

June 29, 2018

To: Parties currently registered on Proceeding 22942

**Alberta Electric System Operator (AESO)
2018 Independent System Operator (ISO) Tariff Application
Proceeding 22942**

Ruling on the AESO and the Consumers' Coalition of Alberta motions

1. On April 30, 2018,¹ the AESO submitted a motion to the Alberta Utilities Commission pursuant to Section 27 of Rule 001: *Rules of Practice* requesting that the Commission:
 - (a) relieve the AESO from filing an amendment to the Application regarding the issue of whether the 12 CP [coincident peak] methodology should be continued, modified or replaced by an alternative methodology; and
 - (b) direct that the issue of whether the applied-for “Bulk/Regional tariff design” should be changed will not be considered in Proceeding 22942.
2. On May 2, 2018,² the Consumers Coalition of Alberta (CCA) submitted a motion to the Commission pursuant to Section 27 of Rule 001 requesting:
 - (a) That the AESO requested relief in its April 30, 2018 motion be amended to include the recommendations of the CCA on further process as outlined in the CCA’s April 30, 2018 letter;^[3] and
 - (b) Any other such further relief the Commission deems appropriate to ensure the 12 CP issue remains transparently reviewed in a timely manner before the Commission.
3. For the reasons provided below, the AESO’s motion is granted in part and the CCA’s motion is denied.

Procedural background

AESO application and initial consultative process

4. On September 14, 2017, the AESO filed its 2018 general tariff application (the application or GTA).⁴ In its application, the AESO made no substantive changes to its distribution transmission service (DTS) rate design other than changes required to reflect the results of its updated cost causation study.⁵ The current DTS rate design is structured such that the costs of the bulk portion of the transmission system are charged through a rate designed to

¹ Exhibit 22942-X0128, paragraph 7.

² Exhibit 22942-X0131, paragraph 10.

³ Exhibit 22942-X0127.

⁴ Exhibit 22942-X0002.01

⁵ Exhibit 22942-X0002.01, paragraph 98.

discourage market participants from having their peak demand coincide with the hour of system peak. This is currently done by way of the coincident metered demand rate design (the 12 CP method).

5. AltaLink filed a statement of intent to participate (SIP) in Proceeding 22942⁶ and advised the Commission that it intended to present evidence that the current DTS rate design should be revised from its present structure.

6. The Commission received submissions from several parties that opposed AltaLink's participation in Proceeding 22942. After considering these submissions, the Commission issued a ruling on November 27, 2017, which stated that regardless of AltaLink's participation, it was necessary to review the 12 CP method within the scope of this proceeding because:

- DTS rates are a fundamental part of the AESO tariff;
- a review of the 12 CP method is an inherent rate design issue; and
- significant changes in the market may have taken place since the 12 CP method was introduced more than 10 years ago.⁷

7. Because the AESO had not considered changes to its DTS rate design in its tariff application, it requested additional time to conduct analysis, consult with parties, and prepare evidence to incorporate an examination of the 12 CP method as part of Proceeding 22942.⁸

8. Further, and as part of the same ruling, the Commission granted AltaLink standing in Proceeding 22942.⁹ In part, standing was granted because the Commission noted that an issue raised by AltaLink in its 2017-2018 general tariff application with respect to the treatment of Fortis customer contributions (the distribution facility owner (DFO) customer contribution issue) was also an issue to be included within the scope of the AESO tariff application.

9. The Commission set up a process to receive submissions on what additional steps were necessary to incorporate additional 12 CP method evidence into this proceeding. In response, AltaLink requested additional time to discuss the DFO customer contribution issue with the AESO and other parties.¹⁰ As a result, the Commission requested that parties expand the scope of their submissions to consider this additional matter.¹¹

10. On January 19, 2018, the Commission issued its ruling and determined that:

- the DFO customer contribution issue would be included in the scope of the AESO's tariff proceeding;

⁶ Exhibit 22942-X0036.

⁷ Exhibit 22942-X0089, paragraph 28.

⁸ Exhibit 22942-X0079, paragraph 8.

⁹ Exhibit 22942-X0089.

¹⁰ Exhibit 22942-X0098.

