The purpose of the kick-off meeting was to introduce the AESO's proposed targeted mitigation engagement process. The purpose of the subsequent 1:1 meeting was for Stack'd to gain a better understanding of the implications of the tariff design on each stakeholder and explore preferred mitigation options.

II. Meetings highlights

Captured below are the highlights of the discussion on a topic-by-topic basis. All comments have been anonymized.

The key themes that arose related to the targeted mitigation process included:

- Concern that the schedule for this targeted engagement is rushed
- Questions about whether this is a negotiated settlement
- Questions about what happens if there is no agreement
- Questions about whether there is an option that can work for everyone

The key themes that arose related to the impact of the rate design included:

- Impacted parties still don't agree with the rate design that the AESO has chosen. Confused that the design dis-incents the behavior that is working to reduce congestion and shift to lower-cost hours.
- Impacted parties make these choices because of how impactful electricity is on their operations. These cost changes have a material impact on their ability to operate / keep the doors open.
- Impacted parties see themselves as good customers that are providing a service to the AESO. In their opinion, the flexibility their loads bring to the system is under-valued; and they will pay more under the AESO's preferred rate design.
    - They believe the signal that has been sent with the rate design is that all of their actions and behaviors are not valuable to the AESO.
- The switch of the costs from coincident peak ("CP") to an energy charge is the main concern in the rate design, both from reducing the benefits from avoiding CP and reducing their ability to avoid costs by pairing them with energy.
- The timing of this change is unfortunate given the pandemic. While rates won't go into effect for a number of years, they need to make investment decisions today based on the information that they have. There is a certain 'death by 1000 cuts' element to this.

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- Impacted parties want to pay their own way, but this rate design also makes them feel like their loads are not wanted. Doesn't feel like Alberta is trying to be competitive.

Based on context, the mitigation options most preferred included:

i. An interruptible rate class that values flexibility
ii. Changing / reducing the CP hours in the shoulder seasons
iii. Bill credits were rarely raised
iv. Hard code the CP rate is an option, but appreciate that the implications of this are not fully understood on rate design
v. Load retention rates had mixed interest, with some being concerned about the impact on trade agreements and competitive response in other jurisdictions.
vi. Duration needs to be long-term / semi-permanent (e.g. life of the asset) – but this is less preferred to a rate design that can be perpetually participated in
    - Any limit to duration is sending negative investment signals

Additional commentary

- Grid defection (i.e., going behind the fence) is unlikely for these loads based on load type, facility size requirements, and lack of appetite to invest significant capital– if costs go too high, facility closure is the likely outcome
- Without some regulatory stability, appetite for continued and reinvestment is low (and it is perceived there have been significant and constant changes occurring in the power sector).
- They are not rate designers, need to respond to what's being proposed

III. Detailed discussion notes

Topic 1: What's at stake?

Key highlights

1. Facility closure is the worst-case scenario. Job loss, and lack of re-investment are likely outcomes.
2. With the reduced CP, the value that customers receive by avoiding the CP is hugely decreased, which has implications on the operational viability of the customers who have developed the flexibility to manage their peaks.

Discussion

i. Commentary on impact to customers' business operations

- Power is a huge component of how they make their products
- Of all of their plants in different jurisdictions, their Alberta plant is the most expensive
- Fifteen to twenty per cent increase on top of their transmission costs comes straight out of margin, they can't pass that through to customers
- If this goes ahead, in three years, they will absolutely look at leaving the grid

- If prices need to go up, there needs to be an effective way that doesn't impact them in a way that they cannot recover from
- They don't have line of sight on carbon, but the cost is increasing too
- The cost increase in the new design is completely wiping out their profit margin
- They have not been given a clear reason for the tariff design
- Transmission costs have almost tripled in the last decade
- Even a mitigated impact of 10 per cent represents an unfavourable economic impact to their operations
- They are looking actively to disconnect from the grid, but it may not be an option because the investment cost is extremely high

ii. Commentary on the sunk cost

- They didn't need or want the reliability that was built, but it was built anyways
- They are being punished the most because they manage it the most
- They never asked for reliable supply, they asked for reasonable pricing; but the single largest cause of lost productivity is power supply

iii. Commentary on the cascade effect

- They are connected to all the other similar operations in the province as supply chains or synergistic operations – they are all very reliant on one another to create economies of scale
- If you take out one element, other companies are impacted
- They are paying for the mistakes of the AESO and the government in the form of sunk costs and yet don't see any direct benefits from the costs

Topic 2: What parts of the proposed rate design impact you the most?

Key highlights

1. Shifting from CP demand charge to an energy charge is the most impactful part of the rate design for these customers and is perceived by customers to mean that their efforts to increase efficiencies in grid use are not valued by the AESO.
2. With the reduced CP, the value that customers receive by avoiding the CP is hugely decreased, which has implications on the operational viability of the customers who have developed the flexibility to manage their peaks.

Discussion

i. Commentary on the shift from CP charge to energy charge

- The shift away from CP to energy is highly impactful
    - The increase in the energy component from $2 to $10 is large
- Ten years ago, they typically would not turn down for CP, they would run through it
- They feel that they have been a good partner, but the new structure is not designed to allow them to respond to a signal

- They are being penalized for making more product; ideally, they would come up with a system where they benefit for using more energy
- If the CP was in place to manage constraints on the system, that's not what the new tariff is designed to do
- They are sacrificing production to respond to high energy price and CP demand
  - They have invested millions in energy efficient cell technology so that they could use less energy for every ton produced
  - Being a high load factor, using energy as efficiently as possible, sacrificing production for the sake of the grid and not being seen as valuable by the AESO is very discouraging
- Putting the price on the energy any time of the day is very impactful
  - They have done everything to use as much energy in the nighttime rather than daytime
  - But now, the nighttime has become more expensive – there's nothing you can do with your behaviour other than consuming less energy and this takes away all flexibility
- They have made large investments and this shift to energy completely eliminates the benefits of those investments

ii. Commentary on the decreased benefit of avoiding CP

- Reducing the CP will have a negative impact because they would still be putting in the same effort, but for half the benefit
- There are no price signals that support the time value of energy or congestion, but they see it every morning
- Without an efficient price signal, they will respond by taking production out – there is an opportunity cost
- The five-year rolling history – the value that they would get from avoiding the CP is potentially 20 per cent of the value; this is a complete disincentive to manage peak and the flexibility that has been developed in these companies

Topic 3: Desired mitigation concepts to explore

Key highlights

1. Proposed options include establishing an interruptible rate class, implementing legacy rate treatment, and/or making other changes to the tariff design to include a more reasonable increase to the energy charge.
2. Any mitigation levers must consider not only the seven sites that are affected today, but whether the decisions made today will limit companies choosing to enter the Alberta market in the future.
3. Mitigation options cannot be temporary or short term as this would perpetuate the uncertainty that customers are already feeling.

Discussion

i. Commentary on an interruptible rate class

- Interruptible rates should be considered, with a process for rate eligibility

- Who would this rate be open to?
    - Perhaps a minimum impact threshold that you can apply to
    - Could easily create criteria that doesn't leave people behind that are similar to these seven sites, but are just under the threshold
- Interruptible rate class doesn't shut other customers out who aren't part of the group of seven
    - This is a fair outcome for others that are similar but didn't quite fit into the 10 per cent
- An interruptible rate class preserves peaks at times that matter the most and preserves the current CP demand
    - Could be used by all of the most impacted companies allowing them to operate at a productivity level that remains competitive
    - An interruptible rate class would make operations easier and improve productivity because it takes out some of the uncertainty of the current rate design

ii. Commentary on legacy[1] rates

- Proposal to keep their rates the way they are now; legacy rates must be permanent
- From their perspective, legacy rates only help the seven sites that are affected now
    - Perhaps a tiered system could be considered instead
- Want to avoid legacy rates because in that situation there are winners and losers – someone else would have to pick up the cost

iii. Commentary on changing the proposed rate design

- No increase at all would be ideal
- Want a reasonable increase – haven't seen any logic of how the increase from $2 to $10 actually came about
- Expanded or altered Load Shed Service for imports (LSSi) tool that would better reflect the value that their tool/load provides
- They shouldn't be paying more, they should actually pay less because they are giving up production and already paying millions in transmission costs
- Payment in Lieu of Notice (PILON) must be reduced
- Small changes to the tariff (i.e., reducing the shift to energy) would help high load factor customers
- Moving to the energy cost means there is a need to come up with something reasonable that allows customers to increase productivity
- Preferential treatment of certain customers may violate the free trade agreement

[1] The AESO will replace the term "grandfathered" with "legacy" on a go forward basis.

iv. Commentary on consideration of impacts on the future Alberta economy

- The new tariff design does not seem aligned with the Alberta economic strategy from the provincial government
- Legacy rates limit whether companies will enter the Alberta market

v. Commentary on the permanency of mitigation options

- Want a long-term outlook of the new tariff design to get a better idea of the duration
    - Need to understand how things change with this design over time
    - Time duration impacts the investments that customers can make because of the uncertainty of the rate design going forward
- Mitigation cannot be temporary or short term
- A permanent rate class/rate design would give certainty on power generation, where permanent means for the life of the facility
- Any time limit hinders any new investment for these seven sites in Alberta

Bulk and Regional Tariff Design – Targeted Mitigation Engagement Status Report

I. Overall purpose and objectives

The AESO's overall purpose of this targeted mitigation engagement is to work with the stakeholders most heavily impacted ("impacted parties") by the preferred Bulk and Regional Tariff rate design to identify a path to a minimally disruptive transition to the new rate design. The impacted parties are those with an estimated transmission cost impact of greater than 10 per cent increase under the AESO's preferred rate design. This is an opportunity to work together to minimize impacts and reach an agreement that is acceptable to all or most of the impacted parties in advance of an Alberta Utilities Commission ("AUC") proceeding. The outcomes of this targeted engagement will be tested by the AUC, who will make a decision on the overall rate design and any agreements on mitigation that are reached through this engagement process.

