

Stakeholder Comment Matrix and AESO Responses

Request for Feedback on 2021 Budget Review Process (BRP) Proposed Business Initiatives

August 11, 2020



The AESO asked market participants and interested stakeholders to participate in the AESO's consultation regarding its 2021 Business Plan and Budget. Related stakeholder comments regarding the AESO's Proposed Business Initiatives Session 1 presentation are provided in the following matrix. The matrix also includes AESO's responses to the stakeholder comments.

Session 1 Feedback	
<p>Please comment on the AESO's 2021 BRP Proposed Business Initiatives Session 1 hosted on August 11, 2020. Was the session valuable? Was there something the AESO could have done to make the session more helpful? Please be specific.</p>	
Alberta Direct Connect Consumers Association ("ADC") and Industrial Power Consumers Association of Alberta ("IPCAA")	<p>The session was valuable; however, there are some lessons for the AESO on responding to consumer requests: industrial consumers have been asking about plans for the next ISO tariff application and require a clear description of what will be filed by the AESO and when.</p> <p>The AESO made reference to a July 27th submission in the <i>2018 ISO Tariff Compliance Filing Pursuant to Decision 22942-D02-2019</i> and <i>2020 ISO Tariff Update Application</i> proceeding. ADC and IPCAA had already reviewed this submission and found it unclear. The AESO's submission states:</p> <p><i>"In accordance with the AESO's commitment to update the Commission on the anticipated timing for the filing of the AESO's next comprehensive tariff application, the AESO expects to file:</i></p> <p><i>Phase 1 on or before March 31, 2021; and</i></p> <p><i>Phases 2 and 3 on or before June 30, 2021.</i></p> <p><i>The AESO is of the view that the substation fraction methodology should be dealt with holistically as part of the Contribution Policy component of the Phase 2 application."</i></p> <p>Thus, we assume that Bulk and Regional rate design are in Phase 1 and Contribution Policy is in Phase 2. It would be easier if customers were provided with a list on the AESO's website.</p> <p>It was mentioned on the webinar that this filing is available on the AESO website. Typically, tariff application material is published here: https://www.aeso.ca/rules-standards-and-tariff/tariff/current-applications/</p> <p>The July 27th submission (25175_X0095) is not available from this location.</p> <p>Two things would be helpful for customers going forward:</p>

	<ul style="list-style-type: none"> Once the AUC has an e-filing Proceeding ID associated with an AESO application, please post that Proceeding ID with the application material on the AESO website. Customers are consistently asking for this information. The AESO could save stakeholders time by posting this. Major AESO filings and submissions should always be posted on the AESO's website, not simply on the AUC's e-filing system. Many customers do not have or want e-filing access. It should not be necessary if customers are only interested in reading key AESO documents and learning when major items will be filed. <p>In the “new pandemic world” where in-person meetings are rare, we need to provide customers with clear and easy-to-find information.</p> <p>It was helpful to have the AESO VPs attend the session. Thank you to Karen and her team for organizing this.</p>
AESO Response	The AESO appreciates the input. Further clarity on individual ISO tariff activities and filings has been provided in the AESO 2020-2021 Plan for ISO Tariff-Related Activities . The AESO will strive to make information on its ISO tariff filings more accessible, while not duplicating the AUC e-filing site and purpose.
AltaLink Management (“Altalink”)	The Session provided a good overview of the topics/initiatives that will be reviewed moving forward in Session Two.
AESO Response	Noted
Best Consulting Solutions Inc. (“BCSI”)	n/a
AESO Response	n/a
Capital Power Corporation (“Capital Power”)	<p>Capital Power appreciates the opportunity to participate in the AESO’s 2021 Budget Review Process. The BRP Initiatives Session hosted on August 11, 2020 was a valuable opportunity to hear from AESO leadership and understand the proposed initiatives that will form the basis for the 2021 budget.</p> <p>The prior consultation that was undertaken on the AESO’s 2020-2021 Market-Related Initiatives provided stakeholders with an opportunity in advance of the BRP to understand the priorities and scope of work that would be advanced in the coming year. This process resulted in several iterations of the plan, which did consider stakeholder feedback on the necessity, priority and scope of the proposed initiatives. A similar sequence of consultation should be used in the future to ensure stakeholders have an opportunity to provide comments on the AESO’s proposed initiatives in advance of the BRP.</p>

AESO Response	Noted. We will continue to seek opportunities to improve the BRP in the future and coordinate activities with other stakeholder processes where appropriate.
ENMAX Corporation (“ENMAX”)	Yes, the session was valuable.
AESO Response	Noted.
Grengate Power Corporation (“Grengate”)	The session was very helpful in understanding the AESO's 2021 business initiatives. As mentioned in the session, having each VP speak to the initiatives in their area was beneficial. The AESO's new focus on stakeholder engagement is appreciated and is proving effective in consultations with stakeholders.
AESO Response	Noted.
Heartland Generation Ltd. (“Heartland Generation”)	Yes, the August 11th session was valuable. In particular, it was valuable to have the AESO's Vice Presidents available to explain the proposed business initiatives.
AESO Response	Noted.
Industrial Power Producers Society of Alberta (“IPPSA”)	IPPSA appreciates the opportunity to participate in the AESO's 2021 Budget Review Process. We valued the participation of AESO vice-presidents in the first session. That enabled stakeholders to better understand each of the AESO's priorities within those respective areas. We hope that level of engagement continues in future BRPs.
AESO Response	Noted. We are committed to seeking ongoing improvements to the AESO's BRP engagement process.
The Office of The Utilities Consumer Advocate (“UCA”)	The AESO's 2021 BRP Proposed Business Initiatives Session 1 stakeholder consultation was helpful in understanding the AESO's focus and priorities for 2021. While the session provided significant detail, the UCA would like to better understand which initiatives (in reference to slide #26), if any, the AESO hopes to complete in 2021. Also with respect to timing, the UCA would like to know if the AESO's Tariff review and modernization initiative will impact the 2018 GTA tariff updates for 2021.
AESO Response	The AESO plans to complete 2018 GTA and Settlement Audit in 2021. In regards to the AESO's Tariff review and modernization initiative please refer to the AESO <u>2020-2021 Plan for ISO Tariff-Related Activities</u> for more information.