¹¹ Exhibit 22942-X0104.

- DTS rate design was central to the AESO's tariff and a decision on the tariff could not be issued until the DTS rate design is decided.¹²

11. The Commission suspended the schedule for the proceeding and granted the AESO time to conduct an analysis, consult with parties, prepare evidence on the issues and, if necessary, file a revised application. The Commission directed the AESO to either file an update to its application or to provide a status update by March 30, 2018.¹³

12. The AESO set up a consultative process in response to the January 19, 2018 ruling. On March 29, 2018, the AESO filed a letter advising that its consultations on DFO contributions and the 12 CP method were still ongoing and that it would file a further status update by April 30, 2018.¹⁴

Submission and motion of the AESO

13. In a letter filed on April 30, 2018,¹⁵ the AESO provided an overview of its determinations regarding the 12 CP method and DFO customer contribution issues as a result of its stakeholder consultations. The AESO concluded that:

- the 12 CP method requires further consultation over a longer timeframe to determine whether it should be continued, modified or replaced;
- the scope of the DTS rate design review should be expanded to consider regional tariff design (the 12 CP method pertains only to recovery of "bulk" system); and
- the consultations regarding the bulk and regional tariff design it envisioned would take approximately 12 to 18 months and should be conducted outside of Proceeding 22942.

14. Having arrived at this conclusion, the AESO filed its motion requesting that the Commission vary its November 27, 2017 and January 19, 2018 rulings to remove consideration of the 12 CP method and DTS rate design from the scope of the AESO tariff proceeding.

15. The AESO explained that, as set out in the application, while the consultations regarding the bulk and regional tariff design take place, rates based on the design approved in Decision 2014-242¹⁶ would continue to apply.¹⁷

16. With regard to the DFO customer contribution issue, the AESO stated that it did not ask for relief because the Commission did not direct it to amend its application on this matter.

17. In conjunction with its motion, the AESO also filed the following:

¹² Exhibit 22942-X0112.

¹³ Exhibit 22942-X0112, PDF page 4.

¹⁴ Exhibit 22942-X0123.

¹⁵ Exhibit 22942-X0129.

¹⁶ Decision 2014-242: Alberta Electric System Operator, 2014 ISO Tariff Application and 2013 ISO Tariff Update, Application 1609765, Proceeding 2718, August 21, 2014.

¹⁷ Exhibit 22942-X0129, paragraph 11.

- a further update letter¹⁸ which provided:
 - a more detailed description of the future consultation process with respect to the bulk and regional tariff design issues that it proposed to conduct,
 - a discussion of consultations to examine potential linkages between the bulk and regional tariff design matters and the allocation of capacity market cost through the AESO's tariff using the "weighted energy methodology" (WEM)
 - the AESO's rationale for not proposing a change to the DFO contribution policy
 - a discussion of the AESO's intent to review its GTA to determine whether any updates are required due to the passage of time since the GTA was initially filed.
- a description of the AESO's proposed process and timelines for the bulk and regional rate design consultations.¹⁹

Submissions and motion of the CCA

18. The CCA filed a letter on April 30, 2018,²⁰ advising that it had concerns with the consultation process proposed by the AESO. Its principal concerns were that:

- the AESO's proposal to hold a consultation on bulk and regional tariff design outside of Proceeding 22942 meant that both the cost-of-service and rate design components in the existing ISO tariff would remain in effect longer than they would if these issues were addressed within proceeding 22942;
- postponing the consideration of these matters to a future proceeding rather than in Proceeding 22942 would mean that price signals inconsistent with new market realities (such as the increasing load defections and the creation of a capacity market) would be perpetuated;
- the consultation process should be overseen by the Commission either as part of Proceeding 22942 or within the context of a future tariff application proceeding rather than being controlled by the AESO; and
- the Commission's negotiated settlement guidelines under Rule 018: *Rules on Negotiated Settlements* should apply to the consultation process to ensure the adoption of agreed upon terms of reference, the fairness of consultations and that milestones and timelines are set.

19. The CCA suggested that the process it contemplated, including Commission review and approval, could be completed within 18 months, and should include consideration of whether any portion of transmission wires costs should be allocated to supply, rather than being 100 per cent recovered from load.

