

AESO Consultation – 2017-2018 Budget Review Process (BRP): Stakeholder Presentations to AESO Board – June 6, 2017



Summarized Stakeholder Comments and AESO Replies

The following matrix is a summary of the stakeholder comments presented to members of the AESO Board on June 6, 2017 regarding the AESO 2017-2018 Business Plan and Budget Proposal (Proposal). It also includes AESO management's replies to these comments for AESO Board consideration in determining their Decision.

The stakeholder comments were presented by representatives of: Alberta Direct Connects (ADC) and Independent Power Consumers Association of Alberta (IPCAA). This summary material should be reviewed in conjunction with the Proposal and the Stakeholder Presentations to the AESO Board which are available on [www.aeso.ca/ About the AESO/ Business planning and financial reporting/ Business plan and budget/2017-2018](http://www.aeso.ca/About%20the%20AESO/Business%20planning%20and%20financial%20reporting/Business%20plan%20and%20budget/2017-2018).

Stakeholder Comments on the 2017-2018 Budget Review Process

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


Rates and Regulatory

1. Stakeholders highlighted a concern regarding the delay in the AESO's filing of the I) Rider C, II) 2018 General Tariff (GTA), and III) Deferral Account Reconciliation (DAR) applications.

AESO Response

Comment 1. Noted. The AESO continues to treat these items as business priorities.

- I. Rider C: The AESO is working to complete and file the Rider C amendments application. The application is expected to be filed in Q3 2017. The application will include a request for approval to be effective as early as practical in 2017.**
- II. 2018 GTA: The AESO expects to file the 2018 GTA in Q3 2017.**
- III. DAR timing: The AESO expects to file the Deferral Account application in Q3 2017.**

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2. Stakeholders reiterated the usefulness of the TRIP model in providing forecast estimates (transmission project costs) for internal planning purposes. They encouraged the AESO to re-publish the TRIP model along with annual updates.

AESO Response

Comment 2. The AESO has published a Transmission Rate Projection (TRP) fact sheet on its website. The TRP fact sheet is designed for industrial customers and is to be updated every 6 months. The AESO plans to file the Transmission Rate Impact Projection (TRIP) workbook (model) with its tariff application.

3. Stakeholders suggested that the AESO should participate in the Transmission Regulation – AUC inquiry on Distributed Generation

AESO Response

Comment 3. Noted. The AESO confirms that it is an active participant in this process.

Rules, Market Development and Demand Participation

1. Stakeholder's commented on the Load Shed Service for imports (LSSi) program and requested an update on the 2018 request for proposal (RFP) process.

AESO Response

Comment 1. The AESO plans to hold a LSSi RFP process in 2018. The RFP will be based on a competitive procurement model and will be used to determine the subsequent three to five year term contracts.

2. Stakeholders commented on the opportunity of load providing demand response programs as a cost effective solution to managing grid reliability with the addition of intermittent generation resources. They also encouraged the AESO to update the energy and ancillary services (AS) markets as a part of the capacity market implementation.

AESO Response

Comment 2. Noted. The AESO has communicated that it is reviewing these items as part of the Capacity Market Design process. Specifically, there will be five related design streams set up with supporting working groups. The demand response program question is being covered within the "Eligibility" design stream, which was initiated on June 8. The Energy Market and AS change question has its own design stream, which was initiated on June 9.

Transmission Costs Management

1. Stakeholders highlighted the continued concern regarding transmission project capital cost escalation and encouraged the AESO to prioritize controlling transmission costs, as unchecked rate increases lead customers towards other energy options.

AESO Response

Comment 1. Noted. The AESO considers the ongoing planning process a rigorous exercise that evaluates several inputs when developing and reviewing the priority and timing of transmission projects. The AESO has deferred and or cancelled projects as the need for transmission development changes.

2. Stakeholders encouraged the AESO to continue to promote the effective utilization of existing transmission assets, prior to requiring new transmission to be constructed.