The AESO's specific objectives of this targeted mitigation engagement include:

- Reach a shared agreement on a temporary mitigation option that supports a 'path to minimal disruption'
- Engage efficiently and actively at the table to progress conversations forward
- Achieve regulatory efficiency in the resulting AUC proceeding by putting forward a solution that is acceptable to all or most of the impacted parties, the AESO, and the broader stakeholder group

II. Engagement overview

The AESO is seeking to temporarily mitigate rate shock for the impacted parties who would see a 10 per cent or greater increase in transmission costs as they transition to the AESO's preferred rate design (assuming AUC approval). A targeted mitigation engagement workstream was designed to engage with these impacted parties directly. To date, each impacted party has been engaged in:

1. A kick-off meeting with the AESO and Stack'd to introduce the AESO's proposed targeted mitigation engagement process;
2. A subsequent 1:1 meeting with Stack'd to help Stack'd to gain a better understanding of the implications of the preferred rate design on each impacted party and explore preferred mitigation options; and
3. Two working sessions with all of the impacted parties to introduce, discuss, and develop the mitigation option(s) that deliver the best holistic outcomes for all stakeholders.

Should the AESO and the impacted parties determine there may be a workable mitigation solution, the artifact developed at the end of this engagement is a Memorandum of Agreement (MOA) that will be presented to the broader stakeholder group and the AUC as part of the formal Bulk and Regional Tariff Application.

The AESO has engaged Stack'd Consulting to facilitate the targeted mitigation engagement sessions.

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III. Definition of success

Once conversations commenced, it became clear that the AESO's definition of success and impacted parties' definition of success were not aligned. The AESO viewed successful mitigation as a temporary measure to minimize rate shock to the threshold defined by the AESO (e.g., below the 10 per cent threshold) while impacted parties adjust to the new rate. The AESO restated its previously shared views that the current rate design is not providing appropriate cost signals and is not resulting in a fair allocation to customers. The AESO stated that its mandate is to develop a just and reasonable ISO tariff for Alberta, and not to ensure that individual companies can remain competitive in Alberta as an outcome of the tariff changes. The AESO is relying on legislative guidance to develop the preferred rate design and has not completed analysis on the overall impact of the preferred rate design on the Alberta economy.

Impacted parties raised concerns about overall system costs and suggested the preferred rate design is not addressing the problem. Impacted parties viewed successful mitigation as a permanent solution that: (a) maintains the current cost levels, which they view as appropriate cost levels, (b) values the flexible characteristics of the price responsive loads, and (c) provides an opportunity for the impacted parties to remain competitive in Alberta. Given that the AESO views mitigation as temporary, the impacted parties view the AESO's definition of success as having the potential to result in the seven impacted sites ceasing operations.

Impacted parties understood, but were not aligned with the AESO's objectives, and reaffirmed throughout the roundtable discussions their expectations that targeted mitigation needed to be a permanent rate class that reflects their flexibility and perceived value provided to the system. The impacted parties indicated that, because power costs comprise a large portion of their operating costs, they cannot agree to a temporary mitigation option that creates business uncertainty and amounts to a delay of the cost impact associated with the preferred rate design.

IV. Mitigation options

The three alternatives proposed and discussed as potential options for mitigation include:

1. The AESO proposed a phasing-in of the rate and/or bill credits (i.e., temporary bill adjustment to allow a transition to the preferred rate design over time).
2. The AESO and impacted parties will consider how a modernized demand opportunity service (DOS) rate could provide a means for certain highly impacted parties to continue to economically connect to the system.
3. Impacted parties proposed a non-firm interruptible rate class (i.e., a separate rate class for flexible loads that exists permanently and maintains costs for these loads where they are at today and would be distinct from DOS).

Bill credits

Bill credits were discussed as an option presented by the AESO. The AESO indicated that it viewed temporary bill credits as the leading mitigation option.

Impacted parties expressed concern over the risk of the credits being declared a subsidy and therefore a violation of international trade agreements. Impacted parties also did not agree with the temporary nature of the credits proposed. Further, impacted parties expressed concerns over the costs of Alberta's transmission system. They stated that they are paying their fair share of transmission costs such that no credits should be required.

Similarly, a phasing-in concept was not well received, as impacted parties disagree with the temporary nature of the mitigation proposed. In their view it is not true mitigation if it only defers the outcome of certain sites ceasing operations.

Demand Opportunity Service (DOS)

DOS was presented by the AESO and discussed as a potential path forward for loads that may be uneconomic if the AESO's preferred rate design is accepted and implemented. The conversation shifted throughout the two roundtable discussions from viewing DOS as a mitigation alternative to viewing it as a potential recourse if mitigation is insufficient to support the economics of these loads under the preferred rate design, and is an option to allow the loads to continue contributing to the revenue requirement of the system while eligible for the DOS rate. Given the short-term nature of DOS approvals, the requirement to be uneconomic using Demand Transmission Service (DTS) rates to be eligible, and the uncertain nature of potential changes to DOS following an upcoming redesign process, impacted parties' initial view was that for DOS to be a viable option its structure would need to materially change.

Non-firm, interruptible rate class

An interruptible rate class for flexible loads was the preferred mitigation option for impacted parties. Impacted parties believe that this option best meets their definition of success of a permanent and ongoing adjustment to the rate that maintains current transmission cost signals and overall costs for the impacted parties. The AESO does not see the value that an interruptible rate class would bring to the system and suggests that the preferred rate design would reflect better cost responsibility for all stakeholders, including the impacted parties. The AESO also does not believe that it can deliver an interruptible rate class as desired by the impacted parties within the current legal and regulatory framework. Impacted parties expressed the view that there does not appear to be any language in the *Electric Utilities Act* that would prohibit a new interruptible rate class. The AESO stated that they explored non-firm rates and shared their conclusions at the March 25th engagement session. Impacted parties requested an opportunity to review the AESO's studies and analysis that resulted in the conclusion that interruptible rate classes would not meet legislative requirements or cost causation principles. Impacted parties also requested that the AESO share how it evaluated the ADC's previously proposed interruptible rate class. The AESO indicated that the impacted parties are free to propose their own interruptible tariff to the AUC.

V. Next steps

Given the lack of potential mitigation solutions that could align the AESO and the impacted parties, it was generally agreed that a better understanding of DOS modernization is needed before targeted mitigation discussions can continue effectively. The targeted mitigation roundtable discussions will be rescheduled until after the modernized DOS materials have been shared and discussed publicly. The AESO is still interested in exploring temporary bill credits with impacted parties.

Targeted Mitigation Engagement Status Report

Stakeholder comments on Status Report [Posted May 20, 2021]

1. Alberta Direct Connect Consumers Association (ADC)
2. AltaLink Management Ltd. (AML)
3. FortisAlberta Inc.
4. Industrial Power Consumers Association of Alberta (IPCAA)
5. Suncor Energy Inc.
6. TransAlta Corporation

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Stakeholder Comment Matrix – May 4, 2021

Bulk and Regional Tariff Design – Targeted Mitigation Engagement Status Report

Period of Comment: May 4, 2021 through May 18, 2021		**Contact:**	Colette Chekerda
Comments From:	Alberta Direct Connect Consumer Associaiton "ADC"	**Phone:**	780-920-9399
Date:	2021/05/18	**Email**:	colette@carmal.ca

Instructions:

1. Please fill out the section above as indicated.
2. Please respond to the questions below and provide your specific comments.
3. **Please submit one completed evaluation per organization.**
4. Email your completed comment matrix to tariffdesign@aeso.ca by **May 18, 2021**.

The AESO is seeking comments from Stakeholders on Targeted Mitigation Engagement – Status Report. Please be as specific as possible with your responses. Thank you.

	Questions	Stakeholder Comments
1.	Do you have any comments from the Targeted Mitigation Engagement – Status Report that should be considered by the AESO and impacted parties in forthcoming Targeted Mitigation Engagement Roundtable Discussions?	The ADC is very concerned that the AESO's mitigation options are a path to exit the grid for the impacted parties. The AESO has not put any effort into examining the benefits these companies bring to the Alberta grid. The AESO has demonstrated a complete lack of effort in seeking out creative solutions by concluding that bill credits are the only option with merit. This will harm all Alberta ratepayers as the revenue currently received from these companies is at risk.
2.	Do you have additional clarifying questions that need to be answered to support your understanding?	In advance of any tariff filing, the AESO needs to undertake analysis of the economic consequences of the proposed tariff. According to the rate impacts provided by the DFO's, the most a residential customer can expect to save is $1/month in ATCO service territory. This savings is inconsequential, yet the tariff will impact the lives of Albertans that are employed by these companies as well as the communities they operate in. The AESO owes it to them to fully understand the consequences of the tariff change before finalizing a tariff design or mitigation option.

3.	Additional comments	The ADC requests that the AESO work with the impacted parties and legislators to bring to the table creative solutions that encourages grid use, grows our economy, and contains the transmission revenue requirement for the benefit of all Albertans. We are sharing an example from BC below. BC is introducing "Industrial Electrification Rates" to encourage new industrial load to locate in the province. Similar programs exist in Quebec. Alberta has grossly overbuilt our transmission system and tariffs that encourage grid exit such as the AESO preferred tariff will not lead to higher utilization of the Alberta grid. The ADC recommends that the AESO examine rate classes that retain and attract industrial load to Alberta as a preferred mitigation tool. # Industrial electrification rates **Discounted rates to connect to BC Hydro's grid** The CleanBC Industrial Electrification Rates are intended to help existing and new industrial customers connect to BC Hydro's grid by offering discounted rates to encourage the use of clean electricity. There are two categories of rates available to our transmission service customers: • Clean Industry and Innovation Rate (Rate Schedule 1894) • Fuel Switching Rate (Rate Schedule 1895) Both rates offer a discount from the standard transmission service rate on both the energy charge and demand charge for a period of seven years: • First five years: 20% • Year six: 13% • Year seven: 7%

		These rates are available to customers until March 31, 2030. The rates will expire on March 31, 2037 at which time, customers will be moved to a standard transmission service rate. There is an energy cap of 5,000 gigawatt hours (GWh) a year for all customers under these rates, of which 1,500 GWh/year is allocated to customers under the Clean Industry and Innovation Rate and 3,500 GWh/year to customers under the Fuel Switching Rate. BC Hydro may assess and adjust the energy participation cap, as needed. To learn more, contact your Key Account Manager. If you're a new BC Hydro customer, contact our Business & Economic Development team. **Clean Industry and Innovation Rate** The Clean Industry and Innovation Rate (Rate Schedule 1894) is to help support and attract new, innovative industries to B.C. by making it more affordable to connect into BC Hydro's grid. The rate is available to two types of new customer plants: 1. **Clean industry customer**: A new customer plant that uses a process to remove greenhouse gases from the atmosphere or produces a renewable or low carbon fuel. This could include the production of hydrogen via electrolysis; the production of synthetic fuels from hydrogen, carbon dioxide or biomass; or the capture and/or storage of carbon dioxide. 2. **Innovation customer:** A new customer plant that is a data centre composed of networked computers and data storage used to organize, process, store and disseminate large amounts of data. To be eligible, a customer's contract demand in its Electricity Supply Agreement must be greater than 10,000 kilovolts amperes (kVA) and the plant must not be used for producing or exchanging cryptocurrency without prior authorization from BC Hydro. In addition, the plant's annual energy consumption must be greater than 70 GWh/year.