20. The CCA filed a follow-up submission on May 2, 2018,²¹ in the form of a motion and submitted that the Commission should agree to an amended motion whereby:

¹⁸ Exhibit 22942-X0129.

¹⁹ Exhibit 22942-X0130.

²⁰ Exhibit 22942-X0127.

²¹ Exhibit 22942-X0131.

- consultations would be conducted within the context of an AUC tariff proceeding (either 22942 or a new proceeding for tariffs in 2020 or 2021) and subject to the AUC's negotiated settlement guidelines under Rule 018, to ensure fair process with agreed-to terms of reference including timelines for meeting milestones.
- the process and scope recommendations set out in the CCA's April 30, 2018 letter would be taken into account.

Interested party submissions on the AESO and CCA motions

21. On May 17, 2018, the Commission set out a process for consideration of the motions of the AESO and the CCA.²²

22. Initial submissions on the AESO and CCA motions were received from the following parties by May 25, 2018:

- the AESO²³
- the Dual Use Customers (DUC)²⁴
- the Industrial Power Consumers Association of Alberta (IPCAA)²⁵
- the Alberta Direct Connect Consumer Association (ADC)²⁶
- Capital Power²⁷
- Suncor Energy Inc.²⁸
- Energy Storage Canada (ESC)²⁹
- the Cities of Lethbridge and Red Deer (the Cities)³⁰
- AltaLink³¹
- the Canada West Ski Areas Association (CWSAA)³²
- ATCO Electric³³
- TransCanada Energy Ltd. (TCE)³⁴
- the Office of the Utilities Consumer Advocate (UCA),³⁵ and
- ATCO Power.³⁶

²² Exhibit 22942-X0133.

²³ Exhibit 22942-X0139.

²⁴ Exhibit 22942-X0134.

²⁵ Exhibit 22942-X0135.

²⁶ Exhibit 22942-X0136.

²⁷ Exhibit 22942-X0137.

²⁸ Exhibit 22942-X0138.

²⁹ Exhibit 22942-X0140.

³⁰ Exhibit 22942-X0141.

³¹ Exhibit 22942-X0142.

³² Exhibit 22942-X0143.

³³ Exhibit 22942-X0144.

³⁴ Exhibit 22942-X0145.

³⁵ Exhibit 22942-X0146.

³⁶ Exhibit 22942-X0147.

23. Reply submissions were received from:

- the AESO³⁷
- CWSAA³⁸
- ESC³⁹
- the UCA⁴⁰
- FortisAlberta Inc.⁴¹
- DUC⁴²

Consideration of specific issues arising from the AESO and CCA motions

24. The Commission has directed the writer to convey its findings as follows.

25. The submissions received encompassed a number of issues and, for the purposes of this ruling, the Commission has grouped these issues under the following categories:

- (1) Proposed removal of bulk and regional tariff design issue from the proceeding
- (2) Treatment of energy storage providers under the ISO tariff
- (3) Contribution policy for distribution facility owners
- (4) Oversight of any AESO consultation process

(1) Proposed removal of bulk and regional tariff design issue from the proceeding

26. The majority of parties, including AltaLink (the party that originally raised the issue of the 12 CP method) supported the AESO's request to not include the bulk and regional components of DTS rate design within the scope of the AESO tariff proceeding.^{43 44}

27. However, the Cities noted that they had identified concerns regarding aspects of the AESO's proposal to address the 12 CP method and related issues. Given these concerns, and given that the AESO bears the responsibility to propose a tariff and to file an application to defend that tariff, the Cities submitted that specific rate design issues cannot be resolved with any finality unless and until the AESO files an application that can be scrutinized by stakeholders. Accordingly, the Cities submitted that it would be inappropriate and unfair to

³⁷ Exhibit 22942-X0153.

³⁸ Exhibit 22942-X0149.

³⁹ Exhibit 22942-X0150.

⁴⁰ Exhibit 22942-X0151.

⁴¹ Exhibit 22942-X0152.

⁴² Exhibit 22942-X0154.

⁴³ Exhibit 22942-X0142, PDF page 1.