AESO Response

Comment 2. The AESO agrees with the objective of optimizing the transmission system infrastructure. In planning the transmission system the option of building new vs expanding existing infrastructure is considered on a case by case basis, having regard to the long term needs of the system and the effectiveness of the solution.

3. Stakeholders commented that there was an opportunity for the AESO to improve its BRP forecasting accuracy by putting more emphasis on the Demand Transmission Services (DTS) load forecast in order to provide a better sense of unit costs for wires and ancillary services.

AESO Response

Comment 3. The AESO does not consider DTS load forecast information to be a valuable input into the process given the BRP's objective of developing/approving transmission operating costs forecasts and energy market cost recoveries.

In comparison, DTS energy and demand information is used to determine transmission rates and billings within the AESO transmission tariff design process; the principles of which are based on cost causation. As the AESO indicated in its 2017 General Tariff Application, the DTS energy volumes are the basis for the recovery of less than 10 percent of the transmission costs; DTS demand (megawatts) is the most significant cost allocator. In addition, the AESO provides transmission tariff rate updates to ensure a timely correction to rates to incorporate variances in cost allocation, which could potentially be due to variances in DTS load forecasts.

4. Stakeholders also questioned whether the AESO's forecasting of generation capacity requirements would result in an over-supply of capacity and corresponding extra costs to customers.

AESO Response

Comment 4. The AESO reiterates that BRP forecasting information is not used in the Alberta Integrated Electrical System (AIES) planning process and as a result, will not impact system recommendations. The AESO also notes that it intends to take all actions possible to ensure that forecasting of generation requirements in the capacity market will result in the appropriate level of capacity and cost for consumers. This includes various considerations in market design decisions, as well as efforts in developing the load forecast and resource adequacy modeling and AUC review and approval of the demand curve used in the capacity market auction. Furthermore, a rebalancing auction is also being considered to mitigate load forecast error, among other potential changes, prior to market delivery.

General Comments

1. Stakeholders commented on the opportunity to improve performance levels within the Commercial Services group.

AESO Response

Comment 1. The AESO has recently restructured the Operations Procurement and Support (formerly Commercial Services) group in an effort to realign the associated work load with the available resource base. Management will continue to monitor this area to determine whether additional resources are required.

2. Stakeholders identified their support and requested that the AESO continue to implement additional training opportunities in Edmonton. Many of the industrial participants are located in Northern Alberta and would benefit from further training and knowledge sharing of AESO markets and settlement processes.

AESO Response

Comment 2. Noted. The AESO will continue to accommodate this request as long it remains cost effective. A stakeholder training session (i.e. AESO 201) was recently completed in Edmonton. The AESO will look into related training opportunities in other major areas.

3. Stakeholders commented on the magnitude of the AESO's G&A costs and suggested that they should be reviewed by the AUC as part of the AESO tariff application. In addition, they also recommended the AESO benchmark its own costs against other Independent System Operators to establish the value for money proposition for Alberta.

AESO Response

Comment 3. The stakeholder consultation through the BRP was established to find efficiencies to facilitate the regulatory process with respect to the approval of the AESO's Own Costs. The Transmission Regulation establishes several relevant provisions in this regard. The BRP participants, comprising of the AESO and stakeholders, began this process in 2005 to provide stakeholders with greater transparency of the AESO's planning processes and an increased understanding of the operations of the organization. In addition, this process facilitates the AESO Board receiving stakeholder comments prior to making a decision in respect of the AESO's budgeted Own Costs, forecasted Ancillary Services costs and forecasted Transmission Line Loss costs. The AESO is committed to providing transparency and allowing for a comprehensive review of its Own Costs through the BRP.

In 2013 the AESO introduced activity based cost accounting/reporting into the BRP process in order to provide stakeholders with additional transparency regarding key business process and activity costs. Finally, the AESO notes that it is open to discuss ideas stakeholders have regarding potential metrics, external benchmarks or other information that may be beneficial to the process. This proposal has been offered to stakeholders in prior BRPs.