TransAlta Corporation (“TransAlta”)	<p>TransAlta appreciates the changes made to the 2021 BRP process, which added a forum for the functional leads to describe the initiatives that their areas plan to pursue in the upcoming year. In previous years, the initiatives were described in the BRP documents but beyond providing a very brief summary of each initiative there was little detail to allow stakeholders to understand what was being proposed. This incremental improvement was helpful and should be continued in future BRP processes.</p> <p>We continue to see a need to further improve this process by providing more insight into how those initiatives drive costs included in the budget including internal resources usage (FTE allocated to each initiative) and other costs (e.g. consulting costs, operating and capital expenditures, etc.). We further note that many if not most AESO initiatives are multi-year. Greater transparency should be provided into the extended multi-year plan and the internal resource allocations and cost associated with AESO activities.</p> <p>In summary, we recommend the following improvements:</p> <ul style="list-style-type: none">• Provide a multi-year plan of initiatives including the AESO’s prioritization of those initiatives (e.g. why those initiatives are necessary, interdependences between initiatives, ranking the initiatives to each other based on their relative importance).• Show the internal resource allocations and budgetary costs associated with each initiative.
AESO Response	<p>Noted. The AESO plans to provide a ranking of the business initiatives at the September 21, 2020 stakeholder meeting by noting the mandated and top priority business initiatives. In addition, at the October 1, 2020 BRP meeting on the budget the AESO plans to provide certain cost information by business initiative in relation to the budgeted consulting and capital costs that are expected to be spent in relation to each business initiative in 2021. The AESO does not intend to add any new staff resources in 2021 for the proposed business initiatives. The AESO assesses its staff requirements holistically. Existing staff will be required to deliver on both base load work and business initiatives in 2021.</p>

II. 2021 Proposed Business Initiatives

- a) In your view, are the newly proposed 2021 external business initiatives ones the AESO should advance in 2021? And why? Please be specific.

Alberta Direct Connect Consumers Association (“ADC”) and Industrial Power Consumers Association of Alberta (“IPCAA”)	<p>ADC and IPCAA address specific external business initiatives (or lack thereof) as follows:</p> <p><u>Tariff Modernization</u></p> <p>ADC and IPCAA have concerns with the AESO’s “Tariff Modernization” initiative. The title itself is confusing and the AESO representatives did not make it clear what modernization actually means. In addition to this, there is no clarity as to which aspects of the ISO tariff application will be filed in Q1 2021. Will it simply be the Bulk and Regional Rate Design piece? See comments above.</p> <p>ADC and IPCAA are also concerned that the AESO is attempting to “modernize” the tariff to address “prosumers” when the majority of these types of customers connect through distribution systems and pay distribution tariffs. The ISO tariff does not translate directly through the various distribution tariffs in Alberta. As such, it is difficult to understand how the AESO wants to achieve “modern” rates for “prosumers” through this Business Initiative. The AESO’s plan for “restructuring and simplifications to the ISO tariff to modernize it to be more accessible, clear and agile” will only work if customers pay the ISO tariff via the same components. Does the AESO have a plan to work with Distribution Facility Owners (DFOs) and the Alberta Utilities Commission (AUC) to achieve a coordinated approach to rate design?</p> <p><u>Optimizing the Grid</u></p> <p>ADC and IPCAA support this initiative; however, we have concerns that the work that the AESO is conducting is not being effectively communicated to the Department of Energy (DOE). For example, regarding milestone triggers to manage construction timing – the DOE does not appear to be aware that CETO phases are front-end loaded with ~90% of the project costs in the first phase of the project. ADC and IPCAA recommend improved communication with the DOE. Additional concerns with CETO are mentioned in a subsequent section [II.b)].</p> <p>ADC and IPCAA recommend that the AESO provide additional clarity on where it sees the limit of AESO oversight with regard to distribution infrastructure. Consumers are concerned that there is a dearth of oversight of distribution costs with various agencies assuming other agencies are taking responsibility.</p>
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	<p><u>Settlement Audit</u></p> <p>ADC and IPCAA continue to stress the importance of this independent audit.</p> <p><u>Cost Management</u></p> <p>ADC and IPCAA submit that Cost Management should be a stand-alone priority item. See comments in II.b) below.</p>
AESO Response	<p><u>Tariff Modernization</u></p> <p>The AESO provided additional information on AESO planned tariff activities in the recently released <u>2020-2021 Plan for ISO Tariff-Related Activities</u>. Additional information on the intent and proposed process for <u>Tariff Modernization</u> is also included. There will be further opportunities for stakeholders to provide input on areas of value and priority as the AESO progresses its work on Tariff modernization.</p> <p><u>Optimizing the Grid</u></p> <p>The DOE was updated on the CETO project, including the milestone triggers and the staging approach. Additional updates were provided following the feedback from IPCAA and ADC to ensure the DOE understood the details and the AESO's reasons for recommending proceeding with the CETO project as filed.</p> <p>The AESO considers it is within the AUC's mandate to provide oversight to distribution costs. The AESO will focus on the interface between the distribution and transmission system, including coordinated planning and determining the need for any new transmission infrastructure.</p> <p><u>Settlement Audit</u></p> <p>Noted. Audit will be conducted by a third party as indicated at the initial BRP meeting on business initiatives.</p> <p><u>Cost Management</u></p> <p>The AESO's strategic focus is on cost management as an organization given COVID-19 and the state of the Alberta economy. Some of the proposed initiatives already include elements of cost management (e.g. Red Tape initiative) and the AESO has a 2021 corporate goal on cost management to create corporate focus. The AESO believes this is the best approach to obtain organizational focus on cost management.</p>

