

Monday, January 4, 2021

Dear AESO Stakeholders:

Re: **Important Clarification on Bulk and Regional Tariff Design Rate Impacts**

We would like to thank stakeholders for their ongoing involvement in the AESO's Bulk and Regional Tariff Design over the past several years. Your participation to date has been both insightful and informative and has helped the AESO to better understand your perspectives as we advance our bulk and regional rate design.

As we have previously noted, we are keenly aware of the current economic environment in the province and know that a rate design that changes cost structures in a manner that could increase costs for any business must be done thoughtfully and in the public interest.

To that end, we would note that the original bookends A and B and the initial analysis of rate impact implications for the three coincident peak (12-CP) responder categories, shared at our Sept. 24, 2020 session, were outer bounds of possible shifts. The resulting rate impacts represented starting points for rate design work to progress from; they were never intended to indicate a likely or expected outcome as they lacked any modifications and mitigation to support a minimally disruptive implementation. The AESO recognizes that this concept of bookends and associated rate impacts has created much angst and concern among certain stakeholders. We therefore want to take this opportunity to clarify that it has never been the AESO's intent to move forward with a one-time +100 or +130 per cent rate increase to broad groups of customers in our bulk and regional rate design development. We are committed to look for rate design and mitigation options that will provide a transition path to phase in changes and provide customers the opportunity to respond to the new rate design.

We recognize our rate design and corresponding mitigation options will need to fit within an appropriate and fair rate impact threshold that will need to be reviewed and approved by the Alberta Utilities Commission (Commission). In previous proceedings, the Commission provided direction that any rate increase of more than 10 per cent be examined in further detail. This threshold will be relied upon as a guide as we advance the complex rate design process. Within every category of consumer and within every industry, there are sites that would be both worse off and better off depending on the final rate design. The AESO is investigating transition options with stakeholders, both in the form of rate design as well as rate impact mitigation, as part of our engagement process. This engagement will continue through the first half of 2021 to find the right solution for recovering current costs and creating the right signals for the future.

When we share our preferred rate design, we will also provide a bill impact summary and a list of our assumptions with a corresponding Bill Impact Tool. The Bill Impact Tool will assist affected stakeholders in assessing their bill impacts and mitigation options. We welcome any interested stakeholder to meet with the AESO to review the Bill Impact Tool and our assumptions and to ensure they understand how they will be impacted and the potential mitigation options available to them.

We are focused on developing a bulk and regional tariff design that will support Alberta over the long-term as the electricity system transforms while also providing for a minimally disruptive transition to the new rate

design. 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. The AESO is committed to providing clarity on this rate design change which has been underway for several years, and filing a bulk and regional rate design application, including mitigation for rate shock, by the end of June 2021, as directed by the Commission. Given the steps in the regulatory process, we anticipate the earliest the new rate design would come into effect is 2023.

Your continued participation in this engagement is critical to help us prepare a well-informed application for submission to the Commission, for the benefit of Albertans in the long-term.

If you have questions or would like to discuss this matter further, please contact me at Miranda.Erickson@aeso.ca.

Sincerely,



Miranda Keating Erickson
Vice-President, Markets

cc: Dale Nally, Associate Minister of Natural Gas and Electricity, Alberta Energy

David James, Associate Deputy Minister of Natural Gas and Electricity, Alberta Energy

Mike Law, President and Chief Executive Officer, AESO