Thank you for your input. Please email your comments to: tariffdesign@aeso.ca.

Stakeholder Comment Matrix – May 4, 2021

Bulk and Regional Tariff Design – Targeted Mitigation Engagement Status Report

Period of Comment:	May 4, 2021	through	May 18, 2021	**Contact:**	Hao Liu/Rob Senko
Comments From:	AltaLink Management Ltd.			**Phone:**	403-710-1247/403-874-6762
Date:	2021-05-18			**Email**:	Hao.liu@altalink.ca/rob.senko@altalink.ca

Instructions:

1. Please fill out the section above as indicated.
2. Please respond to the questions below and provide your specific comments.
3. **Please submit one completed evaluation per organization.**
4. Email your completed comment matrix to tariffdesign@aeso.ca by **May 18, 2021**.

The AESO is seeking comments from Stakeholders on Targeted Mitigation Engagement – Status Report. Please be as specific as possible with your responses. Thank you.

	Questions	Stakeholder Comments
1.	Do you have any comments from the Targeted Mitigation Engagement – Status Report that should be considered by the AESO and impacted parties in forthcoming Targeted Mitigation Engagement Roundtable Discussions?	AltaLink agrees with the stakeholder comments in the report that 'any mitigation levers must consider not only the seven sites that are affected today, but whether the decisions made today will limit companies choosing to enter the Alberta market in the future'. AltaLink also agrees with the stakeholder comment concerning that 'Duration needs to be long-term / semi-permanent (e.g. life of the asset*)'.* AltaLink would extend these sentiments to consider how a substantial change in rate design might affect other existing customers who have made significant investments in response to current price signals.
2.	Do you have additional clarifying questions that need to be answered to support your understanding?	Nothing to add.
3.	Additional comments	Nothing to add.

Thank you for your input. Please email your comments to: tariffdesign@aeso.ca.

Stakeholder Comment Matrix – May 4, 2021

Bulk and Regional Tariff Design – Targeted Mitigation Engagement Status Report

Period of Comment:	May 4, 2021	through	May 18, 2021	**Contact:**	Darren Hoeving
Comments From:	FortisAlberta			**Phone:**	403-514-4644
Date:	May 18, 2021			**Email**:	Darren.Hoevng@fortisalberta.com

Instructions:

1. Please fill out the section above as indicated.
2. Please respond to the questions below and provide your specific comments.
3. **Please submit one completed evaluation per organization.**
4. Email your completed comment matrix to tariffdesign@aeso.ca by **May 18, 2021**.

The AESO is seeking comments from Stakeholders on Targeted Mitigation Engagement – Status Report. Please be as specific as possible with your responses. Thank you.

	Questions	Stakeholder Comments
1.	Do you have any comments from the Targeted Mitigation Engagement – Status Report that should be considered by the AESO and impacted parties in forthcoming Targeted Mitigation Engagement Roundtable Discussions?	The *Targeted Mitigation Engagement – Status Report* indicated that "there is a lack of potential mitigation solutions that could align the AESO and the impacted parties", which suggests that it may be premature to examine mitigation solutions before the rate design proposal has considered the comments recently provided by stakeholders as part of the March 25, 2021 stakeholder engagement. With respect to the stakeholder comments provided as part of the March 25, 2021 stakeholder engagement, FortisAlberta stated that the tariff could be developed to evolve gradually in a manner that allows Customers to improve their load factors while not experiencing significant billing impacts. FortisAlberta expects that if the AESO also saw merit in pursuing the load factor structure, that they could analyze the bill impacts from moving from CP to NCP/load factor structure for every POD, and adjust both the weighting of cost recovery between NCP component and the load factor energy component, or adjusting the threshold load factor in the energy component to minimize the resultant bill impacts of the AESO preferred DTS rate design in the first instance. Such an approach, if investigated by the AESO, might obviate, or at least mitigate, the need for further mitigation. Also, please refer to FortisAlberta's response to question 3 in its April 15, 2021 stakeholder comment matrix submission for comments with respect to the AESO's proposed rate design.
2.	Do you have additional clarifying questions that need to be answered to support your understanding?	With respect to the *Demand-Energy- Classification* description provided by the AESO, what factors did the AESO consider in classifying energy related costs based on its definitions of actual system and minimum system (i.e., energy classified as a percentage of those costs incurred in excess of meeting the peak demand)?

3.	Additional comments	For FortisAlberta, the allocation of the AESO's rate components are mirrored in the transmission cost allocation within the distribution tariff design. The AESO's preferred rate structure changes affect the bill impacts of distribution customers and the transmission prices signals that are sent to the customers through the distribution tariff. FortisAlberta has suggested that the AESO consider the potential impacts to distribution customers, of its preferred rate design, prior to finalizing the proposed rate design in its filing. To this end, FortisAlberta provided its Analysis of Estimated Bill Impacts to FortisAlberta DT rate classes / Customers of AESO Preferred DTS Rate Design, which the AESO has now posted to the AESO's stakeholder engagement website. (Note: This document was prepared by FortisAlberta Inc., not the AESO, and is subject to the Disclaimer included in the document.) The analysis demonstrates that the AESO's preferred rate design and the increased cost recovery across all energy consumed, imparts a cost recovery shift from lower load factor consumers (who make less efficient use of the transmission system) to higher load factor consumers (who make more efficient use of the system). As such, with respect to mitigation, FortisAlberta recommends that the AESO investigate adjusting its preferred rate design to account for load factor, prior to contemplating post design mitigation options.

Thank you for your input. Please email your comments to: tariffdesign@aeso.ca.

Stakeholder Comment Matrix – May 4, 2021

Bulk and Regional Tariff Design – Targeted Mitigation Engagement Status Report

Period of Comment:	May 4, 2021 through May 18, 2021	**Contact:**	Vittoria Bellissimo
Comments From:	Industrial Power Consumers Association of Alberta (IPCAA)	**Phone:**	403 966 2700
Date:	2021/05/18	**Email**:	Vittoria.Bellissimo@IPCAA.ca

Instructions:

1. Please fill out the section above as indicated.
2. Please respond to the questions below and provide your specific comments.
3. **Please submit one completed evaluation per organization.**
4. Email your completed comment matrix to tariffdesign@aeso.ca by **May 18, 2021**.

The AESO is seeking comments from Stakeholders on Targeted Mitigation Engagement – Status Report. Please be as specific as possible with your responses. Thank you.

	Questions	Stakeholder Comments

1.	Do you have any comments from the Targeted Mitigation Engagement – Status Report that should be considered by the AESO and impacted parties in forthcoming Targeted Mitigation Engagement Roundtable Discussions?	According to the Status Report, the AESO's specific objectives of this targeted mitigation engagement include reaching "a shared agreement on a temporary mitigation option that supports a 'path to minimal disruption.'" IPCAA is concerned that limiting the engagement to temporary mitigation options may not be the best approach in order to keep these customers in business in Alberta. In order to ameliorate the negative consequences of the transmission wires over-build in Alberta, we need to attract more load to the province. Introducing a new rate design that may be cost prohibitive to some consumers and then only offering them temporary relief, is not serving what should be our overall goal: more load in Alberta. It would be helpful if the AESO could provide a cost-of-service study or a forecast that would explain the following statement that the AESO makes under "Definition of success": "The AESO restated its previously shared views that the current rate design is not providing appropriate cost signals and is not resulting in a fair allocation to customers." Please consider that customers who have seen average transmission costs increase by almost 70% over the past decade – despite warning the AESO, AUC and the Government of the risk of transmission over-build – may not appreciate being told that costs are not being allocated fairly to customers without being given any analysis to support this opinion. The existing rate design has been approved by the AUC, which is responsible to ensure that the delivery of Alberta's utility service takes place in a manner that is fair, responsible and in the public interest. If something has changed in the past decade-and-a-half to make the rate design, approved by the AUC in the public interest, no longer fair, customers should be given the evidence that supports this argument, in advance of having to negotiate a mitigation plan to keep their companies solvent. According to the Status Report, "the AESO stated that its mandate is to develop a just and reasonable ISO tariff for Alberta, and not to ensure that individual companies can remain competitive in Alberta as an outcome of the tariff changes." IPCAA finds it difficult to believe that the AESO would introduce a tariff design and not test it for economic impacts on consumers. We need a sustainable system. The AESO should be working with customers to analyze the value that price responsive loads bring to Alberta and ensuring this value is recognized. Under "Mitigation options," the AESO indicates that impacted parties proposed a non-firm interruptible rate class. The AESO goes on to state that "the AESO does not see the value that an interruptible rate class would bring to the system." The Status Report also states that "Impacted parties also requested that the AESO share how it evaluated the ADC's previously proposed interruptible rate class."

		IPCAA supports the impacted parties' request that the AESO share how it evaluated the ADC's proposed interruptible tariff proposal. Again, the end goal should be preserving load on the system, as well as incenting more load to locate in Alberta, in order to carry the costs created by the over-build. What is the harm in examining a fair proposal in an open and transparent manner?
2.	Do you have additional clarifying questions that need to be answered to support your understanding?	As stated above, IPCAA submits that the AESO should undertake and publish an analysis of the economic consequences of the proposed tariff.
3.	Additional comments	The AESO should be aware that British Columbia is introducing "Industrial Electrification Rates" to encourage new industrial load to locate in BC. Alberta should be looking at this as well. We should encourage consumers to locate in Alberta. We have already built transmission for them.

Thank you for your input. Please email your comments to: tariffdesign@aeso.ca.

