

## AESO Consultation –2020 Budget Review Process (2020 BRP), AESO’s 2020 Business Initiatives

November 28, 2019

*The AESO has asked market participants and interested parties to comment on the Preliminary List of 2020 Business Initiatives presentation given at the Budget Review Process (BRP) stakeholder review meeting on October 30, 2019. Related stakeholder comments regarding the business initiatives are provided in the following matrix. The matrix also includes AESO management’s response to stakeholder comments.*

## Preliminary List of 2020 Business Initiatives – October 30, 2019 meeting

Do stakeholders have any comments on the AESO's Business Initiatives proposed for 2020?

### Alberta Direct Connect (“ADC”)

#### Comment 1

Market Sustainability and Evolution: The ADC supports the efforts to move to a shorter settlement interval.

### AESO Response

#### Comment 1

Comment Noted.

### Alberta Direct Connect (“ADC”)

#### Comment 2

Tariff: The ADC supports the efforts to move forward with the DTS tariff redesign and wants to ensure the AESO has adequate resources to fully examine any changes.

### AESO Response

#### Comment 2

Comment Noted. The AESO intends to use adequate resources to fully examine any changes.

### Alberta Direct Connect (“ADC”)

#### Comment 3

People and Culture: ADC encourages the AESO to comment on the expected deliverables of the cultural evolution initiative in terms of productivity gains and costs.

### AESO Response

#### Comment 3

Comment Noted. The expected deliverables are aimed at preparing the organization for exponential technology changes that are disruptive through the electricity value chain. In that way the organization can continue to successfully deliver on its mandate through industry transformation due to improved processes and increased capabilities. The culture shift also assists in attracting and retaining talent, thereby managing recruitment, on-boarding and training costs. The organization already assumed significant cost savings through workforce reductions that impact the 2020 budget.

## Preliminary List of 2020 Business Initiatives – October 30, 2019 meeting

Do stakeholders have any comments on the AESO's Business Initiatives proposed for 2020?

### Alberta Direct Connect (“ADC”)

#### Comment 4

Settlement Audit: ADC supports the settlement audit initiative.

### AESO Response

#### Comment 4

Comment Noted. The first phase of the initiative will be to assess if the controls are in place (readiness assessment). The second phase of the initiative will be to test the effectiveness of the controls over a period of time. The start of the second phase will depend on the readiness assessment and any mitigation required.

### Alberta Direct Connect (“ADC”)

#### Comment 5

Productivity: ADC supports the development of business cases to support elements of the technology program. It is important to demonstrate projects are delivering value for consumers.

### AESO Response

#### Comment 5

Comment Noted. All capital projects initiated by the AESO are reviewed and approved through the portfolio management process. This process is led by senior management and facilitates a regular review and prioritization of major projects to ensure business requirements are met and, at the same time, achieve the most beneficial and cost-effective results. This process also allows for the flexibility to re-evaluate capital plans throughout the year. Business case reviews and approval are part of the portfolio management process.

### Capital Power Corporation (“Capital Power”)

#### Comment 1

Capital Power appreciates the opportunity to provide feedback to the AESO on the 2020 Budget Review Process (“2020 BRP”) and submits the following comments for consideration.

Capital Power submits that stakeholders require a comprehensive overview of the budget, priority, and schedule of the initiatives identified by the AESO in order to adequately comment on the Budget Review Process. The AESO's material provided to date lacks sufficient detail in these respects to assess whether the budget is appropriate, or whether the AESO is focused on initiatives that reflect the priority of stakeholders and the market. The AESO-administered markets have been affected by significant changes in policy over the past several years, during which the AESO budget and associated pool trading charge have increased materially. In the current circumstances, where the market is again facing significant policy change, it is appropriate to undertake a complete review of the AESO budget to ensure it meets the long-term requirements of the market.

In undertaking this budget review, it is also necessary to consider how the AESO identifies priorities for the organization. Capital Power submits that the AESO should consider alternative forums to seek feedback and advise on priorities for the organization, including priorities that will form part of the budget review process. This should include initiation and/or assessment of near-term and long-term projects needed to support efficient operation of the wholesale market.

