# Introduction

This plan provides an overview of the ISO tariff-related activities that the AESO intends to progress in 2022 to Q2 2023. The intent is to provide stakeholders with a consolidated comprehensive view of the AESO's planned ISO tariff-related activities for their information and planning purposes.

The tariff-related activities the AESO is progressing in 2022 and 2023 have been prioritized based on three main drivers:

1) Maintaining the tariff function of setting required rates and ensuring overall revenue recovery;
2) Meeting requirements and directions set out by the Alberta Utilities Commission (Commission) in recent decisions; and
3) Taking steps to modernize the structure of the ISO tariff and design of rates to prepare the ISO tariff for the transformation that is occurring on Alberta's grid.

For each activity, the AESO plans to engage stakeholders in alignment with the *AESO Stakeholder Engagement Framework* (Framework) available on www.aeso.ca. Engagement activities on other tariff topics will be developed and defined, in line with the Framework, and communicated to industry to enable participation and engagement by interested parties.

The plan below outlines the 2022 and 2023 planned phases and anticipated stakeholder engagement, recognizing timelines may shift as activities progress and more information becomes available. Additional information including detailed timelines and engagement opportunities will be communicated as each activity progresses.

The AESO continues to work cross-functionally across the organization to ensure all AESO initiatives which are connected or interrelated with the ISO tariff are considered.



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# Process phase descriptions

The following provides a description of the process phases:

### *Analysis (A)*

In the analysis phase, the AESO identifies issues resulting from internal analysis, stakeholder feedback, government policy or Commission directions. This phase is an internal phase for the AESO and new initiatives will be added to the plan as they are identified. While in this phase, the AESO may research and define the issue, analyze the implemented solution in other jurisdictions, perform analytics, and seek out expert opinions to determine whether to move forward to the next phase.

### *Conception (C)*

During the conception phase, the AESO will formalize the issue and conduct an options analysis. The AESO may develop recommendations and determine necessary stakeholder engagement.

### *Development (D)*

During the development phase, the AESO informs or consults with stakeholders to create provisions for the ISO tariff or proposed ISO rules or changes to both.