Stakeholder Comment Matrix – May 4, 2021

Bulk and Regional Tariff Design – Targeted Mitigation Engagement Status Report

Period of Comment:	May 4, 2021	through	May 18, 2021	**Contact:**	Alexandra Dunlop
Comments From:	Suncor			**Phone:**	403-540-0250
Date:	2021/05/13			**Email**:	alexandra.dunlop@suncor.com

Instructions:

1. Please fill out the section above as indicated.
2. Please respond to the questions below and provide your specific comments.
3. **Please submit one completed evaluation per organization.**
4. Email your completed comment matrix to tariffdesign@aeso.ca by **May 18, 2021**.

The AESO is seeking comments from Stakeholders on Targeted Mitigation Engagement – Status Report. Please be as specific as possible with your responses. Thank you.

	Questions	Stakeholder Comments
1.	Do you have any comments from the Targeted Mitigation Engagement – Status Report that should be considered by the AESO and impacted parties in forthcoming Targeted Mitigation Engagement Roundtable Discussions?	Any form of targeted mitigation as proposed by the AESO, is a form of cross subsidy. While a subsidy might be justifiable under certain circumstances, *e.g.* as a load retention rate, it definitely should not be implemented based on an arbitrary cut-off. If a subsidy based on an arbitrary cut-off is implemented, which Suncor opposes, it should, as suggested by the AESO, be temporary. However, Suncor agrees more with the affected parties. Instead of (short term) discriminatory rates, the preferred alternative would be the long-term implementation of additional rate classes, open to all customers, with different levels of service and different associated charges. Finally, no mitigation option should result in the impacted parties being better off than parties not eligible for mitigation.
2.	Do you have additional clarifying questions that need to be answered to support your understanding?	
3.	Additional comments	Suncor is concerned that the discussion has been restricted to a subset of participants. Discussions regarding additional rate classes should be open to all stakeholders and discussions regarding subsidies should not be limitited to those parties receiving the subsidies.

Thank you for your input. Please email your comments to: tariffdesign@aeso.ca.

Stakeholder Comment Matrix – May 4, 2021

Bulk and Regional Tariff Design – Targeted Mitigation Engagement Status Report

Period of Comment:	May 4, 2021	through	May 18, 2021	**Contact:**	Luis Pando
Comments From:	TransAlta			**Phone:**	403-267-3627
Date:	2021/05/12			**Email**:	Luis_Pando@transalta.com

Instructions:

1. Please fill out the section above as indicated.
2. Please respond to the questions below and provide your specific comments.
3. **Please submit one completed evaluation per organization.**
4. Email your completed comment matrix to tariffdesign@aeso.ca by **May 18, 2021**.

The AESO is seeking comments from Stakeholders on Targeted Mitigation Engagement – Status Report. Please be as specific as possible with your responses. Thank you.

	Questions	Stakeholder Comments
1.	Do you have any comments from the Targeted Mitigation Engagement – Status Report that should be considered by the AESO and impacted parties in forthcoming Targeted Mitigation Engagement Roundtable Discussions?	TransAlta supports the implementation of mechanisms that identify customers that are negatively affected by the new rate design and supports them in a transition to the new rates. Any mitigation approach should be based on its ability to retain customers and maximize the efficient utilization of the existing system. TransAlta does not have a preference over the proposed alternatives. However, rate mitigation options such as phase-ins or bill impact options should be temporary while mitigation options such as new rates such as interruptible/opportunity rates could be permanent features of a new design. The option of interruptible rates could benefit from a better understanding of AESO's DOS modernization proposal.
2.	Do you have additional clarifying questions that need to be answered to support your understanding?	No additional questions at this time.
3.	Additional comments	No additional comments at this time.

Thank you for your input. Please email your comments to: tariffdesign@aeso.ca.

Bulk and Regional Tariff Design – Targeted Mitigation Engagement Summary

I. Overall purpose and objectives

The AESO's overall purpose of this targeted mitigation engagement is to work with the stakeholders most heavily impacted ("impacted parties") by the preferred Bulk and Regional Tariff rate design to identify a path to a minimally disruptive transition to the new rate design. The impacted parties are those with an estimated transmission cost of greater than 10 per cent increase under the AESO's preferred rate design. This is an opportunity to work together to minimize impacts and reach an agreement that is acceptable to all or most of the impacted parties in advance of an Alberta Utilities Commission ("AUC") proceeding. The outcomes of this targeted engagement will be tested by the AUC, who will make a decision on the overall rate design and any agreements on mitigation that are reached through this engagement process.

The AESO's specific objectives for this targeted mitigation engagement include:

- Reach a shared agreement on a temporary mitigation option that supports a 'path to minimal disruption'
- Engage efficiently and actively at the table to progress conversations forward
- Achieve regulatory efficiency in the resulting AUC proceeding by putting forward a solution that is acceptable to all or most of the impacted parties, the AESO, and the broader stakeholder group

Impacted parties advised that they are participating as a means to manage future cost increases as they have already experienced significant cost increases and believe any additional rate shock should not temporarily reduce impacts but rather requires a permanent mitigation solution.

II. Engagement overview

The AESO is seeking to temporarily mitigate rate shock for the impacted parties. A targeted mitigation engagement workstream was designed to engage with these impacted parties directly. A status report was provided to stakeholders on May 4, 2021, which covered the initial activities that impacted parties were engaged in including:

1. A kick-off meeting with the AESO and Stack'd Consulting (Stack'd) to introduce the AESO's proposed targeted mitigation engagement process;
2. A subsequent 1:1 meeting with Stack'd to help Stack'd to gain a better understanding of the implications of the preferred rate design on each impacted party and explore preferred mitigation options; and
3. Two roundtable working sessions with all of the impacted parties to introduce, discuss, and develop the mitigation option(s) that deliver the best holistic outcomes for all stakeholders.

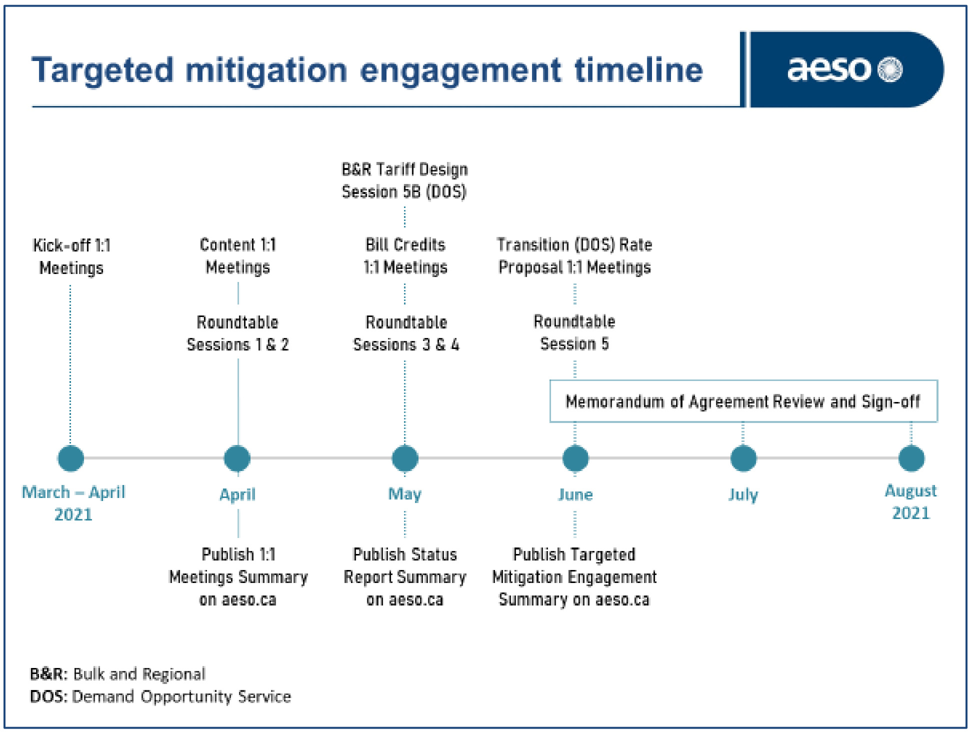
Since the status report was issued, impacted parties were subsequently engaged as follows:

4. Three roundtable working sessions were held with all of the impacted parties to continue to discuss and develop the mitigation option(s) that deliver the best holistic outcomes for all stakeholders. The AESO and the impacted parties did not reach agreement on a holistic mitigation solution, and further discussions were limited to temporary options the AESO found accepable;

Alberta Electric System Operator
Calgary Place, 2500, 330-5th Avenue SW Calgary, AB T2P 0L4
Phone: 403-539-2450 | Fax: 403-539-2949
www.aeso.ca
@theaeso

5. Each impacted party was provided a bill-impact estimate of their expected transmission bill impact if a version of the Demand Opportunity Service (DOS) rate was applied as proposed temporary mitigation; and
6. One-on-one meetings were held with the AESO to understand how DOS as a mitigation measure could work for their site and, where there was interest, to discuss bill credits.

The AESO is developing a Memorandum of Agreement (MOA) based on the engagement completed to date, and will continue to iterate with the impacted parties through the end of August 2021 to determine which impacted stakeholders may sign the MOA. The final MOA will be presented to the broader stakeholder group and the AUC as part of the formal Bulk and Regional Tariff Application.



III. Definition of success

At the outset of the targeted engagement, it became clear that the AESO's definition of success and impacted parties' definition of success were not aligned. The AESO viewed successful mitigation as a temporary measure to minimize rate shock to the threshold defined by the AESO (e.g., below the 10 per cent threshold) while impacted parties adjust to the new rate design. The AESO restated its previously shared views that the current rate design is not providing appropriate cost signals and is not resulting in a fair allocation to customers.

Impacted parties raised concerns about the unaffordability of overall system costs and their impact on Alberta competitiveness and suggested the preferred rate design is not addressing the problem. Impacted parties viewed successful mitigation as a permanent solution that: (a) maintains the current cost structure, which in their view is appropriate, (b) values the flexible characteristics of price responsive loads, and (c) provides an opportunity for the impacted parties to remain competitive in Alberta. Given that the AESO views mitigation as temporary, the impacted parties view the AESO's definition of success as having the potential to result in the seven impacted sites ceasing operations.

Despite a continued lack of agreement on the definition of success, the engagement has continued, and a Memorandum of Agreement is being drafted and discussed to mitigate rate shock for a temporary period as the new rates are implemented.

