

Tuesday, April 12, 2022

Dear AESO Stakeholders:

Re: **Enhancements to the AESO's Budget Review Process**

Thank you for participating in last year's annual Budget Review Process (BRP). We value your contributions, as they help the AESO to better understand diverse industry perspectives as we work to manage cost and deliver value for Albertans.

The AESO is required to consult on its budget as per the *Transmission Regulation*, and the process originally developed for this has been in place for a number of years. Following feedback received on the 2022 BRP, and the results of an internal review, our Executive felt there would be benefit to both stakeholders and the AESO if the existing budget review process was restructured. As a result, we are implementing a revised consultation process for our 2023 budget.

Background and key principles

- The AESO believes earlier involvement and engagement amongst the Board, the Executive and stakeholders is essential; this includes communicating clear expectations on the process and ultimate budget outcome.
- The revised approach provides greater opportunities for the AESO to gain stakeholder insight on areas of focus earlier in the process. The AESO budget, including what is allocated for our workforce, has typically not been subject to significant swings on a year-to-year basis. As such, the AESO budget remains largely consistent year over year as we work to meet our legislated mandate.
- The current budget process creates challenges for our stakeholders as it sets an expectation that the AESO can make substantial alterations to the budget in response to stakeholder feedback provided during the process. The revised approach is intended to address this challenge and facilitate a more meaningful exchange with stakeholders as it relates to what stakeholders have told us they want increased influence over—namely the types, timing and priority of work the AESO undertakes. That input will assist the AESO with the allocation of our staff resources and the determination of consulting and capital expenses.

Our revised step-by-step approach

- Step 1 -- The first set of consultations will take place well in advance of the budget development cycle and will have a more strategic focus. Senior executive stakeholders will be invited to meet one-on-one with a subset of Board and Executive members to share their insights on what they believe the AESO should be focusing on in the year to come. These meetings will be foundational to the AESO as we consider stakeholders' insights and expertise to determine the focus areas and associated priorities for 2023. The meetings are scheduled to occur June 1-3.
- Step 2 -- The draft budget will be developed, incorporating the areas of focus and priorities, and will be presented to the Board for its initial input and discussion in September.

- Step 3 -- Following the Board's first review, the AESO will seek feedback from all interested stakeholders in early October on the budget, areas of focus and priorities. In this step we will be seeking to affirm that we have determined the areas of focus, priorities and pace correctly, based on earlier stakeholder consultations; we will also determine if we missed something crucial in our priorities to support the future of electricity in the province, and any associated impacts on capital or consulting dollars. As this will be a transition year to the revised process, legacy aspects of the former BRP will be addressed (such as status updates on the 2022 business initiatives).
- Step 4 -- Stakeholders will have a final opportunity to meet one-on-one with the Board in mid-November to discuss the budget, areas of focus and priorities before the Board takes the 2023 Business Plan and Budget Proposal and all stakeholder feedback under consideration to make its decision.
- Step 5 -- We will again be seeking feedback on the overall engagement process including this revised approach at the end of November.

For additional details, please review the revised process steps and schedule found on our [Business Planning](#) webpage on [aeso.ca](#).

Your continued participation in the annual budget consultation process is critical in helping us enable the transformation of the province's electricity sector while ensuring reliable, affordable power is always available to Albertans.

If a senior executive from your organization is interested in participating in the one-on-one discussions with our Board and Executive, please work with my Executive Assistant Kristie O'Brien directly at Kristie.o'brien@aeso.ca to schedule a day and time for an in-person or virtual meeting during June 1-3, 2022.

As we launch the new and improved Budget Development Process, we welcome your feedback. If you have questions or would like to discuss this revised approach further, please contact Nicole.Kinch@aeso.ca.

Yours truly,



Mike Law
President and Chief Executive Officer

cc: Karl Johannson, Chair, AESO Board
Pauline McLean, Vice President, Law, General Counsel and Corporate Secretary
Nicole Kinch, Vice President, Finance
Karen Campbell, Director, Settlement Credit & Business Planning, Finance