AltaLink Management (“Altalink”)	Please refer to the response provided in section c) of this Matrix.
AESO Response	See section c) of the Matrix for response
Best Consulting Solutions Inc. (“BCSI”)	n/a
AESO Response	n/a
Capital Power Corporation (“Capital Power”)	<p>Capital Power provided comments to the AESO on the 2020-2021 Market-Related Initiatives and within the individual consultations on the necessity, priority and scope of the respective initiatives. The AESO has considered and incorporated some of this feedback to produce the list of initiatives that was presented at the BRP Initiatives Session.</p> <p>While Capital Power may disagree on the necessity, priority or scope of certain initiatives, the company is supportive of the general direction. The current plan reflects the importance of regulatory stability in the Alberta market and signals to investors that the major components of the market structure will be retained. The plan also reflects the increasing importance and priority of initiatives related to tariffs, cost allocation, and system planning. Capital Power agrees with this direction.</p>
AESO Response	<p>Noted. The AESO agrees that achieving regulatory stability is important and believes this has been reflected in how the AESO has organized its 2021 business initiatives for the September 21, 2020 stakeholder meeting by category (mandated, top priority). The AESO believes its initiatives for 2021 are generally in alignment with stakeholders.</p>
ENMAX Corporation (“ENMAX”)	To better determine whether a particular initiative should be advanced by the AESO in the coming year, ENMAX requires a better understanding of the costs and benefits for each of the proposed initiatives. While the information provided at the last session was useful for stakeholders to better understand the AESO’s business plans for 2021, the information provided was high-level and lacked sufficient detail on the associated costs. Without visibility on the cost-benefit for each project, ENMAX is unable to determine at this point in time whether the AESO’s proposed initiatives have been prioritized appropriately to reflect the needs of the market.
AESO Response	<p>Noted. The AESO plans on providing a form ranking of the initiatives at the next BRP stakeholder meeting on September 21, 2020. Also, at the October 1, 2020 BRP meeting on the budget the AESO plans to provide consulting and capital information for the initiatives that we plan to proceed with in 2021.</p>

Grengate Power Corporation ("Grengate")	<p>Grengate believes that the listed external business initiatives are reasonable for 2021. The Bulk and regional tariff application has been delayed and is causing market uncertainty, which is opposite of the AESO's strategic focus in 2021 of Facilitating business in Alberta. Moving ahead with this initiative will reduce uncertainty.</p> <p>Grengate fully supports the AESO's initiative to apply flexibility to standards in interconnections and in using a reasonable approach to congestion analysis. These initiatives will provide value to generators and loads and should continue to be fostered, while at the same time allowing interconnections to proceed in an agile manner.</p>
AESO Response	<p>The AESO agrees the delayed progress of the Bulk and Regional Rate design has extended market uncertainty. However, the AESO firmly believes that pausing the engagement earlier this year due to the impacts of COVID on stakeholders was appropriate. It is currently a reasonable time to restart this engagement, with the next session scheduled for September 24, 2020. The AESO has communicated to the AUC that it will be filing an application related to Bulk and Regional Rate design by March 31, 2021.</p> <p>The AESO acknowledges the support for flexibility in applying standards in interconnections and using a reasonable approach to congestion analysis.</p>
Heartland Generation Ltd. ("Heartland Generation")	HGL looks forward to discussing the newly proposed Market Sustainability and Evolution II and the Ancillary Services Market Review in the meeting planned for September 21, 2020. The AESO has included the Mothball Rule as part of the Market Sustainability and Evolution II initiative, HGL submits that the Mothball Rule should be a priority for the AESO (further comments can be found in response to part b).
AESO Response	Noted
Industrial Power Producers Society of Alberta ("IPPSA")	<p>IPPSA's high-level recommendation for the AESO – given continuing Covid-realities and the over-arching need for market stability – is that it pursue as few initiatives as possible. To the point, tariff reform is complex and warrants the engagement of stakeholders and significant AESO resources. Grid optimization is similarly an important priority.</p> <p>Accordingly, it is our recommendation that other matters such as those under market sustainability (ramp table, dispatch tolerance and the mothball rule) and operating reserve review first undergo a careful assessment of whether the initiatives are required at this time. Each should have a defined goal that it is to achieve and we'd ask that the AESO secure stakeholder support of those goals before proceeding.</p>
AESO Response	The AESO agrees that tariff reform is complex and warrants the engagement of stakeholders and significant AESO resources. That said, the market-related initiatives that have been identified to progress in 2021 are important to the long-term sustainability of the energy-only market structure, to maintaining system reliability, and to ensuring the AESO is

