

# Stakeholder Comment and AESO Replies Matrix AESO Consultation – 2017 Budget Review Process



## AESO 2017 Business Plan and Budget Proposal - dated November 7, 2016

The following information is intended to summarize AESO management's response to stakeholder comments on the AESO's 2017 Business Plan and Budget Proposal (Business Plan) dated November 7, 2016 and posted on the AESO website November 8, 2016.

### 2017 Business Initiatives

Do stakeholders have any comments on the business initiatives (to be rolled forward from 2016) as identified in the Business Plan?

#### **AltaLink Management Limited (AltaLink)**

1. AltaLink has no further comments on the business initiatives to be rolled forward from 2016.

**Comment 1. Noted.**

#### **Capital Power Corporation (Capital Power)**

1. At page 9 of the Business Plan under the heading "Design and Create" – "2017 Plans", Capital Power submits it is premature and inappropriate for the AESO to state it will "[c]omplete consultation and file [a]sic permanent rule for Mothballing". The declaration presupposes that a permanent rule will be filed even though the AESO continues "to discuss whether mothball outages should be a permanent feature of the Alberta electricity market ("phase 1)". As indicated in the AESO's November 15, 2016 notice, Phase 1 stakeholder work remains active and no determination has been made.

Capital Power believes the reference at page 9 of the Business Plan should be revised from the current comment "Complete consultation and file permanent rule for Mothballing" to state "If Phase 1 determines mothball outages should be a permanent feature, the AESO shall consult with stakeholders in Phase 2 prior to filing a permanent rule for Mothballing."

**Comment 1. Noted. Management supports the recommendation and concurs that the suggested wording is a better reflection of the related Mothballing program information posted on the AESO website.**

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

1. The AESO listed: “Updating the transmission rate impact projection (TRIP) in support of the general tariff application” as a 2016 Achievement (Section 4, page 5). Was this achieved? Why was it not made public?

**Comment 1. Noted. The Transmission Rate Projection (TRP) is being finalized and AESO plans to post it on the AESO website in December 2016. The format of the information has been simplified to cover specific information regarding transmission development for active and future proposed projects. This information will be updated on an ongoing six month basis (e.g. December and June) as required.**

2. The AESO listed: “Performed a comprehensive reliability assessment of critical factors associated with the transition away from coal-fired emissions. Developed boundary conditions for a flexible coal retirement plan and mitigation measures” as 2016 achievements. Will these studies be made public?

**Comment 2. Noted. This information was developed and delivered for the purpose of supporting the Coal Facilitator at the request of the Government of Alberta. The AESO intends to release information on the results of the studies in due course.**

### **Utilities Consumer Advocate (UCA)**

1. No additional comments

**Comment 1. Noted**

**Transmission Operating Cost Forecast for 2017 – (i.e. wires, ancillary services, transmission line losses and other industry costs)**

Do stakeholders have any comments on the transmission operating cost forecasts for 2017 as identified in the Business Plan?

**AltaLink**

1. AltaLink has no further comments on the transmission operating cost forecasts for 2017

**Comment 1. Noted**

**Capital Power**

1. Capital Power has no comments at this time.

**Comment 1. Noted**

**IPCAA**

1. IPCAA appreciates prompt implementation of regulatory decisions, including Transmission GTA decisions flowing through the ISO tariff. Rider C was used recently to fast-track the AML 2015-16 GTA rate relief package into consumer rates, which was helpful. Regulatory lag is a considerable problem for consumers, and measures to address it should be taken.

**Comment 1. Noted.**

**UCA**

1. No additional comments

**Comment 1. Noted**

## AESO Own Costs Budget for the first 6 months of 2017 - (i.e. G&A, interest, amortization and capital)

Do stakeholders have any comments on the own costs budgets for the first 6 months of 2017 as identified in the Business Plan?

