



Alberta Electric System Operator

2017 ISO Tariff Update – Interim Approval

December 2, 2016

Alberta Utilities Commission

Decision 22093-D01-2016

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Proceeding 22093

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1 Decision

1. The Alberta Utilities Commission approves the Alberta Electric System Operator's (AESO) 2017 update to its annual tariff on an interim refundable basis. The interim 2017 Independent System Operator (ISO) tariff update is approved effective January 1, 2017.

2 Introduction and process

2. The AESO filed an application on October 20, 2016, with the Commission, pursuant to sections 30 and 119 of the *Electric Utilities Act*, seeking approval of its 2017 ISO tariff update.

3. The Commission issued notice of the application on October 21, 2016, requesting that any statements of intent to participate (SIP) be filed by November 4, 2016. In response to the notice, SIPs were received from:

- Dual Use Customers (DUC)
- Alberta Direct Connect Consumers Association
- AltaLink Management Ltd.
- ATCO Electric Ltd.
- EPCOR Distribution & Transmission Inc.
- Office of the Utilities Consumer Advocate (UCA)

4. The Commission established the following process schedule:

Process step	Deadline
Information requests to the AESO	November 22, 2016, 4 p.m.
Information responses from the AESO	December 6, 2016, 4 p.m.
Comments on the need for further process	December 13, 2016, 4 p.m.

5. The AESO requested approval of its application (on an interim or final basis) by December 28, 2016, to implement the proposed tariff updates for an effective date of January 1, 2017.¹ Consequently, the Commission, in its process and schedule letter,² dated November 8, 2016, requested interveners to provide comment with respect to whether they objected to the approval of the 2017 ISO tariff update, on an interim refundable basis.

¹ Exhibit 22093-X0008, AESO 2017 ISO Tariff Update - Application, paragraph 10, page 3 of 25.

² Exhibit 22093-X0019, AUC letter - Process and schedule.

6. The Commission received comments from the UCA and the DUC, both of whom stated that they did not oppose the approval of the AESO's 2017 ISO tariff update on an interim refundable basis.

3 Background

7. In Decision 2010-606,³ the Commission approved the AESO's proposed methodology to complete annual tariff update filings between its major tariff applications.

8. The AESO's most recent major tariff application was filed on July 17, 2013, for which the AESO sought approval from the Commission for its 2014 ISO tariff. Following a compliance filing process, the Commission approved the current form of the 2014 ISO tariff, effective July 1, 2015, by way of Decision 3473-D01-2015.⁴ The AESO filed a 2015 annual tariff update application on August 18, 2015, to reflect costs and billing determinants for the 2015 calendar year. The 2015 annual tariff update application was approved effective January 1, 2016, on an interim basis by way of Decision 20753-D01-2015⁵ and approved on a final basis in Decision 20753-D02-2015.⁶

9. The AESO filed a 2016 annual tariff update application on February 2, 2016, to reflect costs and billing determinants for the 2016 calendar year. The 2016 annual tariff update application was approved effective April 1, 2016, on a final basis in Decision 21302-D01-2016.⁷

10. The AESO filed this application to reflect costs and billing determinants for the 2017 calendar year.

4 Details of the application

11. The AESO requested approval of its 2017 ISO tariff update application, including the amounts set out in Appendix C to the application⁸ and the proposed 2017 ISO tariff Rate DTS (demand transmission service), Rate FTS (Fort Nelson demand transmission service), Rate DOS (demand opportunity service), Rate XOS (export opportunity service), Rate XOM (export opportunity merchant service), Rate PSC (primary service credit), Rate STS (supply transmission service), Rider J and Section 8 set out in Appendix E⁹ to the application.¹⁰

12. As noted above, the AESO requested that the application be approved effective January 1, 2017; however, if the timing of the application did not permit the granting of final

³ Decision 2010-606: Alberta Electric System Operator, 2010 ISO Tariff, Proceeding 530, Application 1605961-1, December 22, 2010.

⁴ Decision 3473-D01-2015: Alberta Electric System Operator, 2014 ISO Tariff Compliance Filing Pursuant to Decision 2014-242, Module 1, Proceeding 3473, Application 1610935-1, June 2, 2015. Decision 3473-D01-2015 (Errata) was issued on June 17, 2015.

⁵ Decision 20753-D01-2015: Alberta Electric System Operator, 2015 ISO Tariff Update – Interim Approval, Proceeding 20753, November 16, 2015.

⁶ Decision 20753-D02-2015: Alberta Electric System Operator, 2015 ISO Tariff Update, Proceeding 20753, December 21, 2015.

⁷ Decision 21302-D01-2016: Alberta Electric System Operator, 2016 ISO Tariff Update, Proceeding 21302, March 31, 2016.

⁸ Exhibit 22093-X0003.

⁹ Exhibit 22093-X0005.

¹⁰ Exhibit 22093-X0008, application, paragraph 87.

approval prior to January 1, 2017, the AESO requested that the Commission approve the application on an interim basis effective January 1, 2017. The AESO also requested that the Commission issue its approval, whether on an interim or final basis, on or before December 28, 2016.¹¹

13. The AESO explained that the updated rates proposed in the application would apply on a go-forward basis only, commencing from the effective date approved by the Commission and that the currently approved deferral account rider and reconciliation mechanism would continue to be used to address any variances between costs and revenue occurring prior to the approval of the applied-for rates. As such, the AESO confirmed that it was not seeking any retroactivity with respect to the rates proposed for approval in its application.¹²

14. The AESO stated that the 2017 updated forecast costs represented an increase of \$46.3 million, or 2.2 per cent, over the 2016 updated forecast costs. The increase primarily resulted from a forecast increase of \$44.9 million, or 2.7 per cent, in wires costs reflecting recent applications for transmission facility owner (TFO) tariffs.¹³