	facilitating a fair, efficient and openly competitive (FEOC) market for an evolving electrical system while also providing certainty and stability to the market structure. These initiatives cannot, therefore, be paused indefinitely. The AESO is undertaking careful assessment of each initiative, to determine what, if any, change is required and the appropriate timing or pace of the change. Information on the evaluation of need for change and required timing will be provided through stakeholder engagement on each market initiative.
The Office of The Utilities Consumer Advocate (“UCA”)	n/a
AESO Response	n/a
TransAlta Corporation (“TransAlta”)	We disagree that any significant market initiatives in the Market Sustainability and Evolution bucket should be pursued in 2021 other than work related to energy storage and distributed resource roadmap. We expect the focus in 2021 and 2022 will be on the economic recovery from the pandemic. Any discretionary change to the market will serve to add greater uncertainty at a time when the Alberta economy is already facing unprecedented challenges and investments are being made into the transition from coal to gas. This is not the time to engage in unnecessary industry consultation that may distract or raise investment risk during this time.
AESO Response	<p>As noted in the Market-Related Initiatives Plan, the market-related initiatives that have been identified to progress in 2021 are important to the long-term sustainability of the energy-only market structure, to maintaining system reliability, and in ensuring the AESO is facilitating a fair, efficient and openly competitive (FEOC) market for an evolving electrical system while also providing certainty and stability to the market structure.</p> <p>However, the AESO recognizes the increased vigilance that is required to balance the need for evolution and change with the need for stability and certainty in the market. The AESO is committed to supporting Alberta's economic recovery, with additional focus on cost management across the industry value chain, facilitating business in Alberta, and creating a simpler and more agile approach to our own business processes while also ensuring sustainability of the market in the long-term. In light of that, the on-going evaluation and progress of the market initiatives may result in some of them being deferred or advanced at a slower pace than previously identified or removed from the list. These decisions will be communicated as part of the engagement regarding each initiative.</p>

II. 2021 Proposed Business Initiatives (cont.)

b) In your view, are there certain business initiatives that are more critical than others? And why? Please be specific.

Alberta Direct Connect Consumers Association (“ADC”) and Industrial Power Consumers Association of Alberta (“IPCAA”)	<p>ADC and IPCAA submit that Cost Management is paramount. The AESO should be allocating additional resources to managing wires costs in Alberta. We submit that managing distribution costs should be an AESO priority. In addition, it is concerning that the AESO is moving forward with CETO at a potential cost of ~\$470M without completing a Cost-Benefit Analysis to prove to customers that the overall project, and the generation that it is being built for, will lower the cost of delivered electricity to consumers.</p> <p>Transmission costs in Alberta are on average \$37/MWh. Distribution costs in Alberta are do not reflect the underlying load growth on the distribution system. The AESO's own Delivered Cost of Electricity report indicates that residential customers in ATCO Electric service territory pay \$300/MWh in delivered electricity costs. In order to facilitate the economic recovery, the AESO needs to manage wires costs for customers. This should be a high enough priority to have its own CRITICAL business initiative and an AESO VP dedicated to achieving cost reductions.</p> <p>Alberta businesses need competitive electricity rates in order for their businesses to recover and remain competitive with their global peers.</p>
AESO Response	<p>The AESO is committed to cost management across the electricity value chain, to the degree the AESO's mandate enables. The CEO and entire senior leadership team is dedicated to achieving cost reductions, where appropriate. The CETO project is needed to enable generation integration forecasted in the future and to meet the existing regulations associated with the market structure as it relates to congestion levels.</p>
AltaLink Management (“Altalink”)	<p>Please refer to the response provided in section c) of this Matrix.</p>
AESO Response	<p>See section c) of the Matrix for response</p>
Best Consulting Solutions Inc. (“BCSI”)	<p>n/a</p>
AESO Response	<p>n/a</p>

II. 2021 Proposed Business Initiatives (cont.)

b) In your view, are there certain business initiatives that are more critical than others? And why? Please be specific.