⁴⁴ Exhibit 22942-X0145, PDF page 1.

exclude rate design issues from the scope of an application before an application has been filed with the Commission, and before the AESO has acknowledged what issues it will address within a future proceeding.⁴⁵

28. The UCA submitted that the CCA's motion addressed many of the same concerns that the UCA expressed throughout the AESO's consultation process. In light of these concerns, the UCA indicated that it agreed with the CCA that the 12 CP method issue should not be excluded from Proceeding 22942 unless the Commission simultaneously sets out a process to materially advance the consideration of the 12 CP method in a manner that allows the Commission to make an adjudication on this issue in an efficient and timely manner.⁴⁶

29. The AESO rejected the UCA's suggestion as being unnecessary, arguing that it had made it clear that:

- it will apply for Commission approval of any proposed change;
- if it concluded that no change is warranted, it would file its conclusions and supporting rationale; and
- it expected stakeholders to weigh in once an application was filed, and would support stakeholders doing so.⁴⁷

Commission ruling

30. The AESO seeks relief from filing an amendment to the application regarding whether rates based on the design approved in Decision 2014-242 (12 CP method) would continue to apply or whether the 12 CP method should be modified or replaced by an alternative methodology.

31. For clarity, the AESO was not directed by the Commission to file an amendment to its application, but rather, at its request⁴⁸ was given time to consult, conduct analysis, and perhaps prepare and file evidence, should it so require.

32. As a result of the AESO's consultation process to-date, the AESO has acknowledged that determining whether bulk rates should continue to be designed in accordance with the 12 CP method requires further consultation with a robust and thorough analysis over a longer timeframe before conclusions can be reached. Moreover, as a consequence of these initial consultations, the AESO has further identified that in addition to the bulk tariff design, the regional tariff design should also be the subject of consultation and included within the scope of an examination of rate design. The AESO has indicated that it would require 12 to 18 months to complete this consultation and analysis.

33. Having considered the submissions of the AESO and the submissions of other parties who have participated in the initial consultations, and recognizing the considerable support from parties in this proceeding for the AESO's requested relief, the Commission finds the AESO's

⁴⁵ Exhibit 22942-X0141, PDF page 1.

⁴⁶ Exhibit 22942-X0146, PDF page 4.

⁴⁷ Exhibit 22942-X0153, paragraphs 28-30.

⁴⁸ Exhibit 22942-X0079.

request to be reasonable. The Commission agrees that an examination of the rate design approved in Decision 2014-242 (12 CP method) requires a thorough analysis and accepts the AESO's submission that it is unable to complete such an analysis within this proceeding. Therefore, the scope of Proceeding 22942 will not include an examination of the rate design approved in Decision 2014-242 (12 CP method).

(2) Treatment of energy storage providers under the ISO tariff

34. In correspondence filed with its April 30, 2018 motion, the AESO indicated that its proposed bulk/regional tariff consultation process would include consideration of additional rate classes, including additional classes for interruptible, standby or energy storage service.⁴⁹

35. In its May 25, 2018 submission, ESC noted that the proponents of energy storage had been in contact with the AESO about the need to address the ISO tariff's treatment of storage in 2015, and were told that this issue would be addressed in the AESO's 2017 tariff proceeding, which later became the 2018 tariff proceeding. ESC acknowledged that while the AESO had addressed the tariff's treatment of energy storage in its 2018 application, ESC disagreed with the AESO's proposed treatment.⁵⁰

36. ESC stated that its members believe that while energy storage technologies provide alternatives to higher cost transmission, distribution and generation infrastructure, energy storage facilities cannot currently provide alternatives because of the non-level playing field in Alberta. As such, ESC indicated that it planned to present evidence in Proceeding 22942 in support of a proposed specific rate treatment for new energy storage.⁵¹

37. ESC indicated that it was not opposed to the AESO proposals that it not be directed to address the 12 CP issue in its 2018 tariff, and that the issue of bulk and regional tariff design should be removed from Proceeding 22942. However, ESC stipulated that the issue of the appropriate treatment of energy storage and creation of an energy storage rate class should remain within the scope of Proceeding 22942.⁵² ESC submitted that this issue needs to continue to be within the scope of Proceeding 22942 so that it is not subjected to further delay by being tied to a multi-year consultative process.⁵³

38. In its June 1, 2018 submission, the AESO disagreed with ESC's position that creation of an energy storage rate class should be considered in Proceeding 22942. The AESO submitted that if the Commission agrees with its proposed consultation process, a potential rate class for energy storage is inextricably linked to bulk and regional tariff design and cannot be considered in isolation within Proceeding 22942.⁵⁴

⁴⁹ Exhibit 22942-X0129, paragraph 8.