IV. AESO's mitigation proposal starting principles

At the Bulk and Regional Tariff Design Stakeholder Engagement Session 5 on March 25, 2021 the AESO shared its starting principles for mitigation, specifically that it is seeking to develop a mutually acceptable mitigation proposal with the impacted parties that will:

1. **Limit the rate impact for customers:** Mitigate rate impact to under 10 per cent increase to a party's transmission bill for the initial stage of transition;
2. **Adapt with design and rates:** Ensure mitigation options are adaptable to changes to the proposed design and forecast rates;
3. **Consistent application:** Ensure mitigation options can be applied consistently across all impacted loads and not be individually defined;
4. **Administrative simplicity:** Develop mitigation options that are feasible to implement with current tools and systems; and
5. **Mutually acceptable:** Account for feedback from broad stakeholder group.

These principles are not shared by the impacted parties.

V. Mitigation options

The three alternatives proposed and discussed as potential options for mitigation include:

1. The AESO proposed a phasing-in of the new rate design rate and/or bill credits for impacted parties (i.e., temporary bill adjustment to allow a transition to the new rate design over time).
2. The AESO and impacted parties will consider how a modernized DOS rate could provide a means for certain highly impacted parties to continue to economically connect to the system.
3. Impacted parties proposed a non-firm interruptible rate class (i.e., a separate rate class for flexible loads that exists permanently and would be distinct from DOS).

Bill credits

Bill credits were discussed as an option presented by the AESO. The AESO indicated that it viewed temporary bill credits as the leading mitigation option.

Impacted parties expressed concern over the risk of the credits being declared a subsidy and therefore in violation of international trade agreements. Impacted parties also did not agree with the temporary nature of the credits proposed. Further, impacted parties expressed concerns over the costs of Alberta's transmission system. They stated that they are paying their fair share of transmission costs such that no credits should be required.

Similarly, a phasing-in concept was not well received, as impacted parties disagree with the temporary nature of the mitigation proposed. In their view it is not true mitigation if it only defers the outcome of certain sites ceasing operations.

Further discussion on bill credits occurred with interested parties and bill credits will be put forward as a mitigation option.

Demand Opportunity Service (DOS)

Demand Opportunity Service (DOS) was presented by the AESO and discussed as a potential path forward for loads that may be uneconomic if the AESO's preferred rate design is accepted and implemented. Impacted parties had concerns about the modernized DOS recommendation presented to the broad stakeholder group on May 20, 2021 and how it would work for their sites, specifically:

- The short-term nature of DOS approvals;
- The requirement to be uneconomic under the Demand Transmission Service (DTS) rate to be eligible;
- The uncertain nature of potential changes to DOS following the DOS modernization process;
- Limits to the electable amount of load under DOS;
- Simplification of the bidding process; and
- Impacts to the net-metering practices at these sites.
- Ability for sites to invest in Alberta facilities as there is no certainty of DOS availability.

Impacted parties' initial view was that for DOS to be a viable option its structure would need to materially change. A variation of the modernized DOS recommendation was developed by the AESO, known as the Transition (DOS) Rate (discussed in further detail in the MOA section), to address impacted parties' concerns and is being put forward as a mitigation option.

Non-firm, interruptible rate class

An interruptible rate class for flexible loads was the preferred mitigation option for impacted parties. Impacted parties are of the view that this option best meets their definition of success of a permanent and ongoing adjustment to the rate that maintains current transmission cost signals and overall costs for the impacted parties. The impacted parties found no supporting evidence that the current legislative framework could not support different rate classes determined by operational characteristics of loads. The AESO does not see the value that an interruptible rate class would bring to the system and does not believe that such a rate class is aligned with the legislative framework. The AESO indicated that the impacted parties are free to propose their own interruptible tariff to the AUC.

The AESO shared how it evaluated non-firm rates in the context of its rate design. The AESO's evaluation and rate design concludes that the amount of costs recovered on the 12-CP (Coincident Peak) charge is being over-allocated in the current rate design, resulting in an over-valued CP signal strength. Additionally, for an interruptible rate class to contribute value to the grid by reducing transmission costs, it would need to include a locational signal. Accordingly, the AESO will not explore an interruptible rate class as part of its preferred rate design or as a mitigation solution. Impacted parties and the AESO did not agree that a locational signal was required for an interruptible tariff. The impacted parties also expressed concerns over their ability to propose an interruptible tariff to the AUC given the lack of data and information available from the AESO and the lack of resources available to impacted parties.

VI. Memorandum of Agreement (MOA)

The AESO is drafting an MOA designed around three mitigation options:

1. Transition Demand Opportunity Service (DOS) Rate
2. Bill credits
3. A combination of Transition (DOS) Rate and bill credits

Further description of each of these alternatives is provided below.

Transition Demand Opportunity Service (DOS) Rate

Transition (DOS) Rate will be one of the mitigation options provided in the MOA. Current design features, which are subject to change through the ongoing development of the MOA, include:

- Transition (DOS) Rate is a temporary variation of the DOS Rate:
    - The 20 per cent limit to the load factor on contracted DOS load will apply if the contracted DOS level reduces the estimated transmission bill increase to below 10 per cent;
    - Otherwise, the load factor on contracted DOS can exceed 20 per cent up to levels that reduce the estimated transmission bill increase to 10 per cent (based on 2019 usage); and
    - All other terms and conditions of the modernized standard DOS rate will apply.
- Transition (DOS) Rate will be available for five years and would come into effect when the new rate design becomes effective;
- Upon expiry, any party operating under the Transition (DOS) Rate provisions will be required to meet the provisions of the standard DOS Rate; and
- Parties can make adjustments to their DOS level until end of year three; after that a DOS business case will be required.

Bill credits

Bill credits will be one of the mitigation options put forward in the draft MOA. Current design features (subject to change through the ongoing development of the MOA) include:

- The AESO will apply bill credits to the DTS bill for a site, in the form of an energy charge credit;
- The calculation of the credit on energy charge is consistent for all sites; but the resulting credit will differ between sites based on mitigation value to reach a 10 per cent transmission bill impact in the first year the new rate design becomes effective, based on 2019 usage; and
- Credits will be available for five years, starting when new rate design takes effect, decreasing by 20 per cent each year.

A combination of Transition (DOS) Rate and bill credits

A combination of Transition (DOS) Rate and bill credits will be one of the mitigation options put forward in the draft MOA. This option may be used for sites that cannot achieve a 10 per cent transmission cost impact through Transition (DOS) Rate alone.

Eligibility

Parties with a transmission cost impact greater than or equal to a 10 per cent increase in their transmission bill, estimated based on 2019 usage, will be eligible to receive mitigation. A party that signs on to the MOA may not be eligible for mitigation if, following approval of the overall rate design, a party's transmission cost impact is estimated to fall below the 10 per cent threshold. Conversely, companies that did not participate in the development of the MOA may be eligible to receive mitigation if, following approval of the overall rate design their bill impact is estimated to be above the 10 per cent threshold.

VII. Next Steps

The AESO is in the process of drafting the MOA for iteration and review by the impacted parties participating in the targeted mitigation engagement. These parties will have the opportunity to provide any comments and proposed changes they may have to the AESO, after which they will make the decision to sign or not sign the MOA. Whether or not they sign the MOA, impacted parties will provide the AESO with a brief rationale for their decision. The full MOA and rationale statements will be included in the AESO's application to the AUC for approval of the preferred rate design.

MEMORANDUM OF AGREEMENT

THIS MEMORANDUM OF AGREEMENT dated the [•] day of August 2021,

BETWEEN:

THE INDEPENDENT SYSTEM OPERATOR
operating as the Alberta Electric System Operator (AESO)

– and –

[list mitigation signatories]
(collectively the Mitigation Signatories)

WHEREAS the AESO presented its preferred Bulk and Regional Tariff rate design (the Preferred Design) to stakeholders on March 25, 2021;

AND WHEREAS on May 20 and June 24, 2021, the AESO presented its modernized Demand Opportunity Service rate to stakeholders;

AND WHEREAS the AESO prepared initial bill impact estimates and determined that the Mitigation Signatories were likely to experience rate shock in transitioning to the Preferred Design;

AND WHEREAS the AESO was of the view that putting forward a joint proposal to the Alberta Utilities Commission (Commission), in conjunction with the Mitigation Signatories in respect of rate shock mitigation would result in a narrowing of issues in the interest of regulatory and proceeding efficiency;

AND WHEREAS on March 29, 2021, the AESO established a targeted mitigation engagement for the purpose of addressing the impact of the Preferred Design on those parties that are expected to experience rate shock;

AND WHEREAS the Mitigation Signatories participated in the targeted mitigation engagement in accordance with the Terms of Reference attached hereto as **Appendix A**;

AND WHEREAS the AESO and the Mitigation Signatories (collectively the Parties) have reached an agreement in respect of the temporary mitigation of rate shock relating to the Preferred Design;

NOW IN CONSIDERATION OF the mutual covenants and agreements set out in this Memorandum of Agreement, the Parties agree as follows:

Definitions

1. In this Memorandum of Agreement:

   "**AESO**" means the Independent System Operator, operating as the Alberta Electric System Operator.

   "**Approved Design**" means the Bulk and Regional Tariff rate design, as approved by the Commission.

   "**Approved Modernized Standard DOS Rate**" means the Modernized Standard DOS Rate, as approved by the Commission.

   "**Commission**" means the Alberta Utilities Commission.

“**Highly Impacted Party**” means a party that is expected to experience rate shock, being an increase of ten per cent (10%) or higher on the transmission portion of their electricity bill based on 2019 billing determinants, if the Preferred Design is substantially approved by the Commission, whether or not they are a Party to this Memorandum of Agreement.

“**Mitigation Option**” means any one of the options described in **Appendix D**, being:

i. D-1 Transition (DOS) Rate;
ii. D-2 Credit on Rate DTS Energy Charge; or
iii. D-3 Combination Credit.

“**Mitigation Signatory**” means a party that, on March 29, 2021, the AESO expected to be a Highly Impacted Party and is a signatory to this Memorandum of Agreement.

“**Modernized Standard DOS Rate**” means the DOS rate design that the AESO presented to stakeholders on May 20 and June 24, 2021, key elements of which are described in **Appendix C**.

“**Parties**” means the AESO and the Mitigation Signatories.

“**Preferred Design**” means the Bulk and Regional Tariff rate design that the AESO presented to stakeholders on March 25, 2021, key elements of which are described in **Appendix B**.