### *Regulatory (R)*

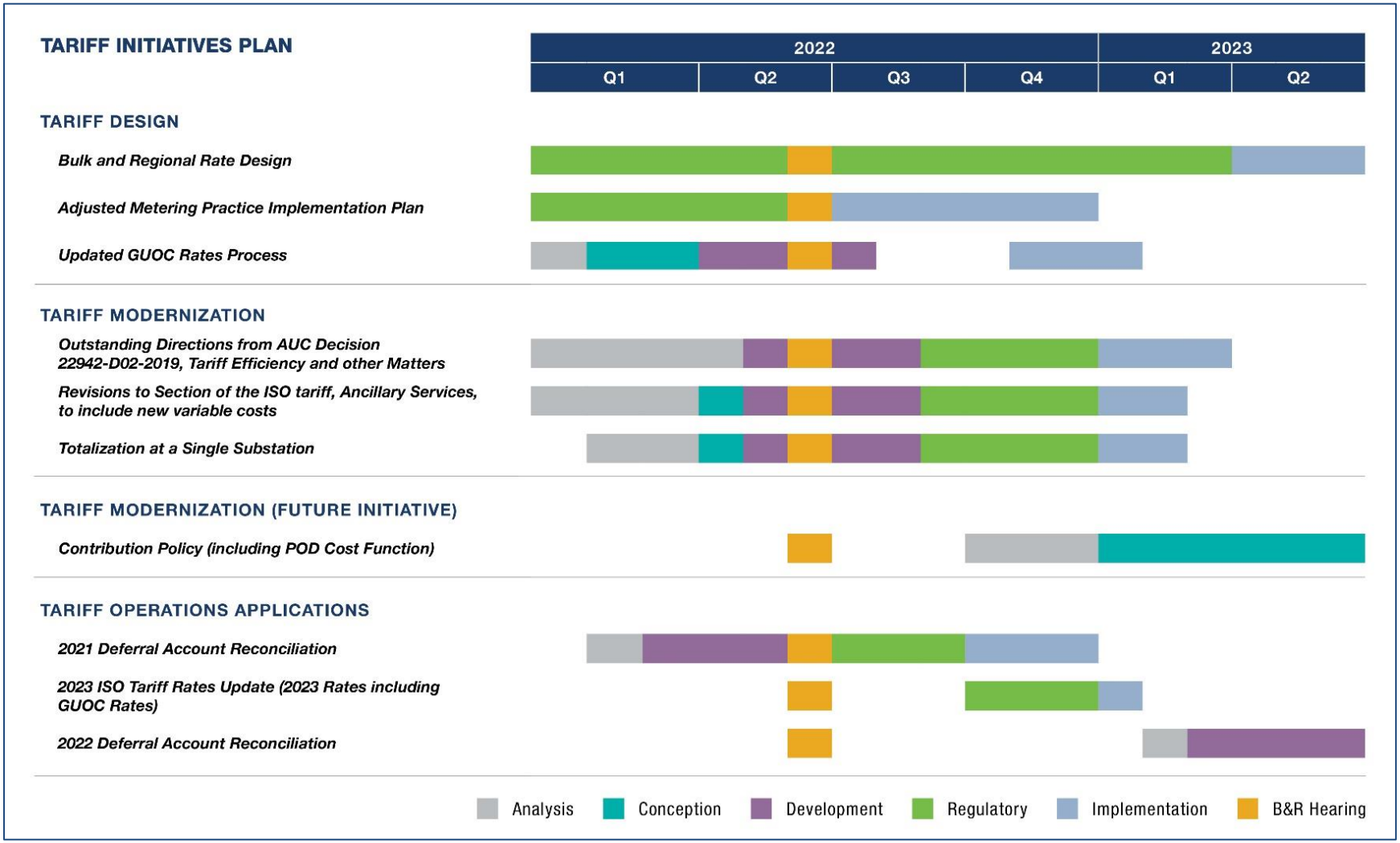
The regulatory phase begins with the filing of an application for approval of a revised ISO tariff or proposed ISO rule with the Commission, and typically concludes with the issuance of a decision on the application. It may also extend beyond a Commission decision if compliance filings or review and variance applications need to be addressed.

### *Implementation (I)*

The implementation phase includes changes to information technology, business processes, and training.

The approach taken and the extent of activity for each phase will be uniquely dependent on each tariff-related initiative.

# 2022-2023 Schedule




**Legend**: Analysis (**A**), Conception (**C**), Development (**D**), Regulatory (**R**), Implementation **(I)**

**Note:** The AESO will typically conduct stakeholder engagement in the Development phases of tariff initiatives. Stakeholder engagement may include a range of approaches from "inform" to "consult" depending on the topic and issue being considered and the outcomes being sought.

# ISO Tariff-Related Activities

### *ISO Tariff Structure and Process Improvement*

The ISO tariff consists of the rates, and terms and conditions that apply to persons who receive system access service from the transmission system. The AESO submits an ISO tariff update application to the Commission for approval each year to annually update rates, and has historically filed a new, comprehensive ISO tariff application every three to four years for changes to rate design and/or terms and conditions. This process and the structure of the ISO tariff has remained largely unchanged since deregulation of the electricity market in Alberta. The AESO's intent with the tariff structure and process improvement activity is to work with key internal and external stakeholders to identify opportunities to simplify and modularize the ISO tariff structure and approval process, with the objectives of: increasing the efficiency of the regulatory process; making the ISO tariff more accessible (simpler and easier to interpret); and making the ISO tariff more adaptable to the ongoing transformation of Alberta's electricity system. Changes to the ISO tariff content and/or structure identified through this improvement activity are expected to be implemented through the on-going modular tariff filings, where the AESO will propose improvements that align or are associated with other changes proposed.

Stakeholders are seeing AESO filing applications to the Commission for changes to the ISO tariff in a modular fashion, with the items listed below capturing the near-term priorities. Stakeholders should also expect to see changes to the format and content on the AESO webpage relating to the ISO tariff.