15. In accordance with the methodology approved in Decision 2010-606, the AESO's 2017 ISO tariff update used the rate calculation methodology approved by the Commission in Decision 3473-D01-2015 in conjunction with the AESO's 2014 ISO tariff application. Specifically, the AESO used the 2014 rate calculations provided in Appendix B of the AESO 2014 ISO tariff compliance filing as the template for the 2017 rate calculations.¹⁴ These rate calculations used the following inputs:¹⁵

- 2017 forecast revenue requirement
- functionalization of wires costs approved for 2016 in Decision 2013-421¹⁶
- 2017 forecast billing determinants prepared by the AESO

16. Although in past years the AESO had used its board's approval of ancillary services, losses and own administrative costs for the forecast year, in order to facilitate a January 1, 2017 effective date, the AESO explained that it was proposing to use the AESO's 2016 forecast costs that were approved by the AESO board on December 16, 2015.¹⁷ A copy of that board decision document was provided as Appendix A¹⁸ to the application. An amendment to increase the budget by \$1.5 million to reflect the AESO's climate change program was issued on February 18, 2016.

17. The methodology approved in Decision 2010-606 included a process to update maximum investment level amounts approved in the most recent comprehensive tariff application by an escalation factor based on a composite of specified recent inflation indices. Accordingly, the AESO updated the composite inflation index used for developing the point of delivery cost

¹¹ Exhibit 22093-X0008, application, paragraph 10.

¹² Exhibit 22093-X0008, application, paragraph 10.

¹³ Exhibit 22093-X0008, application, paragraph 14.

¹⁴ Exhibit 22093-X0008, application, paragraph 54.

¹⁵ Exhibit 22093-X0008, application, paragraph 55.

¹⁶ Decision 2013-421: Alberta Electric System Operator, 2014 ISO Tariff Application and 2013 ISO Tariff Update Negotiated Settlement – Cost Causation Study, Proceeding 2718, Application 1609765-1, November 27, 2013.

¹⁷ Exhibit 22093-X0008, application, paragraph 24.

¹⁸ Exhibit 22093-X0001.

function to 2017, using additional Statistics Canada cost index values and the most recent Conference Board of Canada forecast of the Alberta consumer price index. The AESO applied the resulting escalation factor to the 2014 Rate DTS maximum investment levels to determine the 2017 Rate DTS maximum investment levels, which resulted in a small increase to the 2017 maximum investment levels.¹⁹

18. The AESO determined the 2017 wires costs for TFOs using the approach described in Section 2.2.1 of the AESO's 2014 ISO tariff application and 2013 ISO tariff update,²⁰ approved in Decision 2010-606, and referred to in Decision 2014-242.²¹ Notwithstanding, recognizing the time lag that can accrue to receive a TFO's approved tariffs, the AESO proposed to change the methodology for the purposes of this update and future updates. Under the proposed change, the AESO would use a TFO's last approved tariff or its last applied-for costs in a compliance filing, plus 72 per cent of any increase or decrease included in a TFO's tariff application.²²

19. The AESO submitted that the tariff updates proposed in the application are just and reasonable²³ and consist of formulaic updates to the AESO's annual revenue requirement, based on the AESO's updated forecast costs for the 2017 rate, rider, and maximum investment level amounts using the rate calculation methodology already approved by the Commission in Decision 3473-D01-2015, and the investment amounts approved in Decision 3473-D01-2015 and updated in Decision 21302-D01-2016.²⁴

5 Commission findings

20. The Commission has commenced an information request process to test the application, including the AESO's proposed change in methodology. Although this process is well underway, it will not be concluded in sufficient time to allow the Commission to issue a final decision by the AESO's requested deadline of December 28, 2016.

21. The approval of the application, on an interim refundable basis, will enable the AESO to implement the proposed tariff updates for an effective date of January 1, 2017, while continuing to ensure that all parties will have an opportunity to test the application.

22. For these reasons, the Commission approves the AESO's 2017 ISO tariff update, as applied for, on an interim refundable basis, pending release of its final decision.

¹⁹ Exhibit 22093-X0008, application, paragraphs 83-85.

²⁰ Exhibit 0026.00.AESO-2718, Alberta Electric System Operator 2014 ISO Tariff Application and 2013 ISO Tariff Update, July 19, 2013, pages 12-13, paragraphs 53-57.

²¹ Decision 2014-242, Alberta Electric System Operator 2014 ISO Tariff Application and 2013 ISO Tariff Update, issued August 21, 2014, page 9, paragraph 43.

²² Exhibit 22093-X0008, application, paragraphs 29-30.

²³ Exhibit 22093-X0008, application, paragraph 9.

²⁴ Exhibit 22093-X0008, application, paragraph 6.

6 Order

23. It is hereby ordered that:

- (1) The Alberta Electric System Operator's 2017 ISO tariff update application, as applied for, is approved, on an interim refundable basis, effective January 1, 2017.

Dated on December 2, 2016.

Alberta Utilities Commission

(original signed by)

Henry van Egteren
Commission Member

Appendix 1 – Proceeding participants

Name of organization (abbreviation) Company name of counsel or representative
Alberta Electric System Operator (AESO)
Dual Use Customers (DUC)
Alberta Direct Connect Consumers Association
AltaLink Management Ltd.
ATCO Electric Ltd. Bennett Jones LLP
EPCOR Distribution & Transmission Inc.
Office of the Utilities Consumer Advocate (UCA)

Alberta Utilities Commission
Commission panel H. van Egteren, Commission Member
Commission staff C. Wall (Commission counsel) C. Strasser S. Karim