⁵⁰ Exhibit 22942-X0140, PDF page 1.

⁵¹ Exhibit 22942-X0140, PDF page 1.

⁵² Exhibit 22942-X0140, PDF page 2.

⁵³ Exhibit 22942-X0140, PDF page 2.

⁵⁴ Exhibit 22942-X0153, paragraph 23.

39. The CWSAA stated in its May 31, 2018 submission that to the extent that storage tariff policies are not dependent on the specifics of bulk and regional tariffs, it is reasonable that energy storage tariff policies be considered in Proceeding 22942.⁵⁵

Commission ruling

40. The Commission finds that to the extent that storage tariff policies are not dependent on the specifics of bulk and regional tariff design, it is reasonable that energy storage tariff policies be considered in Proceeding 22942. Interested parties are therefore able to present evidence within Proceeding 22942 in support of proposed rate treatment for new energy storage.⁵⁶

(3) Contribution policy for distribution facility owners

41. In the AESO's April 30, 2018 motion it noted:

The Commission left open the possibility that consultation regarding the issue of whether the DFO CC [customer contribution] policy should be changed could result in an amendment to the Application, but did not direct the filing of an amendment. Therefore, no relief is required in respect of that issue.⁵⁷

42. In a supplementary submission filed with its April 30, 2018 motion, the AESO provided its rationale for not proposing any changes to the DFO customer contribution policy in Proceeding 22942. Most fundamentally, the AESO submitted that the issue raised by AltaLink primarily concerns the question of whether the rate base associated with customer contributions should continue to reside with the DFO, or whether changes should be made to allow the rate base to accrue to the transmission facility owner (TFO). The AESO submitted that the Commission, and not the AESO, should determine this principal issue.

43. The AESO also provided the following additional reasons for not filing an amendment to the application regarding the DFO customer contribution policy:

- The AESO is concerned that the application of this policy to DFOs and not to direct connect customers could be viewed as discriminatory.
- AltaLink's proposal substantively resembles Rider I, a proposal that the Commission rejected in prior ISO tariff decisions, principally due to concerns related to credit default risk.
- AltaLink's proposal would have to be considered with regard to its effect within both the cost-of-service form of rate regulation applicable to TFOs and the performance-based rate regulation regime applicable to DFOs.
- AltaLink's proposal would be administratively burdensome.⁵⁸

⁵⁵ Exhibit 22942-X0149, paragraph 7.

⁵⁶ Exhibit 22942-X0140, PDF page 1.

⁵⁷ Exhibit 22942-X0128, paragraph 8 [citations omitted].

⁵⁸ Exhibit 22942-X0129, paragraph 16.

44. The AESO noted that AltaLink will have the opportunity to present evidence in support of its proposed change to the DFO customer contribution policy in Proceeding 22942, should it so choose.⁵⁹

45. AltaLink addressed each element of the AESO's rationale in its submission as follows:

- It disagreed with the suggestion that its proposal would be discriminatory or unfair, noting that unlike direct connect customers who build transmission connections as a cost of doing business, DFOs earn a return on rate base, and thus have an incentive under the current treatment to require TFOs to build transmission on which DFOs can earn a return.
- It disagreed that its proposal resembles Rider I. Instead, its proposal seeks to ensure the rate base for DFO transmission projects is allocated to the TFO, the entity accountable for design, construction and integration of DFO transmission projects.
- It acknowledged that the need to consider cost recovery in relation to both the transmission system cost-of-service rate regulation framework and the distribution performance-based rate regulation (PBR) framework presents a significant challenge to resolving this issue.
- Administrative burden is not a sufficient reason to warrant not correcting the long standing issue of DFOs earning a return on TFO assets.⁶⁰