“**Recalculation**” means the bill impact summaries prepared in accordance with the Approved Design.

Operation of Agreement

2. The AESO will apply to the Commission for approval of this Memorandum of Agreement as part of its application for approval of the Preferred Design and the Modernized Standard DOS Rate.

3. Each of the Mitigation Signatories will provide a rationale for signing this Memorandum of Agreement, as required by the Terms of Reference, as part of its evidence in the Commission proceeding.

4. Nothing in this Memorandum of Agreement limits the right of each of the Mitigation Signatories to make submissions to the Commission concerning the merits of the Preferred Design or the Modernized Standard DOS Rate.

5. In the event that the Preferred Design and Modernized Standard DOS Rate are substantially approved by the Commission, each of the Mitigation Signatories will support the AESO’s application to the Commission for approval of this Memorandum of Agreement.

6. Each of the Mitigation Signatories that meets the Eligibility Criteria, as described in this Memorandum of Agreement, will be eligible to select a Mitigation Option in accordance with the Selection Process, as described in this Memorandum of Agreement.

7. Following the conclusion of the Selection Process, the AESO will file a compliance filing with the Commission, including proposed ISO tariff riders to implement the Mitigation Options described in this Memorandum of Agreement.

8. This Memorandum of Agreement will remain in effect until such time as the Commission issues a ruling on the AESO’s compliance filing described in Section 16 of this Memorandum of Agreement at which time it will be superseded by the Commission’s ruling.

Eligibility Criteria

9. Only Highly Impacted Parties are eligible to select a Mitigation Option in accordance with this Memorandum of Agreement.

10. In the event that the Preferred Design is substantially approved by the Commission, the AESO will perform the Recalculation using a test rate based on the 2019 revenue requirement, 2019 billing determinants and Approved Design.

11. Following the Recalculation, the AESO will notify the Highly Impacted Parties that they are eligible for mitigation.

12. The Mitigation Signatories agree that, if they are not determined to be a Highly Impacted Party following the Recalculation, they will not be eligible to select a Mitigation Option in accordance with this Memorandum of Agreement.

Selection Process

13. A Highly Impacted Party will be eligible to select a Mitigation Option.

14. A Highly Impacted Party must inform AESO of its selected Mitigation Option within forty-five (45) calendar days of receiving a notification from the AESO, and include the Transition (DOS) Rate contract level if applicable.

15. The AESO will estimate the Energy Credit Percentage for the purpose of calculating a Credit on the Rate DTS Energy Charge, as required.

16. The AESO will file proposed ISO tariff riders as part of its compliance filing for Commission approval setting out:
    (a) the names of the Highly Impacted Parties;
    (b) the mitigation option selected by each of the Highly Impacted Parties;
    (c) the length of the mitigation period approved by the Commission;
    (d) the estimated Energy Credit Percentage for the purpose of calculating the Credit on the DTS Energy Charge;
    (e) elected Transition (DOS) Rate contract levels;
    (f) the load factor limit for each Transition (DOS) Rate site, if it is above 20%; and
    (g) other implementation details, as required or requested by the Commission.

Duration of Mitigation

17. Each selected Mitigation Option will be in effect for a period of up to five (5) years, beginning on the date that the Preferred Design comes into effect.

Confidentiality

18. The AESO will adhere to the Confidentiality provisions set out in the Terms of Reference unless otherwise ordered by the Commission.

General

19. The expressions "herein", "hereto", "hereof", "hereby", "hereunder" and similar expressions shall refer to the provisions of this Memorandum of Agreement in their entirety and not to any particular section, subsection or other subdivision hereof. Where the word "including" or "includes" is used in this

Memorandum of Agreement, it means "including (or includes) without limitation". References to Sections and Schedules herein refer to sections and schedules of or to this Memorandum of Agreement, unless the context otherwise requires. Any reference to time shall refer to Mountain Standard Time or Mountain Daylight Saving Time during the respective intervals in which each is in force in the Province of Alberta. The headings of the Sections, Schedules and any other headings, captions or indices in this Memorandum of Agreement are inserted for convenience of reference only and shall not in any way affect the construction or interpretation of this Memorandum of Agreement or any provision hereof.

20. Whenever the singular or masculine or neuter is used in this Memorandum of Agreement it shall be interpreted as meaning the plural or feminine or body politic or corporate, and vice versa, as the context requires.

21. Capitalized terms bear the meanings ascribed to them in this Memorandum of Agreement or the ISO tariff.

22. Except as expressly set out in this Memorandum of Agreement, the computation of time referred to in this Memorandum of Agreement shall exclude the first day and include the last day of such period.

23. This Memorandum of Agreement and attached Appendices constitute the entire agreement between the Parties and no other agreements, express or implied, have been made.

24. In the event of a conflict between the body of this Memorandum of Agreement and the Appendices, the body of the Memorandum of Agreement takes precedence.

25. Any alteration or amendment of this Memorandum of Agreement must be in writing and signed by all of the Parties.

26. Each of the Parties has entered into this Memorandum of Agreement freely and has had sufficient time to consider its actions and to seek such independent legal or other advice as deemed appropriate with respect to this Memorandum of Agreement.

27. The Parties acknowledge that their respective legal counsel have reviewed and participated in settling the terms of this Memorandum of Agreement and the Parties agree that any rule of construction to the effect that any ambiguity is to be resolved against the drafting Party shall not be applicable in the interpretation of this Memorandum of Agreement.

28. This Memorandum of Agreement may be executed by the Parties in separate counterparts and delivered by electronic transmission and once executed by each Party and conveyed to the other shall constitute one and the same agreement binding upon each of the Parties and their successors and assigns.

29. This Memorandum of Agreement is to be interpreted pursuant to the laws of the Province of Alberta.

30. The failure of any Party to exercise any right, power, or option given to it under this Memorandum of Agreement or to insist upon the strict compliance with any of the terms or conditions in this Memorandum of Agreement will not constitute a waiver of any provisions with respect to any other or subsequent breach.

31. Each Party will, from time to time, without further consideration, do such further acts and deliver all such further assurances, deeds and documents as shall be reasonably required in order to fully perform and carry out the terms of this Memorandum of Agreement.

IN WITNESS WHEREOF each of the Parties has signed this Memorandum of Agreement to be effective as of the date set out above.

Independent System Operator, operating as **AESO**	**[FULL LEGAL NAMES OF MITIGATION SIGNATORIES]**
By: ____________________________	By:____________________________
Name (print):	Name (print):
Title (print):	Title (print):
Date:____________________________	Date:____________________________

APPENDIX A – TERMS OF REFERENCE

Bulk and Regional Tariff Design Targeted Mitigation Engagement Terms of Reference April 20, 2021

A. Confidentiality

- The AESO will not disclose your organizational identities during the course of the targeted engagement.
- The AESO will publish your organizational identities at the conclusion of the targeted engagement, whether or not a Memorandum of Agreement is signed.
- The AESO will include the names of all participating parties in its application to the Alberta Utilities Commission ("AUC"), whether or not an agreement is reached.
- The AESO will keep confidential any materials that you clearly identify as being commercially sensitive in accordance with ISO rule Section 103.1, *Confidentiality.*

B. Participation

- Stakeholders will respond to all communications regarding the targeted engagement within a reasonable amount of time.
- Stakeholders will notify the AESO at least 48 hours in advance if they will be unable to attend a planned meeting.
- Stakeholders will communicate respectfully with all other stakeholders throughout the targeted engagement process.
- Participation in the targeted engagement process does not preclude a stakeholder from making any arguments that are available to them in the AUC proceeding on the Bulk and Regional Tariff rate design, except as expressly stated in the Memorandum of Agreement.

C. Transparency and reporting back publicly

- AESO will publish a summary of its 1:1 meetings with stakeholders, a status report halfway through the engagement and a summary at the conclusion of the targeted engagement. These materials will be shared with stakeholders for their review and feedback prior to being published.
- Individual session summaries / meeting minutes will not be published by the AESO but will be made available to all impacted stakeholders invited to participate in this engagement. These materials will be shared with stakeholders for their review and feedback prior to being finalized.

D. Roundtable attendees

- Stakeholders must include an attendee at the roundtable sessions who has the authority to make a decision on mitigation options on behalf of their organization.
- Up to three representatives from each stakeholder organization can be present at the roundtable sessions. An organization may nominate a consultant or agent to act on its behalf as long as the consultant or agent agrees to be bound by these Terms of Reference.

E. AESO's role

- The AESO will participate in the roundtable sessions and act as the counter-party, taking into account the feedback of the broader stakeholder group in accordance with its public interest mandate.
- The AESO will, with stakeholder input, author the final Memorandum of Agreement. It will be shared with stakeholders for their review and feedback prior to being finalized. The AESO will prepare supporting artifacts that describe the process, any agreements that are reached, and any contextual information or narrative that is helpful to understanding the process, for filing with the AUC.[1]
- The AESO will author session summaries and meeting minutes.
- The AESO will gather and share feedback from the broader stakeholder group for consideration in the process.