Capital Power Corporation (“Capital Power”)	As noted above, Capital Power submits that the proposed initiatives reflect the Government of Alberta’s decision to retain the energy-only market and supports investment in the province through improved regulatory certainty. While there are enhancements that can be made in the regulatory environment to reflect changing technologies and to support competition, the fundamental design elements of the energy-only market remain. Capital Power submits that the priority should be given to initiatives that enhance the efficiency of current tariffs, cost allocation and approaches to system planning.
AESO Response	The AESO agrees that priority should be given to initiatives that enhance the efficiency of current tariffs, cost allocation and approaches to system planning. That said, as noted in the response to IPPSA’s II.a) comment, the market-related initiatives that have been identified to progress in 2021 are important to the long-term sustainability of the energy-only market structure, to maintaining system reliability, and in ensuring the AESO is facilitating a fair, efficient and openly competitive (FEOC) market for an evolving electrical system while also providing certainty and stability to the market structure, and therefore cannot be paused indefinitely. The AESO is undertaking careful assessment of each initiative, to determine what, if any, change is required and the appropriate timing or pace of the change. Information on the evaluation of need for change and required timing will be provided through stakeholder engagement on each market initiative.
ENMAX Corporation (“ENMAX”)	<p>See response to question II. a).</p> <p>Given the current economic climate, it is important for the AESO to ensure its priorities are justifiable and remain relevant to the market. It may be more appropriate to shift certain priorities to help reduce costs. Furthermore, some initiatives were originally identified in capacity market discussions and should be considered in light of the existing energy-only market.</p> <p>A few initial comments:</p> <p>Distribution coordination – ENMAX Power Corporation (EPC) continues to utilize its existing processes to manage DER interconnections, with adoption rates and impacts anticipated to remain manageable for the foreseeable future. As such, the timing of a coordinated distribution and transmission planning framework for a two-way electricity flow (over what is currently already in place) is premature.</p> <p>The integration of DERs on the Alberta Interconnected Electric System (AIES) will rely on future policy direction from the Government of Alberta (GoA) and will depend on the objectives identified in government policy. Until such clarity is provided, the AESO’s DER Roadmap should not introduce significant changes to the existing framework but could work to inform the industry of the challenges ahead.</p>

II. 2021 Proposed Business Initiatives (cont.)**b) In your view, are there certain business initiatives that are more critical than others? And why? Please be specific.**

	<p>Market sustainability and evolution I – To date, majority of stakeholders have indicated that a change to the existing settlement interval is not needed. ENMAX would expect that unless the benefits for implementing a change can be clearly demonstrated as outweighing the costs, this initiative should not proceed at this time.</p> <p>Market sustainability and evolution II – The requirement to introduce ramp table submissions under ISO Rule 203.1 – Offers and Bids for Energy, was initially identified through capacity market discussions. The AESO should undertake a new consultation on Section 203.1 to determine whether a new requirement for ramp table submissions is still needed and relevant to the existing energy-only market. Introducing a new requirement would result in IT-related costs and the development of new processes; therefore, a clear cost-benefit analysis is needed to demonstrate the overall value to the market.</p> <p>Technology integration – The AESO's presentation referenced potential future implications on the AESO's mandate resulting from new technologies being integrated on the system. Similar to the comments made above regarding distribution coordination, further direction from the GoA is required on the integration of DERs on the AIES, including the evolution of existing roles and responsibilities. The AESO's plan to publish a "Technology Forward" should not introduce significant changes to the existing framework but (similar to the DER Roadmap) could work to inform the industry of challenges ahead.</p>
AESO Response	<p>Market sustainability and evolution I The AESO has been evaluating the costs and benefits of a change to the existing settlement interval; this evaluation will be presented at the upcoming stakeholder session and will be used to inform the recommendation on the path forward for the settlement interval.</p> <p>Market sustainability and evolution II The AESO will undertake a new consultation on Section 203.1 should it be determined that a new requirement for ramp table submissions is still needed and of value to the existing energy-only market.</p> <p>Distribution coordination – the AESO's work on the DER Roadmap and with the DFOs on transmission/distribution coordination have no intention of changing the existing framework, policy, legislation or regulations. The AESO's work with DFOs related to DERs is intended to proactively address DER technical interconnection and static site data to enable the AESO to ensure reliability of the AIES, as part of its mandate. The AESO appreciates some DFOs may not be experiencing as significant of DER growth as other DFOs. The AESO's work with DFOs on coordinating planning is focused on impacts at the transmission/distribution interface and the need for new transmission infrastructure which is within the AESO's existing mandate.</p> <p>Technology integration – the AESO, through its Energy Storage and DER roadmaps are working to integrate these</p>

II. 2021 Proposed Business Initiatives (cont.)

b) In your view, are there certain business initiatives that are more critical than others? And why? Please be specific.

	<p>technologies within the existing framework. The Technology Forward is intended to be a proactive awareness of future electricity value chain technologies, providing industry with awareness of these emerging technologies and early AESO views of potential implications to reliability, markets and tariffs within the existing framework.</p>
Greengate Power Corporation (“Greengate”)	<p>While the AESO has many ongoing initiatives for energy storage, this focus is not evident in the 2021 strategic plan. Greengate strongly advocates that the AESO look for non-wires alternatives such as energy storage and justify the selection of wires solutions when an energy storage alternative may be possible. Greengate advocates for the inclusion of a specific energy storage tariff as a separate initiative, apart from the Bulk and Regional tariff initiative.</p> <p>The AESO's Red tape initiative may be very helpful however Greengate would advocate for reducing red tape that gets in the way for new business. While the AESO must meet its mandated red tape reduction it would be helpful for the AESO to understand what AESO rules/policies/ tariffs are causing most stakeholders concerns.</p>
AESO Response	<p>The AESO's Energy Storage roadmap work will continue into 2021 focused on the longer term integration plan which may require rule related changes that will take longer to bring into effect. The AESO has incorporated energy storage as an option within its planning processes and should energy storage be the best overall solution, the AESO will proceed with that solution.</p> <p>While a primary focus for the AESO will be meeting its obligations under the Red Tape Reduction initiative, this will not preclude the organization from pursuing other opportunities to streamline certain business activities to achieve reductions in regulatory burden more generally. The AESO is open to feedback from stakeholders in this respect.</p>
Heartland Generation Ltd. (“Heartland Generation”)	<p>Yes. Within the Market Sustainability & Evolution II, the mothball initiative should be prioritized over the ramp table and dispatch tolerance initiatives. HGL submits that the Mothball Rule is even more important than other 2020 market-related initiatives being undertaken, such as sub-hourly settlement. Market entry and exit rules are inextricably linked to investor confidence in Alberta's generation market. Existing and potential market participants require clear and concise ISO rules in order to make significant timing decisions related to retirement, commercial outages, and new entry.</p> <p>HGL supports the characterization of the General Tariff Application as one of the AESO's largest priorities. Bulk and regional transmission rate design is highly contentious and has one of the greatest impacts on electricity consumers, especially since transmission costs will likely remain a significant portion of consumer bills over the next decade. Proper consultation and transmission tariff design is essential to maintaining the efficiency of the Alberta electricity market.</p>