As noted, additional detail is needed to provide informed comments on the proposed initiatives identified by the AESO. Capital Power notes the following issues with specific initiatives listed by the AESO in the material from the stakeholder session on October 30.

## Preliminary List of 2020 Business Initiatives – October 30, 2019 meeting

Do stakeholders have any comments on the AESO's Business Initiatives proposed for 2020?

### **AESO Response**

#### **Comment 1**

Comment Noted. Stakeholders will have an opportunity to see the related budgets during the November 29, 2019 meeting on the 2020 AESO Forecast and Own Costs. The Business Initiatives that involve stakeholder participation have their own processes which will provide timelines as available whereas the BRP is providing a high-level perspective of all of the Business Initiatives for general AESO budget planning purposes and alignment.

### **Capital Power Corporation (“Capital Power”)**

#### **Comment 2**

##### **Market Sustainability & Evolution**

In establishing the process to review long-term market sustainability through a supply adequacy assessment, it would benefit stakeholders to have a greater understanding of the scope of this exercise. Capital Power requests that more detail on the scope, timelines, and methods be provided to allow stakeholders the ability to fully assess the reasonableness of the anticipated budget associated with this work.

As it relates to the AESO's preliminary scope of the flexibility initiatives, Capital Power understands that it relied on the Net Demand Variability Study that was completed as part of the capacity market design process. Within this study, assumptions relating to renewable builds – a key driver of net demand variability – incorporated data that reflected the full implementation of the Renewable Energy Program. Capital Power, therefore, submits that a review of this study is warranted given the change in policy. Thereafter, it may be appropriate to review the necessity of certain aspects of the scope as it is currently contemplated.

### **AESO Response**

#### **Comment 2**

Comment Noted. The AESO will be providing additional information to stakeholders regarding scope, timelines and engagement process before end of 2019 on the market sustainability assessment. The AESO will be updating its Net Demand Variability Study with updated inputs that reflect current expectations for renewables.

### **Capital Power Corporation (“Capital Power”)**

#### **Comment 3**

##### **Long-Term System Developments**

The AESO notes the 2020 initiatives for transmission will include AUC approval processes for system projects needed to enable generation included in the 2020 Long Term Plan. Capital Power submits that greater scrutiny is needed to ensure only essential projects are being pursued, and that transmission development supports a realistic level of future development.

Further, clear articulation of the cost-benefits analysis for each project should be transparent and project milestones must be tied to committed future development. For projects that are deemed to be essential, the AESO should determine whether alternative procurement processes are appropriate for any new development.

## Preliminary List of 2020 Business Initiatives – October 30, 2019 meeting

Do stakeholders have any comments on the AESO's Business Initiatives proposed for 2020?

### AESO Response

#### Comment 3

Comment Noted. The AESO has the objective of optimizing the transmission system infrastructure. A focus of the Long Term Plan development strategy is to ensure that the transmission plan is flexible and adaptable to a wide variety of potential future scenarios. The focus also includes efficient use of the existing transmission system with timely addition of necessary new transmission developments. The AESO has provided a description of its transmission system planning process, including need assessment, in the AESO 2017 Long-term Transmission Plan (see section 3 Transmission planning and developments).

### Capital Power Corporation (“Capital Power”)

#### Comment 4

#### Grid Market Operations System

In advancing projects under the Grid Market Operations System initiative, it is essential to provide stakeholders with advanced notice of any changes that stand to impact market participants' information systems and electronic interfaces with AESO systems. With any long lead time items, stakeholders require time to make consequential adjustments to internal systems to ensure seamless integration with updates or system improvements at the AESO.

### AESO Response

#### Comment 4

Comment Noted. Agreed, it is essential to provide stakeholders with advance notice of any changes that stand to impact market participants' information systems and electronic interfaces with AESO systems.