46. Fortis submitted that AltaLink's claim of discrimination as between direct-connect customers and DFOs ignores the fact that AESO contribution price signals are, or are not, transmitted to end-use customers through the distribution tariffs. In this regard, Fortis submitted that its tariff differentiates the flow-through of contributions as between its Rate 63 and Rate 65 customers, and noted that in Decision 21538-D01-2017,⁶¹ the Commission directed Fortis to investigate whether further flow-through is warranted.⁶²

47. Fortis submitted that there is no compelling reason to revisit the AESO's DFO customer contribution policy in its 2018 ISO tariff application proceeding. In any event, Fortis submitted that any examination of the DFO customer contribution policy must include an assessment of whether, and to what extent, any proposed change may affect the Commission's overall rate making approach for both distribution and transmission utilities, including examination of the interplay between the PBR approach to the regulation of DFOs and the cost-of-service rate making approach for TFOs.⁶³

⁵⁹ Exhibit 22942-X0129, paragraph 16.

⁶⁰ Exhibit 22942-X0142, PDF page 2.

⁶¹ Decision 21538-D01-2017: FortisAlberta Inc., 2015 PBR Capital Tracker True-Up, Proceeding 21538, January 26, 2017.

⁶² Exhibit 22942-X0152, PDF page 3.

⁶³ Exhibit 22942-X0152, PDF page 3.

Commission ruling

48. As noted above, the AESO was not directed by the Commission to file an amendment to the application, but rather, at its request,⁶⁴ was given time to consult, conduct analysis, and perhaps prepare and file evidence, should it so require.

49. The AESO's supplementary submission filed with its April 30, 2018 motion explains that the AESO does not intend to file an amendment to the application in respect of the DFO customer contribution issue. This decision is entirely within the AESO's discretion as the applicant in this proceeding.

50. However, the DFO customer contribution treatment issue has clearly been within the scope of the proceeding since the Commission's ruling in AltaLink's 2017-2018 general tariff application.⁶⁵

51. The decision of the AESO to not amend its application does not preclude other parties from filing evidence in respect of the DFO customer contribution issue nor does it remove the burden from the AESO to demonstrate that the position it is taking on this issue in its tariff is just and reasonable.

52. To be clear, an examination of the DFO customer contribution policy remains within the scope of Proceeding 22942.

(4) Oversight of any AESO consultation process

53. In its April 30, 2018 motion, the AESO described its intention to consider the bulk and regional tariff by way of a consultation process expected to last 12 to 18 months that would take place outside of Proceeding 22942.⁶⁶ In separate correspondence filed by the AESO with its April 30, 2018 motion, the AESO provided additional details of how this proposed consultation process would work and the matters the AESO anticipated to be within the scope of the discussions.⁶⁷ The AESO noted that, if approved, the tariff design proposed in its 2018 tariff application would remain in effect until a revised tariff design is approved by Commission.⁶⁸

54. In its submission dated April 30, 2018, the CCA set out a number of concerns with the proposed AESO consultation process and recommended that the bulk and regional tariff consultations should take place within the context of an AUC tariff proceeding. The CCA submitted that because the DTS tariff issues to be discussed have been contentious for many years and would likely continue to be contentious in the future, a consultation process under the aegis of the AESO, without regulatory oversight, would be unlikely to produce outcomes in the public interest. Accordingly, the CCA submitted that if the 18-month process contemplated by the AESO proceeds, it should either be undertaken as part of Proceeding 22942 or under a new

⁶⁴ Exhibit 22942-X0079.

⁶⁵ Exhibit 21341-X0047.

⁶⁶ Exhibit 22942-X0128, paragraph 6.

⁶⁷ Exhibit 22942-X0129.

⁶⁸ Exhibit 22942-X0129, paragraph 11.

tariff application with respect to the 2020 or 2021 test years.⁶⁹As part of that recommendation, the CCA submitted that the consultation should be subject to the Commission’s negotiated settlement guidelines under Rule 018.⁷⁰ As noted above in this ruling, the CCA formally filed a motion⁷¹ requesting that the Commission deny the AESO’s motion to remove the 12 CP issue from Proceeding 22942 and incorporate the consultative process recommendations set out in the CCA’s April 30, 2018 correspondence.⁷² The CCA subsequently requested that the Commission establish a separate proceeding to consider the rate design issues that arose in the 12 CP method consultations.