### *Bulk and Regional Rate Design (Including Modernized Demand Opportunity Service)*

On Oct. 15, 2021, the AESO filed an application with the Commission for approval of the methodology or design to recover the bulk and regional portions of the AESO's revenue requirement through rates. Prior to filing of the application, the AESO engaged with stakeholders to understand and analyze the issue of recovering transmission costs through the 12-CP mechanism.

This application also set out the AESO's proposed tariff treatment of energy storage in the ISO tariff. By re-examining Demand Opportunity Service (Rate DOS) with a modernized lens, the AESO has determined that storage and other technologies alike, along with ratepayers more generally, would receive increased value if loads can provide additional flexibility in how they manage their electricity withdrawals from the transmission system.

This application is under review by the Commission in Proceeding 26911.

### *Adjusted Metering Practice Implementation Plan*

On Dec. 10, 2021, the AESO filed with the Commission for approval of an Adjusted Metering Practice (AMP) implementation plan and proposed amendments to Section 502.10 of the ISO Rules, Revenue Metering System Technical and Operating Requirements (Section 502.10). This application is a compliance filing pursuant to Decisions 25848-D01-2020 and 26215-D01-2021, by which the AESO was directed by the Commission to file its plan to operationalize and implement the AMP jointly along with the amendments to Section 502.10 that are required to fully implement the Commission's approval of the AMP. The AMP implementation plan describes the activities that the AESO, distribution facility owners, meter data managers, and transmission facility owners will undertake to implement the AMP at substations connected to electric distribution systems.

This application is under review by the Commission in Proceeding 27047. Pending Commission approval, the AESO will work with the involved parties to implement the AMP.

### *Inform Stakeholders of Updated Generating Unit Owner's Contribution (GUOC) Rates to be Applied for in the 2023 ISO Tariff Rates Update*

Section 7 of the ISO tariff, *Generating Unit of Owner's Contribution*, approved as part of Decision 22942-D02-2019 includes the GUOC rates to be charged to generators connecting to the transmission system or an electric distribution system. The AESO plans to provide stakeholders with the process the AESO intends to follow to update GUOC rates to gather input. The process will apply to the GUOC rates that the AESO intends to apply for in its 2023 ISO tariff rates update, to be filed with the Commission later in 2022, and to be brought into effect on Jan. 1, 2023.

### *Outstanding Directions from AUC Decision 22942-D02-2019, and Tariff Efficiency and Other Matters*

This application is intended to propose tariff revisions to increase tariff efficiency, allow ISO tariff flexibility to align to the connection process, reduce red tape (as provided for in Alberta's red tape reduction legislation), and to address select remaining directions from AUC Decision 22942-D02-2019 including, if appropriate, directions relating to the power factor deficiency charge, cost allocation for line relocations, and system access service request provisions.

The outstanding directions from AUC Decision 22942-D02-2019 that may be addressed in this application (or a further filing in 2023 or 2024) consist of the following:

- **Power factor deficiency charge (directions 3 and 4):** The Commission agreed with the AESO that an increase to the existing power factor deficiency charge is required but was not persuaded by the AESO that an increase to $1,200 per MVA is the appropriate amount. Considering this finding, the AESO's proposal to index the power factor deficiency charge to the weighted average increase in transmission system costs was denied, and the AESO was directed to either provide further support for its calculation of the $1,200 per MVA charge in the compliance filing to this decision or in its next comprehensive GTA.
- **Contract level adjustment provisions (direction 9):** The AESO was directed to consult on the details of its proposed discretion to make contract capacity adjustments under subsection 5.2(2) of the ISO tariff.
- **Preferred connection alternatives (direction 10):** The AESO proposed to measure connection proposals against the AESO's preferred connection alternative. Although the Commission approved the AESO's proposal, the Commission found that additional review of subsection 3.4(1) may be of value once the AESO has had an opportunity to apply it. Accordingly, the Commission directs the AESO to work with market participants for the purposes of addressing any concerns arising from the application of this subsection and any changes proposed in response to those concerns at the time of the next comprehensive ISO tariff application.
- **System access service request provisions (direction 11):** The AESO proposed to require market participants to provide critical information as part of SASRs. While the Commission generally accepted and approved this proposal, the Commission found that additional review of the provision may be of value once the AESO has had an opportunity to apply subsection 3.2(2). Accordingly, the Commission directed the AESO to work with market participants for the purposes of addressing any concerns arising from the application of this subsection and any changes proposed in response to those concerns at the time of the next ISO tariff application
- **Relocation principles (direction 20):** In this direction, the AESO was required to review relocation principles set out in Alberta Energy and Utilities Board Decision 2003-043, predecessor to the Commission, which stated that the cost of moving "system" transmission lines for the purposes of accessing mineable ore should be considered a system rather than a customer cost. The AESO was directed to address the reasonableness of the findings made by the Commission's