### ENMAX Corporation (“ENMAX”)

#### Comment 1

ENMAX does not have any comments on the proposed AESO's Business Initiatives for 2020 at this time. We reserve our comments until the costs associated with the proposed initiatives have been provided. The transparency of these costs and how they relate to the specific initiative is integral to understanding the relevance and appropriateness of the costs. We request as part of the description of the costs, the AESO provide clarity on which projects are multi-year and which years specifically the bulk of the costs will be allocated to.

### AESO Response

#### Comment 1

Comment Noted. Please see AESO response to Heartland Comment 1, below. Also, the AESO will provide additional information on Capital and G&A at the November 29<sup>th</sup> stakeholder meeting on AESO's Own Costs. However, the AESO does not allocate its G&A costs by business initiative. Additionally, the AESO has other core or baseload work that is not part of the business initiatives. All of the business initiatives are multi-year or have the potential to be multi-year with the exception of the Stakeholder Engagement Framework. Many of the 2020 proposed Business Initiatives are at the first year or early in their design and implementation.

## Preliminary List of 2020 Business Initiatives – October 30, 2019 meeting

Do stakeholders have any comments on the AESO's Business Initiatives proposed for 2020?

### Heartland Generation Ltd. ("Heartland")

#### Comment 1

In general, the AESO does not rank the priority of the different business initiatives shown in the presentation. It would help for the AESO to clarify which projects it will focus on of those proposed. The AESO and market participants should agree on the relative importance of the proposed initiatives. To improve the list of proposed business initiatives, the AESO should include priority, expected scope, and anticipated cost. This cost estimate should include the fees of all the consultants retained by the AESO.

Heartland Generation Ltd. (HGL) would also like to know how the proposed multi-year initiatives will drive the AESO's costs in 2020. It is important to differentiate the costs of the initiative over multiple years and the costs expected to be incurred in the target budget year (2020). Furthermore, it would help if the AESO could provide high-level timelines for initiatives, especially those in which it expects to involve stakeholders. This would allow for better planning and stakeholder coordination. For example, if a large consultation is expected to run from April to June of 2020, doing so would allow stakeholders to plan their personnel and resources accordingly to better participate in the process, resulting in improved outcomes for the AESO and, by extension, the market. In addition, HGL has additional comments on the following topics:

### AESO Response

#### Comment 1

Comment Noted. Please refer to AESO Response to ENMAX Comment 1, above. Also, all of the Business Initiatives work is deemed to be important and form the basis of the AESO's organizational direction for 2020 and thus are not ranked. However, some of the Business Initiatives are mandated whereas some of have been identified by the AESO to add value for its stakeholders. The AESO allocates resources to ensure the identified work for 2020 in each initiative can be managed successfully while minimizing cost.

The 2020 Budget Process is as follows: AESO prepares its Own Cost budget based on the business planned for the budget year. Assessments of required resources both internally and externally are evaluated on various criteria. These criteria include, but are not limited to: resource requirements to deliver on key business initiatives; consideration of specialized knowledge, skills or cost effective resources; and resource constraints due to workflow and timing of initiatives; and risk mitigation requirements.

Subsequent to Government of Alberta (GoA) decision to not continue with the REP and Capacity Market initiatives, AESO Management undertook a detailed review of its resources (staff and consulting). Department and individual staff positions were reviewed to assess if excess capacity existed from the GoA decision. In addition, a high level assessment was undertaken of the AESO's organizational structure to identify opportunities for efficiencies and how the AESO should be structured going forward to achieve its objectives (e.g. operations and transmission departments were combined to form grid reliability). As a part of Management's review, resources were assessed to determine if they were adequate, on an overall basis, to deliver on the AESO's base business and initiatives for 2020

The Business Initiatives that involve stakeholder participation have their own processes which will provide timelines as available whereas the BRP is providing a high-level perspective of all of the Business Initiatives for general AESO budget planning purposes and alignment.

### Heartland Generation Ltd. ("Heartland")

#### Comment 2

**Market Sustainability & Evolution:** The AESO indicated that it will continue with the "flexibility initiatives including implementation of the dispatch tolerance and ramp rate rule changes." Stakeholder consultation would be an invaluable resource on this issue as the AESO continually tests its assumptions and expectations; the AESO should consult on an updated net-demand variability study or similar studies that support the assertion that these issues require market rule changes. Further to the point above regarding timelines, the AESO should indicate the timelines for this initiative so that stakeholders can resource accordingly.