### AltaLink

1. AltaLink has no further comments on the own costs budgets for the first 6 months of 2017

**Comment 1. Noted**

### Capital Power

1. Capital Power has no comments at this time.

**Comment 1. Noted**

### IPCAA

1. As stated in the previous comment matrix, the AESO's G&A costs are now very close to \$100M (for a 1-year period). The level of these costs, without external review, is a concern for industrial customers. IPCAA submits that if the G&A costs exceed \$100M they should be examined formally through the AESO's Tariff process, and not approved by the AESO Board directly.

**Comment 1. Noted.**

2. How many staff does the AESO currently have? Are any staffing or salary measures being taken to reflect the current economic climate in Alberta?

**Comment 2. The AESO currently employs approximately 450 permanent staff. Consistent with the communication in Section 4 of the 2017 Business Plan and Budget Proposal on page 34 (Appendix D Six-Month 2017 G&A Cost Detail), the AESO reviews the general economic indicators and salary survey information to determine the impact on the base salary rates. Based on these indicators, there was no base pay adjustment in 2016 and while the AESO Board's Human Resources Committee has yet to discuss the plans for 2017, AESO Management has not proposed a base salary rate adjustment for 2017 at this time.**

**In the AESO's ongoing business planning process, the most efficient utilization of all AESO resources is considered with redeployment of existing resources to align workloads and technical expertise to incorporate the work on new initiatives. There was**

no general and administrative budget increase for 2016 and actual 2016 results are anticipated to be lower than budget.

In light of the changing economic conditions in the province in early 2015, the AESO began a review of existing consulting service agreements to look for opportunities to re-negotiate rates and pricing and realized cost savings through this initiative. Wherever possible, the AESO will competitively procure services to ensure market-based pricing.

AESO Management also notes that it has actively managed its ongoing G&A costs. The following table provides a summary of the historical trend.

| \$ millions                                   | 2013<br>Budget | 2014<br>Budget | 2015<br>Budget | 2016<br>Budget |
|---|----------------|----------------|----------------|----------------|
| G&A Costs - ongoing                           | 98.3           | 96.0           | 94.0           | 94.0           |
| G&A Costs - climate change program adjustment | 0.0            | 0.0            | 0.0            | 5.4            |

**UCA**

1. No additional comments

**Comment 1. Noted**

## Major Projects Comments

Do stakeholders have any comments on the energy management system (EMS) or system coordination centre (SCC) expansion project plans?

### AltaLink

1. AltaLink has no comments on the energy management system (EMS)

**Comment 1. Noted**

2. AltaLink supports the system coordination centre (SCC) expansion project plans by the AESO as a result of the increase in the number of programs and initiatives provided by AESO Operations.

**Comment 2. Noted**

### Capital Power

1. Capital Power has no comments at this time.

**Comment 1. Noted**

### IPCAA

1. No comments

**Comment 1. Noted**

### UCA

1. No additional comments

**Comment 1. Noted**

## Other Comments

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

### AltaLink

1. AltaLink has no further comments on the AESO's 2017 business plan

### Capital Power

1. Capital Power appreciates the opportunity to comment on the AESO's 2017 Business Plan and Budget Proposal.

### IPCAA

1. Can the AESO please publish an update to its Transmission Rate Impact Projection (TRIP) model and commit to updating it every six months? As stated previously, the current version is from June 2014 and customers have been requesting an update for several years now. This information is critical to budgeting and other business decisions. The AESO has stated that it expects to provide an update by Q1 2017, why the delay?

**Comment 1. See AESO response to IPCAA Comment 1 in the 2017 Business Initiatives section on page 2.**

2. Given the change in BRP, there has been no opportunity for stakeholders to present to the AESO's Board in 2016. This is a concern for IPCAA. Our members value the opportunity to provide direct feedback to the Board. For example, many distribution NIDs are currently being filed with stale load data. IPCAA would like to know if the AESO has resources allocated to reviewing these NIDs properly – or if the Board is even aware that this is a concern. Will there be an opportunity to present to the AESO Board as part of the amended BRP next year?