II. 2021 Proposed Business Initiatives (cont.)	
b) In your view, are there certain business initiatives that are more critical than others? And why? Please be specific.	
AESO Response	Noted.
Industrial Power Producers Society of Alberta ("IPPSA")	In IPPSA's view, tariff redesign and grid optimization are more critical. Other initiatives should have their goals carefully defined and then stakeholder support sought before proceeding.
AESO Response	Noted.
The Office of The Utilities Consumer Advocate ("UCA")	Yes, with a focus on the 3 highly integrated initiatives of Tariff Modernization, Transmission/Distribution Coordination, and DERS. All of the preceding initiatives should be considered priorities for the AESO as they are driven by a shift in consumer preferences.
AESO Response	Agreed. The AESO has classified these business initiatives as a top priority for the organization in 2021.
TransAlta Corporation ("TransAlta")	<p>The market tariff and issues related to it are critical in 2020/2021. We note that issues with the tariff are now spanning multiple regulatory proceedings and limited progress has been made to resolve these issues. We view the AESO's role as central and integral in leading towards resolving these matters or, at the very least, narrowing the issues to a scope that can be decided by the AUC with some finality and without pushing these issues into other venues (future regulatory applications and other regulatory proceedings).</p> <p>We note that the regulatory lag in approving the 2018 ISO Tariff highlights the concern with respect to how these issues impact participants. At this time, the final 2018 ISO tariff appears as though it will not be until the end of 2020. This is problematic for all market participants in that this contributes regulatory uncertainty to an already uncertain time.</p>
AESO Response	<p>The AESO shares TransAlta's observation. As noted in the recently released 2020-2021 Plan for ISO Tariff-Related Activities the ISO tariff is central to many on-going changes in the Alberta electricity industry. The current ISO tariff rate design needs to evolve and adapt to these changes. At the same time, consumers need clear and stable price signals to be provided by the ISO tariff so they can make effective business decisions. To promote a more nimble approach which enables issues to be resolved in more reasonable timeframes, the AESO has proposed to address changes to tariff provisions with the AUC using a modular approach as opposed to a comprehensive tariff filing. The AESO expects, as described in the AESO's 2018 compliance filing, that a modular approach, "will allow issues to be considered and consulted upon with greater efficiency than the current approach of filing comprehensive tariff applications that bundle and address multiple significant issues within a single application, and will also allow the AESO to address required tariff changes in a</p>

II. 2021 Proposed Business Initiatives (cont.)**b) In your view, are there certain business initiatives that are more critical than others? And why? Please be specific.**

more agile and adaptable manner in response to industry change." As such, stakeholders will continue to see the AESO progress these activities as distinct pieces where practicable. Further details on the Tariff activities AESO is progressing are provided in the 2020-2021 Plan for ISO Tariff-Related Activities document.

II. 2021 Proposed Business Initiatives (cont.)

c) In your view, are there any business initiatives not captured that you believe the AESO should advance? And why? Please be specific.

Alberta Direct Connect Consumers Association (“ADC”) and Industrial Power Consumers Association of Alberta (“IPCAA”)	Please see comments above re: Cost Management.
AESO Response	Please see AESO response re: Cost Management, in b) above
AltaLink Management (“Altalink”)	<p>The AESO included “Priced Interties” as part of its original plan, published at the end of 2019, for 2020 market related initiatives. The rationales the AESO put forward are copied below:</p> <p>“Priced Interties</p> <p>One of the primary functions of the AESO mandate is to operate a FEOC market. Currently, intertie transactions are required to buy and sell in Alberta’s electricity market as a price taker, meaning all offers to sell must be at \$0/MWh and all bids to purchase must be \$999.99/MWh. Unlike intra-Alberta generators, intertie market participants are unable to reflect their respective costs in their bids and offers. Price fidelity is a key driver of any openly competitive market. Enabling intertie market participants to reflect the cost of their energy in their energy bids and offers creates a better reflection of the true market value of energy. During the conceptualization of the capacity market, the AESO conducted stakeholder engagement on the design and development of ISO rules for the integration of priced interties. The AESO sees value in facilitating priced interties in the energy-only market framework and will leverage the previous work done on this initiative.”</p> <p>In the latest update of the 2020 work plan published in July, the “Priced Intertie” piece was removed and the new initiative Ancillary Services (AS) Markets Review was added. There was no specific discussion or rationale in the updated plan other than “(AS) will review the operating reserves (OR) market and contracted services such as transmission must-run (TMR) and Load Shed Services for imports (LSSI), with a focus on increasing competition. Changes may include minor design changes to the (OR) market, making qualification for participation technology agnostic, and considering lowering size requirements to increase participation.”</p> <p>AltaLink recommends the AESO continue to include the “Priced Intertie” piece as originally proposed for the following reasons:</p> <p>a) The rationales discussed in the original proposal remain valid.</p>

II. 2021 Proposed Business Initiatives (cont.)

c) In your view, are there any business initiatives not captured that you believe the AESO should advance? And why? Please be specific.