**Preliminary List of 2020 Business Initiatives – October 30, 2019 meeting**

Do stakeholders have any comments on the AESO’s Business Initiatives proposed for 2020?

**AESO Response**

Comment Noted. Please refer to the AESO Response to Capital Power Comment 2, above.

**Heartland Generation Ltd. (“Heartland”)**

**Comment 3**

**Tariff, Review of bulk and regional transmission rate design:** Further to the point above regarding priorities, it would be prudent for the AESO to indicate that this is one of the largest priorities (ahead of incremental market changes). Transmission rate design has the greatest impact on electricity consumers and the efficiency of the market, especially since transmission costs will remain a significant portion of consumer bills over the next decade.<sup>1</sup>

**AESO Response**

**Comment 3**

Comment Noted. It is an initiative the AESO is focusing on in 2020.

**Heartland Generation Ltd. (“Heartland”)**

**Comment 4**

**Distribution Engagement:** The AESO indicated that it will continue to implement its DER roadmap, which it presented as part of the AUC’s Distribution System Inquiry technical conference.<sup>2</sup> HGL believes that the AESO should publish the DER roadmap alongside the Energy Storage roadmap on its website in the new centralized Stakeholder Engagement section. It is also noteworthy that the AESO did not engage stakeholders as part of DER roadmap, unlike the process it undertook for the Energy Storage roadmap. The AESO could easily increase the transparency of the DER roadmap by posting it online and including more detail than was provided during the Distribution System Inquiry technical conference.

**AESO Response**

**Comment 4**

Comment Noted. The AESO provided a presentation of the AESO’s DER Roadmap at the AUC Distribution Inquiry Module 1 technical conference. The DER Roadmap requires alignment and coordination with the DFOs and as such the AESO started engagement with the DFOs to align on scope and to obtain DFO input. The AESO has kicked off some work around internal AESO processes and areas which affect the reliability of the AESO. The AESO will publish the DER Roadmap in 2020 to stakeholders.

---

<sup>1</sup> As evidenced by the AESO’s TRP Factsheet

<sup>2</sup> The AESO presented on September 10, 2019 in Red Deer, Alberta as part of the AUC’s Distribution System Inquiry Module One Technical Conference. It was filed on that proceeding as Exhibit 24116-X0417.

## Preliminary List of 2020 Business Initiatives – October 30, 2019 meeting

Do stakeholders have any comments on the AESO's Business Initiatives proposed for 2020?

### Independent Power Producers Society of Alberta ("IPPSA")

As the AESO is aware, Alberta's generation investment climate has undergone considerable churn in the past number of years. IPPSA welcomes the stability associated with the government's confirmation of the energy-only market going forward. IPPSA recommends the following at this phase of the AESO's BRP, consistent with this request for a period of stability:

### Independent Power Producers Society of Alberta ("IPPSA")

#### Comment 1

IPPSA would discourage anything but minimal market initiatives over the near term.

### AESO Response

#### Comment 1

Comment Noted

### Independent Power Producers Society of Alberta ("IPPSA")

#### Comment 2

IPPSA recommends that the AESO create a stakeholder engagement body – similar to the Market Advisory Committee - to advise the AESO on its priorities going forward, to share views on market matters, and to identify options in advance of the AESO's formal stakeholder consultation. Such a committee would help inform the AESO of what stakeholders believe should be the AESO's key business initiatives

### AESO Response

#### Comment 2

Comment Noted. The AESO recently engaged with industry on a new Stakeholder Engagement Framework and will consider this feedback as we finalize the Framework in 2020.

### Independent Power Producers Society of Alberta ("IPPSA")

#### Comment 3

IPPSA is interested in seeing the AESO's own costs reduced to below \$100 million for its 2020 budget year. We are aware that the AESO's 2015 budget, for example, was \$93 million and given that major initiatives at the AESO have ended (Critical Transmission Infrastructure, Renewable Energy Program and Capacity Market), we believe a budget in this order for 2020 is achievable. Such a budget objective would be consistent with the 'minimal activity' IPPSA is seeking from the AESO over the near term.