**Comment 2. Noted.**

- i. **Concern regarding NID submissions based on stale data - Distribution Facility Owners (DFO) are responsible for distribution planning and they must complete the necessary work required when capacity upgrades or reliability enhancements are identified. When DFOs indicate to the AESO that their planning has indicated that transmission development is required to meet a distribution driven need, the AESO requires that the DFO submit a Distribution Deficiency Report (DDR) outlining the analysis with their System Access Service Request. This DDR is reviewed for completeness by the AESO, and submitted with the Needs Identification Document to the Alberta Utilities Commission. The DFOs are required to support their related distribution planning assumptions.**

- ii. **Concern regarding stakeholder opportunity to provide direct feedback to the AESO Board – The AESO values the stakeholder feedback received through the BRP process. The AESO Board will see all the comments provided by stakeholders during the amended 2017 BRP. The next BRP cycle (to cover budget requirements from July 1, 2017 through December 31, 2018) will include stakeholder meetings with AESO Management and the AESO Board. The AESO expects the next BRP cycle will be conducted during the first half of 2017.**

## **UCA**

The UCA has additional questions regarding AESO management's response (dated November 1, 2016) to our earlier written comments on the AESO's BRP presentation (dated October 13, 2016).

### **1. Comment 2 on Wire Costs forecast for 2017**

The UCA has concern with the AESO's statement that "at no time in the planning process does the AESO determine prudence of costs, as this is the role of the AUC".

Considering the AESO is responsible for planning the future of the transmission system and its infrastructure in an efficient way (Section 10(1) of the Transmission Regulation), and the AESO may notify the Commission of any concern it has with respect to a cost included in a TFO and DFO tariff (Section 41(2) of the Transmission Regulation), please confirm the following:

- Does the AESO assess prudence of costs when it evaluates alternatives and develops a NID? If yes, please describe the process and criteria used to assess prudence of costs at this stage. If no, please explain why not.
- Does the AESO assess prudence of costs when it reviews estimates from TFOs and DFOs? If so, please describe the process and criteria used to determine prudence of costs at this stage. If no, please explain why not.
- Does the AESO assess prudence of costs in tariff applications submitted to the Commission by TFOs and DFOs? If so, please describe the process and criteria used to assess prudence of costs at this stage. If no, please explain why not.

**Comment 1. No to the above comments. Please review the AESO's complete response to the original comment on October 13, 2016 (page 6 of 17). The response highlights the AESO's planning and connection processes which are designed to consider project costs. The sentence selected by the UCA is intended to emphasize the fact that the ultimate responsibility on transmission project costs prudence is in fact the role of the AUC.**

## 2. Comment 4 on Ancillary Services Costs forecast for 2017

Original comment and management response follows

4. *Please explain how this TMR service meets the requirements of the Transmission Regulation, section 15 and why it is allowed as an exception under section 15(3)*

*Comment 4. TMR is required to ensure reliable service as an interim measure until transmission reinforcements can be implemented in the area.*

Pursuant Section 15 (3) of the Transmission Regulation, please state the specified limited period of time in which this service (TMR\*) is required.

**Comment 2. With respect to the AESO's original response on October 13, 2016 (page 9 of 17), the AESO anticipates that this service will be required until approximately 2021 when transmission system enhancements in the area are planned to be in service.**

## 3. Comment 6 on Ancillary Services Costs forecast for 2017

Original comment and management response follows

6. *Albertans have been paying for this service for well over a year. Please provide a detailed summary of the specific benefits that we have received for the service that we would not have received in its absence.*

*Comment 6. The Reliability Service agreement (RSA) provides access to energy or balancing services in the occurrence of high impact but low probability event of an energy shortfall or system restart event. While these risks have not materialized over the previous year, the RSA is similar to an insurance product with the annual cost analogous to an insurance premium. The RSA provides the benefit of an increase ability to manage or recover from risks should they occur.*

Considering there are other services and options available to manage the risk of an energy shortfall event, please provide detail regarding the specific energy or balancing services that we would not receive in the absence of Reliability Service Agreement.

**Comment 3. The specific details of the terms of the emergency energy and balancing services provided under the Reliability Service Agreement are subject to confidentiality provisions and as a result cannot be provided.**