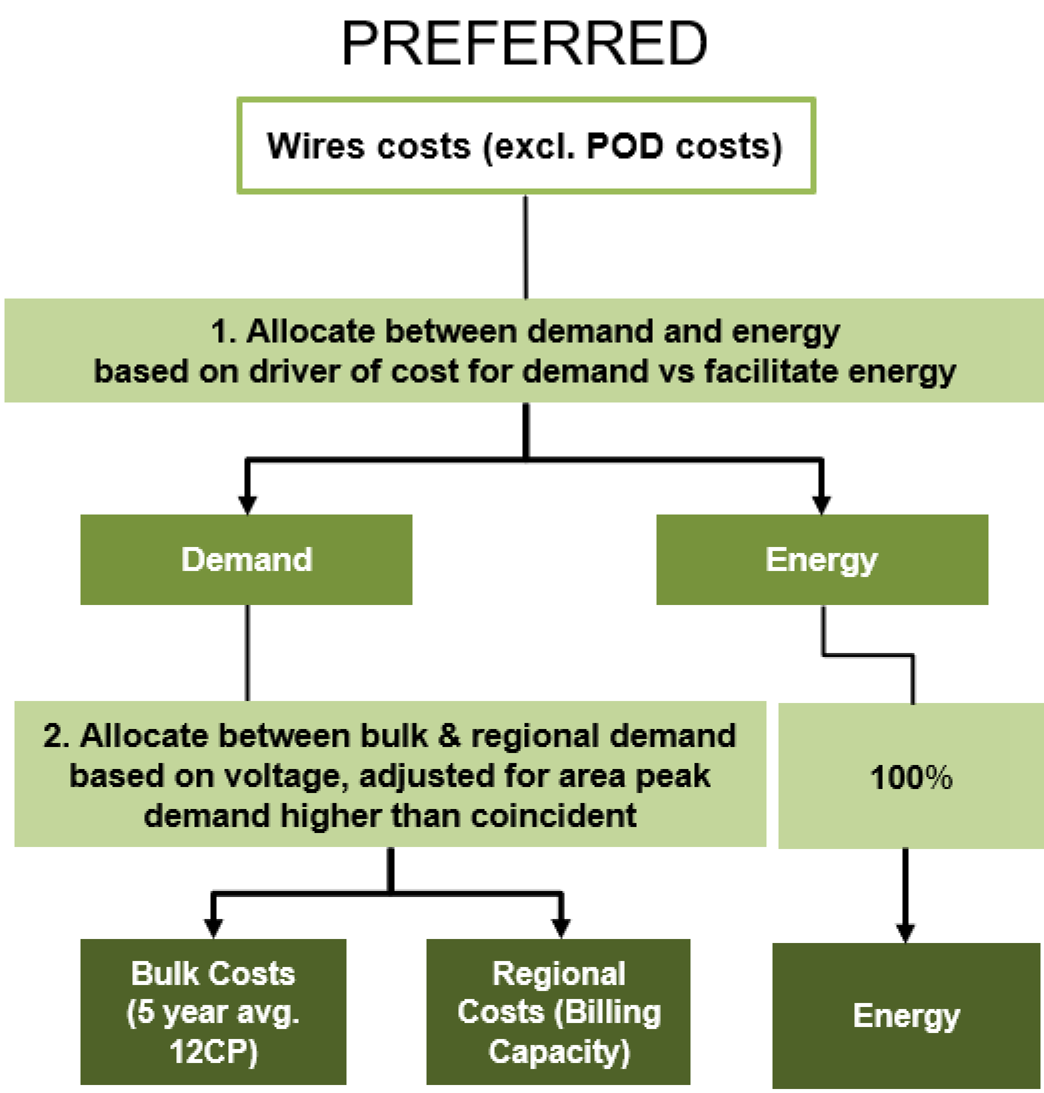
F. Participant role

- Stakeholders will participate in the discussions in good faith, and with the intent to seek a path of minimal disruption.
- Stakeholders will not disclose the organizational identities of other participating stakeholders or discuss the targeted mitigation process outside of the participating parties until it is complete. Stakeholders may discuss the targeted mitigation process with its consultants or agents as long as the consultants or agents agree to be bound by these Terms of Reference.
- Stakeholders will make reasonable efforts to perform relevant analysis, identify and propose solutions, and further the design of the mitigation option.
- Stakeholders will decide to sign, or not to sign, the Memorandum of the Agreement at the conclusion of the targeted engagement, and will provide a brief rationale for why or why not, which will be filed with the AUC.

[1] In preparing its application to the AUC in respect of the targeted mitigation engagement, the AESO intends to align with subsection 6(3) of AUC Rule 18.

APPENDIX B – KEY ELEMENTS OF THE AESO'S PREFERRED BULK AND REGIONAL TARIFF RATE DESIGN

1. Allocation between demand and energy related costs using minimum system approach
2. Recovery of energy related costs through non-varying energy charge
3. Allocation of demand related costs based on book value of transmission assets using voltage threshold of 240kv
    a. Recovery of the demand related costs for facilities 240kv and above through coincident peak charge
    b. Recovery of the demand related costs for facilities below 240kv through billing capacity charge
    c. Adjust allocations of demand related costs to account for peaks in areas that exceed peaks at time of 12CP



APPENDIX C – KEY ELEMENTS OF THE MODERNIZED STANDARD DOS RATE

1. Customer representation that use of Modernized Standard DOS Rate does not replace use of DTS rate
2. AESO technical assessment of reliability impacts
3. 20% maximum load factor for consumption contracted on the Modernized Standard DOS Rate
4. DOS loads included in the energy market merit order, in accordance with the applicable ISO rules
5. AESO retains the ability to audit customer's use of the Modernized Standard DOS Rate

APPENDIX D – MITIGATION OPTIONS

D1 - TRANSITION (DOS) RATE

6. Transition (DOS) Rate is a temporary variation of the Modernized Standard DOS Rate.

7. Transition (DOS) Rate will come into effect on the same date as the Approved Design.

8. The AESO will adjust the system access service agreement of a Highly Impacted Party that selects Transition (DOS) Rate to document the DTS and DOS contract levels requested by the Highly Impacted Party.

9. A Highly Impacted Party can contract for amounts of Transition (DOS) Rate up to:
   (a) a 20% load factor, where it reduces the estimated bill increase on the transmission portion of their electricity to 10% or less, as determined by the AESO based on 2019 billing determinants for their individual sites; or
   (b) where a 20% load factor does not reduce the estimated bill increase on the transmission portion of their electricity bill to 10%, a load factor that reduces the estimated bill increase on the transmission portion of their electricity bill to 10%, as determined by the AESO based on 2019 billing determinants.

10. All other terms and conditions of the Approved Modernized Standard DOS Rate will apply to a Highly Impacted Party that elects Transition (DOS) rate.

11. The Transition (DOS) Rate will expire five (5) years after the effective date of the Transition (DOS) rate.

12. Upon expiry of the Transition (DOS) Rate, any party with contract amounts under the Transition (DOS) Rate provisions will be required to meet the provisions of the Approved Modernized Standard DOS Rate.

13. If a Highly Impacted Party makes a change to its contract levels three (3) or more years after the Transition (DOS) Rate comes into effect, and continues to have some portion of contracted DOS, a representation for the DOS contract level will be required in accordance with the Approved Modernized Standard DOS Rate.

APPENDIX D – MITIGATION OPTIONS

D2 – CREDIT ON RATE DTS ENERGY CHARGE

1. The AESO will calculate a Credit on Rate DTS Energy Charge, being a credit on the energy charge portion of the DTS invoice under the Approved Design.

2. The Credit on Rate DTS Energy Charge for each site will differ based on the site's estimated transmission bill impact and actual energy usage, based on 2019 billing determinants.

3. The Credit on Rate DTS Energy Charge for each site will be determined based on the following formula:

   Energy Credit Percentage = ((Annual Transmission Costs [under 2019 ISO tariff rates] X 110%) minus Annual Transmission Costs [under Approved Design for 2019]) / (Energy [2019 Site Actual Energy] X Energy Charge [under Approved Design for 2019])

4. The AESO will use a test rate based on the 2019 revenue requirement, 2019 billing determinants and Approved Design to determine the Credit on Rate DTS Energy Charge.

5. The Credit on Rate DTS Energy Charge will be applied as follows in year 1-5:

Year 1	Energy Credit Percentage * 100%
Year 2	Energy Credit Percentage * 80%
Year 3	Energy Credit Percentage * 60%
Year 4	Energy Credit Percentage * 40%
Year 5	Energy Credit Percentage * 20%

APPENDIX D – MITIGATION OPTIONS

D3 – COMBINATION CREDIT

1. Participants may elect a Combination Credit, being the Transition (DOS) Rate in combination with a credit on the Rate DTS charge.

2. The AESO will calculate a credit on the energy charge portion of the DTS invoice under the Approved Design.

3. The Combination Credit for each site will differ based on the site's estimated transmission bill impact and actual energy usage, based on 2019 billing determinants.

4. The Combination Credit for each site will be determined based on the following formula:

   Combination Energy Credit Percentage = ((Annual Transmission Costs [2019 ISO Tariff Rates] x 110%) minus (Annual Transmission Costs including Rate DOS [Approved Design for 2019])) / (Energy [2019 Site Actual Energy] X Energy Charge [Approved Design for 2019])

5. The AESO will use a test rate based on the 2019 revenue requirement, 2019 billing determinants, the Approved Design and elected DOS contract level to determine the Combination Credit.

6. The Combination Credit will be applied as follows in year 1-5:

Year 1	Combination Energy Credit Percentage* 100%
Year 2	Combination Energy Credit Percentage* 80%
Year 3	Combination Energy Credit Percentage* 60%
Year 4	Combination Energy Credit Percentage* 40%
Year 5	Combination Energy Credit Percentage* 20%

AltaSteel

July 6, 2021

Alberta Electric System Operator
330 – 5th Avenue SW
Calgary, Alberta
T2P 0L4

Re: Targeted Mitigation Engagement - Draft Memorandum of Agreement – MOA

Dear Sirs:

Be advised, at this time AltaSteel Inc., will not be signing the proposed MOA or offering suggested revisions.

AltaSteel has operated at the same site for over 65 years, and through many changes to the power system, including the large bulk system build, we have seen no significant improvements in power supply or quality; however, we have seen significant transmission cost increases over the same period.

By signing the MOA, we believe a message of acceptance will be communicated by the AESO, when we have been very clear the change in the Bulk and Regional Tariff is not in the best interest of AltaSteel.

We have been a cooperative participants throughout the mitigation process, however, it is our position a mitigation proposal using DOS will not provide the long term certainty of power supply to our facility.

Should there be a desire to continue to work to a balanced solution, AltaSteel is prepared to continue to participate working to that "optimum solution".

Regards,

C Laird

Cheryl Laird
Director, Strategic Procurement

AltaSteel Inc.
9401 – 34 Street, Edmonton, AB Canada T6B 2X6 Ph.: (780) 468-1133 Fax: (780) 468-7335

ERCO™ WORLDWIDE

July 14, 2021 Delivered via Email

Ms. Nicole LeBlanc
Director, Markets & Tariff
Alberta Electric System Operator (AESO)
330 - 5th Avenue SW, Calgary, AB T2P 0L4

Dear Ms LeBlanc:

Re: Targeted Mitigation Engagement Draft Memorandom of Agreement (MOA)

Thank you for your efforts on the recent mitigation proposal. After careful consideration, ERCO Worldwide LP ("ERCO") will not sign the MOA as presented, nor will we offer any changes or edits to it. The proposed MOA does not reflect or address the concerns we and other stakeholders raised during the targeted mitigation engagement process. Futher, it does not yield a viable long-term solution for our Alberta facility.