## Preliminary List of 2020 Business Initiatives – October 30, 2019 meeting

Do stakeholders have any comments on the AESO's Business Initiatives proposed for 2020?

### AESO Response

#### Comment 3

Comment Noted. Please refer to AESO Response to ENMAX Comment 1, above. The AESO has undertaken several initiatives since 2015 that have budgetary impacts. These include implementation of Critical Infrastructure Protection (CIP) standards (internal and external compliance requirements), implementation of a new Energy Management System, ongoing REP costs for the programs for REP rounds 1,2,3 (settlement, commercial management, legal work, reporting, project connection) and the System Coordination Centre expansion operating cost new for 2020. In addition there are inflationary cost impacts for many of the AESO internal technology applications and services that are unavoidable (e.g. software licenses and subscriptions, managed services from third parties, etc.).

### Independent Power Producers Society of Alberta ("IPPSA")

#### Comment 5

In terms of the specific initiatives proposed during the first BRP stakeholder meeting, we would prefer to evaluate them once we know their costs. Thanks for considering this input.

### AESO Response

#### Comment 5

Comment Noted. Please refer to AESO Response to ENMAX Comment 1, above

### Industrial Power Consumers Association of Alberta ("IPCAA")

#### Comment 1

**Market Sustainability and Evolution:** IPCAA supports the AESO's plan to initiate stakeholder engagement for shorter settlement. We look forward to more details on how to participate in this process.

### AESO Response

#### Comment 1

Comment Noted.

### Industrial Power Consumers Association of Alberta ("IPCAA")

#### Comment 2

**Market Sustainability and Evolution:** Regarding the Energy Storage Roadmap and the DER Roadmap, it would be useful to know when we will see updates to the AESO's Net Demand Variability (NDV) study work.

## Preliminary List of 2020 Business Initiatives – October 30, 2019 meeting

Do stakeholders have any comments on the AESO's Business Initiatives proposed for 2020?

### AESO Response

#### Comment 2

Comment Noted. The AESO anticipates providing an update to the Net Demand Variability study work by mid-2020.

### Industrial Power Consumers Association of Alberta ("IPCAA")

#### Comment 3

**Tariff:** Can the AESO provide additional information on (i) timing for the 2020 Tariff Update; and (ii) timing for the 2017-18 Deferral Account Reconciliation? We appreciated the update to the Transmission Rate Projection (TRP). Can the AESO commit to a schedule for updating the TRP? IPCAA Members would appreciate an update every six months if that is possible.

### AESO Response

#### Comment 3

Comment Noted. The AESO expects to file for 2020 tariff rate update in January 2020 with an expected AUC approval in Q1 or Q2 2020 on a final basis with a Q2 2020 implementation. The AESO expects the AUC approval of the 2017-18 Deferral Account Reconciliation in Q4 2019 with implementation in Q1 2020. An updated TRP Workbook is expected to be filed with the 2020 Tariff application revising bulk and regional tariff in Q2 2020. The AESO will consider releasing further information or more frequent updates.

### Industrial Power Consumers Association of Alberta ("IPCAA")

#### Comment 4

**Long-term system developments:** IPCAA is concerned that the LTO reference case is already stale, given recent project announcements, including cogeneration and solar projects. However, we recognize that there are other scenarios that were considered. This should be given some attention during any upcoming LTP presentations. Many stakeholders have questions regarding why the reference case does not consider announced projects.

### AESO Response

#### Comment 4

Comment Noted. The 2019 LTO includes announced projects which have been awarded Renewable Electricity Policy (REP) or Alberta Infrastructure contracts as development of these projects was deemed to be highly certain. Other announced projects have not been specifically included within the Long Term Outlook, however the forecast contains generic generation additions which could represent current announced projects. This approach has been taken because there is uncertainty in generation development and historically many projects that have announced to proceed have not materialized.