55. The UCA indicated that it supported the “essence” of the CCA’s motion to grant the AESO’s request to remove the 12 CP method issue from Proceeding 22942 only if, at the same time, the Commission directed a proceeding that has a fair process, agreed-to terms of reference, and timelines for meeting milestones.⁷³ However, unlike the CCA, the UCA submitted that it does not propose the full application of Rule 018 to the consultations. Of principal concern to the UCA is that participants in the bulk and regional tariff consultations should be able to obtain rulings on whether certain requested data is relevant, probative and should be provided to allow a party to conduct its own analysis.⁷⁴

56. Apart from the UCA, the majority of other parties did not support the CCA’s motion for a Commission-led process either under Proceeding 22942, or as a separate Commission proceeding subject to the negotiated settlement guidelines set out in Rule 018.⁷⁵

57. IPCAA, the ADC and TCE indicated that an AESO-led consultation process would provide a more open environment for the exchange of views and ideas, would be more efficient and would be more cost effective.^{76 77 78} TCE disagreed in particular with the CCA’s suggestion that regulatory oversight was required to ensure a fair process referencing the AESO’s statutory duty to act responsibly, as set out in Section 16 of the *Electric Utilities Act*.⁷⁹

58. ATCO Electric and the DUC⁸⁰ also supported the AESO’s proposal for further consultation on the bulk and regional tariff design. ATCO Electric submitted that the AESO is the appropriate party to lead consultations and noted that any resulting tariff design proposals will ultimately be heard before the Commission.⁸¹

⁶⁹ Exhibit 22942-X0127, paragraph 3.

⁷⁰ Exhibit 22942-X0127, paragraph 4.

⁷¹ Exhibit 22942-X0131.

⁷² Exhibit 22942-X0131, paragraph 5.

⁷³ Exhibit 22942-X0146, PDF page 3.

⁷⁴ Exhibit 22942-X0146, PDF page 3.

⁷⁵ Exhibit 22942-X0153, paragraph 27.

⁷⁶ Exhibit 22942-X0135, PDF page 2.

⁷⁷ Exhibit 22942-X0136, PDF page 2.

⁷⁸ Exhibit 22942-X0145, PDF page 3.

⁷⁹ Exhibit 22942-X0145, PDF pages 1-2.

⁸⁰ Exhibit 22942-X0154, paragraph 1.

⁸¹ Exhibit 22942-X0144, PDF page 1.

59. The AESO submitted that its proposed process will allow parties with varied interests to present their views and submitted that this exchange of diverse views is in the public interest.⁸² In any event, the AESO noted that any new bulk and regional tariff design that may be recommended as a result of the consultation and tariff design process will be submitted to the Commission for approval. Accordingly, the AESO submitted that ultimately the Commission will exercise its public interest mandate when it makes its decision.⁸³

60. While the CWSAA agreed with the UCA that the opportunity to seek rulings from the Commission on relevance of information or regarding the provision of data by the AESO should be available to parties participating in the bulk and regional tariff consultations, the CWSAA submitted that there is no basis to believe that the AESO would unreasonably withhold data or refuse to carry out a reasonable analysis. In any event, the CWSAA submitted that the option of filing a complaint under Section 26 of the *Electric Utilities Act* is always available to all parties.⁸⁴

61. IPCAA and the CWSAA also raised a concern that a Commission-led process would be unfair to small participants without access to counsel and to parties not eligible for cost recovery through Rule 022: *Rules on Costs in Utility Rate Proceedings*.^{85 86}

62. The CWSAA further submitted that, given the broad scope of the industry restructuring currently underway, the CCA's proposed process and associated timelines could impede the significant industry learning process that will have to take place, and could lead to decisions on transmission rate design out of synchronization with the final industry structure. If that were to occur, the CWSAA submitted that such decisions could require radical revisions later on.⁸⁷