	<ul style="list-style-type: none"> b) The AESO has invested time and made progress on “Sub-hourly Settlement” work. As Alberta moves to shorter settlement intervals which are more aligned with other regional markets, the benefit of interties setting prices would be even greater. c) Efficient use of interties is an essential part of Alberta’s market, therefore the “Priced Intertie” should be treated as a high priority initiative. As stated in the 2003 Transmission Policy paper, “Inter-ties are essential to a well-functioning market structure. Alberta is integrated with the electric systems of our neighbours. Transmission policy and the regulatory environment must facilitate open access to larger markets, while ensuring Alberta’s needs are met.” d) While we are not opposed to the “OR Review” initiative, the inclusion of it in the 2020-21 work plan should not be at the expense of cancelling/delaying the “Price Intertie” initiative. Based on the limited information the AESO shared, AltaLink does not think Ancillary Services (AS) initiative review of the operating reserves (OR) market offers more value than the “Priced Intertie.” e) If the AESO sees value to include the “Priced Intertie” and “OR Review” in the 2020 -2021 plan, AltaLink supports more resources being allocated to support both initiatives.
AESO Response	As indicated by a number of parties in their comments, the AESO needs to prioritize the initiatives and market changes that it is investigating in the context of market stability, cost management and overall capability for AESO and stakeholder resources, to focus on a manageable number of activities. AESO has added the Operating Reserve Market Competitiveness Enhancement review due to conclusions drawn in the Market Power Mitigation Review for GoA released earlier this year. This initiative, and other market initiatives, have been deemed higher priority, and of greater value, than priced interties.
Best Consulting Solutions Inc. (“BCSI”)	n/a
AESO Response	n/a
Capital Power Corporation (“Capital Power”)	Given the increasing emphasis and importance of tariff related initiatives, the AESO should provide stakeholders, including partner agencies, a clear articulation of the strategic direction that will guide tariff development at the AESO over the coming years. The current approach to tariff development is occurring in disparate proceedings that do not lend themselves to discourse on the strategic direction of the ISO tariff. The AESO should articulate the competing policy objectives and key

II. 2021 Proposed Business Initiatives (cont.)

c) In your view, are there any business initiatives not captured that you believe the AESO should advance? And why? Please be specific.

	<p>principles that will guide the evolution of the document. Recognizing the evolution of the tariff will take time, there should be clear articulation of the immediate tactical changes that are required to gradually achieve the strategic objectives over time.</p> <p>In the current environment, cost management continues to be a priority for all stakeholders in Alberta. In relation to system planning and wires costs, there is no single forum where these discussions are occurring. The strategic importance of these issues to the market is well understood by all stakeholders. It would be beneficial to convene a single forum where all stakeholders can transparently discuss the overarching issues relating to system planning and wires costs.</p>
AESO Response	<p>The AESO agrees the ISO tariff is central to many on-going changes in the Alberta electricity industry. To provide greater clarity of the AESO direction and focus the 2020-2021 Plan for ISO Tariff-Related Activities was recently released. This document lists tariff related activities AESO is progressing in 2020-2021 while also providing commentary on AESO objectives and priorities guiding the listed activities.</p> <p>The AESO remains focused on cost management across industry including wires costs.</p>
ENMAX Corporation (“ENMAX”)	No comment at this time.
AESO Response	Noted.
Greengate Power Corporation (“Greengate”)	<p>Greengate is concerned on the lack of AESO processes and help in ensuring that generation developers have a reasonable, AESO verified, loss factor estimate for their projects. In the past, the AESO would provide a loss factor estimate to a generation developer, this is no longer the case. The AESO will only present a loss factor to a Market Participant when their facility is nearing energization. The loss factor methodology is very complex and no party other than the AESO has all the necessary data to reliably determine a loss factor. This places risk on the project developer that can easily be mitigated by the AESO. To date, it is Greengate's understanding is that the AESO is unable to provide this loss factor estimate due to resource restrictions. The AESO staff and contractors are fully engaged in developing loss factors for prior years. Greengate is advocating for an AESO initiative to provide funding in 2021 to the loss factor group to develop processes and offer loss factor estimates to project developers. Greengate cannot overstate the importance of this initiative which will allow project developers to more readily understand their project costs and allow for rational decision making. This initiative will also help the AESO strengthen its location signals to project developers.</p>