predecessor in respect of the relocation principles discussed at PDF page 18 of Decision 2003-043 as part of its next general tariff application.

### *Consult and Apply for Revision to Section 8, of the ISO tariff, Ancillary Services, to Include New Variable Costs*

Market Participants have raised concerns that Section 8 of the ISO tariff, *Ancillary Services*, which sets out the compensation payable by the AESO for the provision of unforeseeable (conscripted) Transmission Must Run Service (TMR) does not contemplate emissions costs. The AESO is reviewing this section to consider whether emissions costs should be included within the compensation scheme set out in Section 8 of the ISO tariff.

### *Totalization at a Single Substation*

The AESO is exploring minor, or administrative revisions, to permit the totalization of points of delivery (or points of supply) that serve a market participant at a single substation. These Totalization Provisions will avoid the administrative burden of having multiple DTS agreements and multiple STS agreements at a single substation and consolidation on one statement of account. The AESO intends to apply for an amendment to the ISO tariff to permit totalization under the same system access service of multiple points of delivery (or multiple points of supply) located within the same substation.

### *Contribution Policy (including POD Cost Function)*

In Decision 22942-D02-2019, the Commission directed the AESO to conduct a thorough investigation of alternative approaches to the point of delivery cost function using installed capacity that should, at a minimum, incorporate the list of considerations developed by the Commission. The AESO will explore alternative approaches to the point of delivery cost function, with a focus on how to better represent the relationship between point of delivery costs and the variables that cause those costs to be incurred. Additionally, the AESO will initiate a higher level, holistic review of the ISO tariff customer contribution/investment policy given the significant challenges of the current methodology in the rapidly changing environment where connections to the transmission system are shifting away from the traditional one-way power flow to more dynamic two-way flows at many points of connection to the grid as a result of increasing DCG, self-supply, energy storage and microgeneration.

Directions from AUC 22942-D02-2019 proposed to be addressed in this filing include:

- POD cost function directions; and
- Optional Facilities (Direction 19)

Consultation for this initiative will not commence until the ongoing appeals regarding AUC Decision 26061-D01-2021 have been completed.

### *Deferral Account Reconciliation*

The Deferral Account Reconciliation (DAR) is an annual process to reconcile revenue collected through the ISO tariff with costs paid in prior years. As the AESO cannot carry a profit or a loss, this process ensures any adjustments to costs and revenues from prior years are recovered or refunded as per the ISO tariff. The AESO strives to complete this process and file by the end of Q2 each year.

### *ISO Tariff Rate Updates*

To set annual rates as accurately as possible and minimize DAR balances, the AESO will file an annual rate update application to reflect the most recent wires costs, AESO own costs and forecast billing determinants. The standardized process to calculate rates for the upcoming year involves updating inputs to the rates (which includes currently approved TFO wires costs, AESO board-approved budget amounts

and ancillary service cost amounts) and developing a current forecast for billing determinants. This process is done annually, with rates for the upcoming year filed in Q4 to take effect in the upcoming year. This application will also address updates to GUOC rates that the AESO determines to be appropriate.

# Other Future Potential ISO Tariff-Related Activities

### *Energy Storage Rules and Definitions Impact on ISO tariff*

Minor or administrative revisions to the ISO tariff to align tariff definitions with the various technology resources (i.e. generators, AGFs, energy storage).

### *Deferral Account Reconciliation Methodology Modernization*

The AESO's annual DAR, using the methodology currently approved by the Commission, requires a significant amount of time and effort to update and maintain. Strategies to improve the efficiency of the DAR methodology and related processes while considering the cost causation and intergeneration equity principles of the DAR methodology will be explored.