63. The CWSAA also submitted that Alberta's electric industry is in too fluid a state to have a litigated process.⁸⁸ Given this, the CWSAA submitted that the AESO is the appropriate facilitator for the bulk and regional tariff design consultations because:

- the AESO is a neutral facilitator of industry learning
- the required technical expertise resides with the AESO
- the AESO controls the required data, systems, and knowledge
- the AESO has led several consultative processes successfully over the years
- the AESO's process management is consistently fair and unbiased.⁸⁹

Commission ruling

64. It is not the Commission's practice to oversee the AESO's consultation process and the Commission finds no reason for it to do so in this instance. There is no evidence before the Commission to support any suggestion that the AESO's proposed consultation will not be

⁸² Exhibit 22942-X0139, paragraph 15.

⁸³ Exhibit 22942-X0139, paragraph 16.

⁸⁴ Exhibit 22942-X0149, paragraph 5.

⁸⁵ Exhibit 22942-X0135, PDF page 2.

⁸⁶ Exhibit 22942-X0143, paragraphs 21-22.

⁸⁷ Exhibit 22942-X0143, paragraph 35.

⁸⁸ Exhibit 22942-X0143, paragraphs 12-13.

⁸⁹ Exhibit 22942-X0143, paragraphs 14-15.

conducted in a fair and responsible manner necessitating the intervention of the Commission into the AESO's consultation process. As a result, the Commission will not issue any direction with respect to the AESO's proposed consultation process in anticipation of a future tariff application, including with respect to the scope, substance, timelines, or composition of any advisory or other committee. Further, the Commission will not attend any AESO consultation as an observer.

65. As noted by the UCA and CWSAA, should there be any concern about the conduct of the AESO during its future consultation process, parties have legislative recourse under Section 26 of the *Electric Utilities Act* or through the AESO's own Respectful Engagement Principles.⁹⁰

66. Lastly, although the Commission does not intend to oversee the AESO's consultation process, the Commission notes that as a matter of policy, the Government of Alberta has determined that the allocation of costs for proceedings with respect to the capacity market will be based on a weighted energy methodology (WEM) and recovered through the ISO tariff. In light of these determinations by the Government of Alberta, the AESO indicated that it has concluded on the basis of stakeholder consultations that it would be more efficient to consider bulk/regional tariff design issues and the WEM tariff design through the same consultation stream. Again, the AESO is free to make this choice.

67. The Commission also finds that given the AESO's requested timeline to complete its consultations, and given the impending substantial changes to the Alberta market, the approved filing protocol for an AESO tariff, requiring that it be filed every four years, is not reasonable in the circumstances. Therefore, the Commission directs the AESO to file its next full tariff application before the end of the first quarter of 2020.

Application update and next steps

68. Near the end of its April 30, 2018 submission, the AESO submitted that, due to the passage of time and the receipt of comments from stakeholders since the application was initially filed on September 14, 2017, it intended to conduct a thorough review of the application to determine whether any other content of the application needed review. Accordingly, the AESO requested that the Commission continue the suspension of Proceeding 22942 while it completes this process. At the time of its submission, the AESO expected that any amendments arising from its review could be filed with the Commission by the end of June 2018. However, the AESO submitted that it would advise the Commission and parties if it anticipated a change to its expected timeline for providing this update.⁹¹

69. The Commission accepts the AESO's submission that certain updates may be required to its 2018 application. The Commission directs the AESO to advise the Commission on or before **July 6, 2018** as to when it expects to be able to file any necessary updates to its application. The Commission will revise its schedule for Proceeding 22942 after receiving the AESO's submissions.

⁹⁰ The Commission notes that the *Transmission Regulation* provides direction to the AESO regarding consultation practices. Further, the AESO has developed "Respectful Engagement Principles", posted on its webpage, which it follows along with its AESO Consultation Principles and policies.

⁹¹ Exhibit 22942-X0129, paragraphs 18-19.

70. If you have any questions, please contact Jay Halls at jay.halls@auc.ab.ca or by phone at 403-592-4426, or Salma Karim at salma.karim@auc.ab.ca or by phone at 403-592-4436.

Yours truly,

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