### Industrial Power Consumers Association of Alberta ("IPCAA")

#### Comment 5

**Distribution Engagement:** Can the AESO provide additional information on how it will integrate the findings from the AUC's Distribution Inquiry into its Distributed Energy Resources (DER) roadmap? Also does the AESO plan to assist with the AUC's Distribution Inquiry?

## Preliminary List of 2020 Business Initiatives – October 30, 2019 meeting

Do stakeholders have any comments on the AESO's Business Initiatives proposed for 2020?

### AESO Response

#### Comment 5

Comment Noted. The AESO DER Roadmap is broader than the Distribution System Inquiry as it is focused around the AESO accountability in reliability, internal processes, markets, stakeholder engagement and supporting policy in the DER space. We expect the findings of the inquiry to be more focused around tariffs and distribution regulations. However, the AESO will continue to be a participant in the Distribution System Inquiry and adjust the AESO DER Roadmap as required.

### Industrial Power Consumers Association of Alberta ("IPCAA")

#### Comment 6

**External Technology Plan:** The AESO should consider modeling the impacts on rates of increasing levels of DER penetration. This would help further the discussion on rate design for the ISO tariff, as well as enhance the LTP process.

### AESO Response

#### Comment 6

The AESO agrees that evaluating and assessing the impacts of DER penetration is an important consideration for future rate design proceeding at both the AESO and DFO level. The impacts of DER penetration forms a component of the 2020 LTP and will continue in future LTPs.

### Industrial Power Consumers Association of Alberta ("IPCAA")

#### Comment 7

**Settlement:** IPCAA supports the AESO's plan to initiate a settlement audit of AESO settlement processes. IPCAA also supports public reporting on the results. IPCAA believes that such a settlement audit should begin at the meter and proceed through to the bill. IPCAA members have had concerns over whether the coincident peak data is correct, and IPCAA believes a complete audit of the whole settlement process from meter to bill will increase the value and credibility of the AESO, and in turn reduce investor risk.

### AESO Response

#### Comment 7

Comment Noted. The AESO is in the process of determining what the scope of the settlement audit will include. Please see AESO response to ADC Comment 4, above.

## Preliminary List of 2020 Business Initiatives – October 30, 2019 meeting

Do stakeholders have any comments on the AESO's Business Initiatives proposed for 2020?

### TransAlta Corporation ("TransAlta")

#### Comment 1

**Multi-year business initiatives need to be broken-down to show the objectives and goals expected to be achieved in 2020.**

TransAlta notes that the business initiatives listed are multi-year initiatives making it very difficult to understand what is planned to be done in 2020. We would encourage the AESO to present the objectives and goals that we should expect to be achieved in 2020 for each of these initiatives so that market participants can understand how we measure the AESO's performance.

We believe that greater progress has to be made in terms of the AESO process of multi-year planning (e.g. 3-year budget), setting measurable goals and objectives, and clear prioritization of initiatives to improve resource usage and timely execution of business initiatives. We cannot continue to add business initiatives, engage, review and report; we need to execute meaningful changes that provide resolution and regulatory clarity for market participants.

### AESO Response

#### Comment 1

Please refer to AESO Responses to Capital Power Comment 1 and Heartland Comment 1 , above

### TransAlta Corporation ("TransAlta")

#### Comment 2

**Transmission cost and rate design are the highest priority for 2020.**

We encourage the AESO to put a high priority to transmission cost and rate design. Respectfully, transmission costs are a very significant cost for consumers – having reached levels that are comparable to cost of electricity. The issue with rate design and overall transmission spending continues to be raised in regulatory proceedings including the ISO tariff and is also driving the decisions of customers. We urge the AESO to prioritize transmission and rate design issues as these continue to be unaddressed.

### AESO Response

#### Comment 2

Please see AESO response to Heartland Comment 3, above.