Again, the AESO mitigation proposal of transitioning to the full rate increase over a period of 5 years will render our facility uncompetitive - this, despite our best efforts to manage electricity costs through efficiency, price response to energy market signals, peak shaving, and provision of ancillary services such as LSSi.

It is not in our best interest to support the Demand Opportunity Service (DOS) recommendations which offer no long term assurance of power supply for us to remain competitive in Alberta.

Our business relies on competitive electricity costs. If there is a willingness to achieve a more realistic and workable solution, ERCO will continue to participate in the process.

Sincerely,
ERCO Worldwide LP

DocuSigned by:
John F. Christie
02F16AF80CEA48D...

John Christie
VP Operations

Responsible Care®

ERCO Worldwide LP 5050 Satellite Drive, Mississauga, Ontario L4W 0G1
416.239.7111 / ercoworldwide.com

West Fraser Mills Ltd.
1250 Brownmiller Rd,
Quesnel BC,
Canada V2J 6P5
www.westfraser.com

August 25, 2021

Michael Law, President and CEO
Alberta Electric System Operator
Calgary Place, 2500
330-5th Avenue SW
Calgary, AB
T2P 0L4

Dear Mr. Michael Law,

I am writing regarding AESO's initiative to mitigate the impact of its proposed tariff re-design on several energy intensive, trade exposed industrial consumers operating in Alberta. Specifically, West Fraser was asked to sign a Memorandum of Agreement (MOA) whereby the new rate scheme would be deferred for a short time for its impacted facilities.

WF views itself as an industry leader in energy management. Across our Canadian operations we have invested millions of dollars to produce energy from milling residuals and through innovative approaches like methane capture. On the consumption side, our efforts to flexibly manage our loads has been integral to allowing Alberta to meet the needs of Alberta energy consumers and homeowners during periods of high energy demand.

As you know West Fraser owns and/or operates four facilities that will be significantly impacted under the proposed re-design:

Community	**Community**	**Rate Impact**	**Employees**
Slave Lake Pulp	Slave Lake	40% - 50%	120 Direct, 170 Indirect
Ranger Board	Blue Ridge	10% - 15%	100 Direct, 134 Indirect
Blue Ridge Lumber	Blue Ridge	Greater than 10%	264 Direct, 357 Indirect
Alberta Newsprint Company *50% owner	Whitecourt	40% - 50%	200 Direct, 280 Indirect

West Fraser welcomed the AESO-led initiative to mitigate the impact of the proposed re-design on energy intensive, trade exposed businesses. It was our hope that we could engage with AESO to carve out exceptions for these businesses or, together identify some tweaks to the design to blunt the impact.

Unfortunately, AESO came to the table unprepared to look beyond a brief deferral of full implementation. A deferral assumes there is action and economic investments we can make to substantially reduce the impact of proposed tariffs within the defined period. There is neither the business case, nor is there the technology to fundamentally change the energy consumption of these facilities without undermining the economics upon which their operations are predicated.

AESO's proposed tariff redesign is an existential threat to these four operations. Because our lumber milling operations rely on these facilities to consumer their residuals, the potential impacts extend into our other business lines. I urge you to consider a policy path that

West Fraser Mills Ltd.
1250 Brownmiller Rd,
Quesnel BC,
Canada V2J 6P5
www.westfraser.com

governments in this country and around the world have adopted when it comes to emissions from energy intensive trade exposed industries: create an exception to preserve jobs and protect communities. A similar approach, applied to the tariff redesign, will save jobs and benefit communities.

Given that the proposed MOA fails to address these fundamental concerns I am unable to sign it. I would be pleased to meet at your convenience to discuss further.

Yours truly,

Keith Carter
Vice President – Western Canada Operations

Cc:
Associate Minister of Energy, the Honorable Dale Nally
Pam Livingston, Chief of Staff to the Premier
Grant Sprague, Deputy Minister of Energy

Alberta Newsprint Company

August 26, 2021

Michael Law
President and Chief Executive Officer
Alberta Electric System Operator
Calgary

Sent via email.

Re: Memorandum of Agreement (MOA) for Cost Increase Mitigation with AESO Bulk and Regional Preferred Tariff Design

Dear Mr. Law,

Alberta Newsprint Company (ANC) has expressed concern that the AESO's proposed Bulk and Regional tariff design appears to be unsupported by any proper cost causation study that justifies the move to a dramatically altered tariff design. Just months before the release of its current re-design, AESO was proposing no change to the energy charge, and now it is proposing to increase this charge by 400%, from $2.18 to $10.19/MWHr. Equally sudden, AESO is proposing to significantly restrict the ability of many large industrial power consumers to manage their load and their costs- a process that also benefits the power grid as a whole- while providing minuscule benefits to households and small consumers for whom such load management, even if physically possible, would not provide worthwhile cost savings.

In the absence of a comprehensive cost causation study, AESO has simply alleged that certain large electrical power customers that have built their business in reliance on Alberta's long established system of enabling cost management through load management are suddenly no longer "paying their fair share". What has actually occurred is that over the past decade, AESO has overseen the growth in transmission costs from approximately $1 billion to nearly $2.5 billion per year, with no material DTS load growth to pay for it. Faced with the consequences of this overbuild/overspend, AESO has concluded that the existing system of price signals and responses is "broken", and that the ability of some of the most responsive customers to manage their costs by managing their loads must be significantly reduced. In ANC's case, the proposed tariff re-design will result in yearly transmission cost increases of 35% to 55%, based on our 2017 to 2020 site energy profile. As a major power consumer, this is not just an unreasonable result, it is unfair and unsustainable.

Tel: 780.778.7000 | Fax: 780.778.7070 | Address: 125078 TWP RD 602A, Whitecourt, AB, Postal Bag 9000, T7S 1P9
Website: www.albertanewsprint.com

Alberta Newsprint Company

When the tariff re-design was first released, ANC and certain other "highly impacted customers" were approached by AESO to enter into cost mitigation discussions. From ANC's perspective, these discussions were not so much directed at ways to reduce("mitigate") the impact of the new rate design on our operations, as they were to provide a defined period of time to allow ANC to "adjust" to the new rate structure, whether through bill credits or a modified temporary DOS. We have stressed many times that as a trade exposed exporter in a global commodity market, we simply cannot pass along cost increases of this magnitude and hope to remain competitive. Accepting AESO's proposed transition options would therefore amount to acceptance of a "run to failure" approach to our business, which we are not prepared to adopt and one of the main reasons we declined to enter into the proposed MOU.

As a final observation, we believe that the proposed tariff re-design represents a move to a poor industrial policy design for the Province, and will be counterproductive. From a delivered industrial electrical power perspective, the Province is moving steadily from being a low cost jurisdiction to a high cost one. For prospective new investors in the Province, this will be a deterrent to high load customers locating here, when those are exactly who the Province needs to increase the utilization and share the cost of our power grid. For "highly impacted customers" like ANC that are already located here, we are driven to examine other options, including more on-site generation to further reduce or eliminate our reliance on the grid, which will negatively impact other ratepayers as major rate-payers leave the system. For these reasons, we firmly believe that the consequences of a major rate re-design like the one proposed, particularly when unsupported by a proper cost-causation study, should be fully and openly debated before the AUC.

We hope this letter is helpful in summarizing our reasons for declining to enter into the proposed MOU.

Mike Putzke

Sincerely

Mike Putzke
General Manager
Alberta Newsprint Company
C: 780-778-7050
mikep@albertanewsprint.com

CC: Karl Johannson, Chair, AESO Board of Directors

MILLAR WESTERN FOREST PRODUCTS LTD.

Tel: 780.486.8200 Fax: 780.486.8282

August 31, 2021

Alberta Electric System Operator ("AESO")
330 5 Avenue SW
Calgary, Alberta
T2P 0L4

Subject: Targeted Mitigation Engagement Draft Memorandum of Agreement ("MOA")

Millar Western Forest Products Ltd. ("Millar Western") will not be signing the draft MOA provided by the AESO as we do not view the options offered by the AESO as providing practical mitigation solutions for our company.

As we have stated throughout the Targeted Mitigation Engagement process, Millar Western has experienced significant transmission cost increases over the past decade and does not believe the AESO has sufficiently demonstrated a case for changing the Bulk and Regional Tariffs, which would result in a further material cost increase to our business.

Should the AESO be willing to collaboratively discuss long term mitigation solutions, Millar Western is prepared to continue to participate in the Targeted Mitigation Engagement.

Yours truly,

Scott MacKenzie | Vice President, Corporate Development
Millar Western Forest Products Ltd.

Air Liquide

AIR LIQUIDE CANADA INC.
140 4th Avenue SW, Suite 550
Calgary, Alberta, T2P 3N3

September 2, 2021

Mr. Michael Law
President & CEO
Alberta Electric System Operator
Calgary Place
2500, 330 - 5th Ave SW
Calgary, AB T2P 0L4

Re: Proposed new tariff mitigation and Memorandum of Agreement (MoA)

Dear Mr. Law,

Air Liquide has been present in Canada since 1911 and has a team of more than 2,500 employees working to supply 200,000 customers and patients across the country. In Alberta, our company owns and operates three major industrial sites that produce industrial gases for a wide variety of sectors, from oil and gas, mining, healthcare, automotive, aeronautics, metallurgy, metal fabrication to chemical and agri-food industries.

Our industrial operations being energy intensive, we care to manage our energy consumption responsibly and to support AESO's grid by curtailing some of our operations when power demand is at its highest. This mutually beneficial mode of operation has been going on for a long time but during the Targeted Mitigation Engagement process, AESO has never been able to explain clearly why the proposed new tariff undervalues this load flexibility while all other ISOs and utilities in jurisdictions where Air Liquide has a presence seem to highly value it.

Air Liquide welcomed the AESO initiative to mitigate the impact of this new tariff on our operations. Unfortunately, the mitigation proposal resulting from this consultation process is limited to a short deferral period transitioning to a full rate increase which will erode our competitiveness. Furthermore, the transitional DOS mitigation option comes with a certain number of unresolved concerns that make it unsuitable for industrial operations. An interruptible tariff is a preferred mitigation option but AESO refused to consider it.

Consequently, Air Liquide is unable to sign the Memorandum of Agreement. I would be pleased to meet with you at your convenience to further discuss.

Sincerely,

Bryant Jackson
Vice President, Large Industries NAM Onsites