II. 2021 Proposed Business Initiatives (cont.)	
c) In your view, are there any business initiatives not captured that you believe the AESO should advance? And why? Please be specific.	
AESO Response	The AESO will have completed the historical loss factor work primarily by the end of 2020 and has insourced future loss factor work to reduce costs. The AESO will explore in 2021 the complexity of providing loss factor estimates at an earlier stage in the connection process.
Heartland Generation Ltd. (“Heartland Generation”)	HGL encourages the AESO to consider broader ways to meet its Red Tape Reduction initiative. Earlier this year, IPPSA requested streamlining the ETS software to prevent common compliance contraventions. As a result of this request, an ETS Workshop Goals and Agenda was held in March. The AESO should continue to review software modifications to ETS in 2021 in order to reduce ISO Rules contraventions related to the current ETS system. HGL submits that ETS reforms could reduce the regulatory burden on all market participants, the AESO, and the MSA.
AESO Response	While a primary focus for the AESO will be meeting its obligations under the Red Tape Reduction initiative, this will not preclude the organization from pursuing other opportunities to streamline certain business activities to achieve reductions in regulatory burden more generally.
Industrial Power Producers Society of Alberta (“IPPSA”)	We appreciate the AESO’s work with stakeholders on improvements to ETS. We look forward to closing this work off in the near term. Finally, it is our view that intertie restoration should continue to be deferred. Given supply overhang, softened demand and the concern on the part of consumers with existing wires cost, we agree with the AESO that this is not a near term priority.
AESO Response	Noted.
The Office of The Utilities Consumer Advocate (“UCA”)	No.
AESO Response	Noted.
TransAlta Corporation (“TransAlta”)	TransAlta does not recommend adding any additional business initiatives in 2021. As stated above, we recommend that the AESO further rationalize and reduce the number and scope of the business initiatives proposed by the AESO.
AESO Response	Noted, and see above for responses on the number and scope of the business initiatives proposed by the AESO.

III. Additional Comments	
Do you have any other comments to offer at this time?	
Alberta Direct Connect Consumers Association (“ADC”) and Industrial Power Consumers Association of Alberta (“IPCAA”)	<p>ADC and IPCAA thank the AESO for the opportunity to comment and would be happy to meet (virtually) to discuss our comments further – particularly those regarding Tariff “Modernization” and Cost Management.</p> <p>As a part of this Budget Review Process, ADC and IPCAA request that the AESO provide its Board with the following benchmarking analysis, similar to other jurisdictions:</p> <ul style="list-style-type: none"> The AESO cost in comparison to other ISOs including services provided; Alberta transmission costs in comparison to other ISOs; Alberta distribution costs in comparison to other ISOs. <p>ADC and IPCAA submit that this information will be vital in informing the AESO Board’s decision-making.</p>
AESO Response	<p>Noted. The AESO will provide the AESO Board with the required information to make a decision on the AESO’s 2021 business initiatives and related budgets. The AESO’s strategic focus is on cost management as an organization given COVID-19 and the state of the Alberta economy. Some of the proposed initiatives have elements of cost management (e.g. Red Tape initiative) and the AESO will have a 2021 corporate goal on cost management to create corporate focus. Some of this cost information may be published as a part of specific AESO engagements with stakeholders (e.g. bulk and regional rate tariff engagement). Historically, the benchmarking of AESO own costs against other ISO own costs has not provided value due to differences in the ISO’s operations and the scale of each ISO’s operations.</p>
AltaLink Management (“Altalink”)	AltaLink does not have any other comments to share at this time.
AESO Response	Noted.
Best Consulting Solutions Inc. (“BCSI”)	<p>BCSI appreciates that the AESO is considering applying flexibility to standards alternatives to optimize the grid and to reduce costs.</p> <p>Can the AESO please publish summary statistics (number of documents, etc.) and the work plan for the Red Tape Reduction initiative?</p>

III. Additional Comments	
Do you have any other comments to offer at this time?	
AESO Response	The AESO is in the midst of finalizing the long-term work plan and it is also currently assessing how to best present the status of its work on the Red Tape Reduction Initiative on the website.
Capital Power Corporation (“Capital Power”)	Capital Power has no additional comments at this time.
AESO Response	Noted.
ENMAX Corporation (“ENMAX”)	ENMAX looks forward to reviewing the AESO’s cost-benefit analysis for each of the proposed initiatives.
AESO Response	Noted.
Grengate Power Corporation (“Grengate”)	n/a
AESO Response	Noted
Heartland Generation Ltd. (“Heartland Generation”)	HGL does not have any other comments at this time. We look forward to further stakeholder engagement in the AESO 2021BRP.
AESO Response	Noted.
Industrial Power Producers Society of Alberta (“IPPSA”)	We look forward to further engagement in the 2021 budget review process.
AESO Response	Noted.

III. Additional Comments	
Do you have any other comments to offer at this time?	
The Office of The Utilities Consumer Advocate (“UCA”)	<p>The Government of Alberta (GoA) has committed to reducing regulatory requirements by one-third by 2023. To be in compliance with the government's Red Tape Reduction Initiative, the AESO is committed to reducing regulatory requirements in its ID documents, tariffs, and connection processes.</p> <p>Some AESO recommended changes to the ISO Tariff structure remove provisions requiring the AESO to deem supply-related (DCG charge) and demand-related amounts for distributed connected generators (DCGs), instead passing on this obligation to the DFOs. The UCA would like the AESO to consider that such actions are not likely to reduce regulatory burden but rather defer the requirement to other entities, adding to their respective lists of regulatory requirements and obligations.</p>
AESO Response	Noted, this will be considered as part of the Local Interconnection Costs: Substation Fraction and DFO Flow-through tariff initiative.
TransAlta Corporation (“TransAlta”)	No further comments at this time.
AESO Response	Noted.