### TransAlta Corporation ("TransAlta")

#### Comment 3

**Energy storage is a high priority as significant investments have and are being made to bring projects online in 2020.**

We also request that the AESO prioritize energy storage integration, which are going to be brought on-line even prior to the completion of the Energy Storage Roadmap. We are concerned that despite previous AESO engagement on storage technology that we continue to have a lack of clarity about the rules for energy storage. Significant investments, including TransAlta's investment in our WindCharger project, have already been made into new energy storage technologies, which has left the AESO in a position that it must react to new technology. While we understand that there have been other priorities such as the capacity market that diverted AESO resources, we also need to acknowledge that the lack of action in previous years increases the urgency to deal with these now.

## Preliminary List of 2020 Business Initiatives – October 30, 2019 meeting

Do stakeholders have any comments on the AESO's Business Initiatives proposed for 2020?

### AESO Response

#### Comment 3

Comment Noted. The AESO is advancing the Energy Storage roadmap including the active connection projects and early adopters.

### TransAlta Corporation ("TransAlta")

#### Comment 4

#### **Business initiatives should be justified with information about the costs and benefits.**

We also suggest that the Budget Review Process should be revised such that stakeholders are provided the costs associated with business initiatives prior to being asked to comment on the business initiatives. The business initiatives are very high-level and without information about the costs associated with each. We expect that the business initiatives should be justified with details that are similar to presented in business cases with a clear identification and quantification of benefits and costs. Due to the non-granular level that the information is presented in, we are not in a place to comment whether the initiatives should be pursued in the year. For example, we may have very little issue with a business initiative to educate the AESO on new technology if it was low cost but if the costs were very high that could impact our views on whether we believe that it is necessary (or if the scope seems right-sized).

### AESO Response

#### Comment 4

Comment noted. Also, please refer to AESO Responses to Capital Power Comment 1 and Heartland Comment 1, above.

### TransAlta Corporation ("TransAlta")

#### Comment 5

#### **Break-out base business costs from the costs for discrete business initiatives.**

The business initiatives list presented for 2020 includes internal initiatives, which is a departure from previous Budget Review Process information provided to stakeholders. While we commend the AESO for seeking to be more transparent about more/all of its initiatives, it is not helpful to list initiatives that represent non-material costs or are part of the routine day-to-day activities of the AESO. We appreciate that there are day-to-day costs that must be incurred to keep the power pool and electric system operating smoothly. We recommend that the AESO breakout its base business costs from its business initiatives, which are not routine in nature and the AESO has some discretion in executing (in terms of scope, scale and timing). We expect that the AESO will continue to seek to lower its base costs through efficiency improvements over time. It is only when these base costs change appreciably that we would want to further understand the drivers for those cost increases.

### AESO Response

#### Comment 5

Comment Noted. Please refer to AESO Responses to Capital Power Comment 1 and Heartland Comment 1, above.

## Other Comments

Do stakeholders have any other comments to offer at this time?

**Alberta Direct Connect (“ADC”)****Comment 1**

The ADC appreciates the opportunity to comment and looks forward to the AESO own costs presentation.

**AESO Response****Comment 1**

Comment Noted. Please refer to AESO Response to ENMAX Comment 1, above

**Capital Power Corporation (“Capital Power”)****Comment 1**

Capital Power has no further comments at this time.

**AESO Response****Comment 1**

Comment Noted.

**ENMAX Corporation (“ENMAX”)****Comment 1**

ENMAX recommends the AESO revisit the formation of the Market Advisory Committee or similar stakeholder engagement process as a mechanism to advise the AESO on prospective AESO initiatives and their priority to stakeholders. These discussions and feedback need to be held as early in the AESO’s budget process as possible. Incorporating this feedback at the BRP stage reduces its value as the initiative priorities have already been made.

**AESO Response****Comment 1**

Comment Noted. Also, please refer to AESO Response to IPPSA Comment 2, above

## Other Comments

### Heartland Generation Ltd. (“Heartland”)

#### Comment 1

HGL believes that a more thorough discussion will be possible after the AESO identifies the costs of its specific business initiatives. In future meetings, HGL anticipates being in a better position to opine on the relative prioritization of the proposed initiatives and whether they warrant the associated costs. It is notable that there have been significant increases to the AESO trading charge; HGL expects the recent policy direction on both the capacity market implementation and renewable electricity program will significantly reduce these costs. Due to the end of these and other major initiatives, a budget more in line with that of 2015 (~\$93 million) should be an achievable goal.

The creation of a formal stakeholder committee should be a priority for the AESO Board. This stakeholder committee would aid in planning the AESO’s priorities and determining if they align with the priorities of market participants. The committee would also allow for more efficient engagement with market participants in creating timelines for those priorities.

### AESO Response

#### Comment 1

Comment Noted. Please refer to AESO Response to Capital Power Comment 1, Heartland Comment 1 and IPPSA Comment 2, above

### Industrial Power Consumers Association of Alberta (“IPCAA”)

#### Comment 1

**Distribution Cost Oversight:** As mentioned previously, IPCAA members are concerned with the increasing distribution costs in Alberta. On average, DFO revenue requirement increased around 7% annually from 2009 to 2017, with average load growth that was less than 1%. This indicates a problem. In fact, the revenue requirement for FortisAlberta, from 2009 to 2017, increased at an annual rate that was 23 times faster than the annual rate of load growth on the distribution system. Is the AESO able to provide some better information for customers on why this disconnect is occurring? Can the AESO allocate some resources to examining if there is anything the AESO itself is able to do to help remedy this disconnect, or at least provide more transparent data?

### AESO Response

#### Comment 1

Comment noted. The AESO notes that DFO rates are regulated by AUC under performance-based regulation (PBR) framework, which is a rate setting mechanism that breaks the direct link between the costs of a utility and the rates charged to customers. The PBR framework provides the DFOs with the opportunity to make cost decisions while meeting their duties and obligations under the Electric Utilities Act and the Alberta Utilities Commission rules. Distribution cost oversight is not a mandate or duty of the AESO. However, the AESO is planning an initiative in 2020 to enhance the planning at the Distribution and Transmission interface to ensure the most economical alternative are evaluated for the appropriate level of reliability.

### Industrial Power Consumers Association of Alberta (“IPCAA”)

#### Comment 2

**Overall AESO Budget:** As stated through several years of AESO budget review processes, IPCAA submits if the AESO’s G&A costs are above \$100M per year, these should be filed with the AUC as part of the ISO Tariff Application. There should be a limit to the consumer costs that can be approved without regulatory review.

### AESO Response

#### Comment 2

Comment Noted. Please refer to AESO Response to ENMAX Comment 1, above

## Other Comments

**Industrial Power Consumers Association of Alberta (“IPCAA”)****Comment 3**

**Fort McMurray West Project:** IPCAA recommends that the AESO produce a report for consumers summarizing the value of the competitive process for this project. We recognize that the project summary is available (<https://www.aeso.ca/grid/competitive-process/fort-mcmurray-west-500-kv-transmission-project/>); however, it would be useful to compare these transmission costs to others from the AESO’s database. Consumers would like to understand if the competitive process was a worthwhile venture in this instance, and highlight any lessons learned for potential future use. The AESO should consider whether there is value in using this process for: Alberta – BC Intertie Restoration (AIR), Chapel Rock-to-Pincher Creek (CRPC) and Central East Transfer-Out (CETO).

**AESO Response****Comment 3**

Comment Noted

**TransAlta Corporation (“TransAlta”)****Comment 1**

**The AESO 2020 budget should be at a level that is comparable to 2015.**

TransAlta is seeking more information to know that the high increases in AESO costs and pool trading charge that were driven by the capacity market will be materially reduced in 2020. We see no need for materially changes being made to the energy-only market given the government and market participants views as expressed in the 90-day capacity market review process. TransAlta supports the market as is and regulatory stability to allow for needed investment to occur. In this respect, we ask the AESO to restrain its operating costs just as industry has done as the Alberta economy has slowed. Our view is that the budget costs should reflect the levels seen in 2015 (prior to the capacity market). We understand and appreciate that this will require a more judicious approach to prioritizing business initiatives than may have been required in previous years.

**AESO Response****Comment 1**

Comment Noted. Please refer to AESO Response to ENMAX Comment 1 and IPPSA Comment 3, above