



2022 STRATEGIC PLAN

*PROVIDING LEADERSHIP TO POWER
ALBERTA TODAY AND INTO THE FUTURE*



ALBERTA ELECTRIC SYSTEM OPERATOR



MESSAGE FROM THE CEO

The global electricity industry is experiencing unprecedented change across its value chain, driven by changing consumer preferences, electrification, new generation technologies and a societal shift towards a greener, lower-carbon power system. The AESO's 2022 Strategic Plan recognizes this transformation is occurring faster than predicted and with ever-increasing ramifications for how power is produced, consumed and exchanged.

The AESO will play a leadership role in enabling the transformation of the province's electricity sector while ensuring reliable, affordable power is always available to Albertans. We are focusing our work in three strategic areas—energizing our people, optimizing the grid and enabling transformation.

We recognize the significant challenges facing Alberta residents and businesses as we emerge from an economic downturn and worldwide pandemic. The AESO is committed to managing cost and ensuring our transmission system delivers value to Albertans. Key to this commitment is our strategic focus on optimizing the use of our existing grid while minimizing or deferring the need for new infrastructure where appropriate.

The AESO continues to believe that it is our people, their skills and broad system knowledge that will drive the success of the organization. As such, the AESO is continuing to make our people a core element of the strategic plan, emphasizing the building of our skills, knowledge, agility and forward-thinking attitudes.

Our three strategic focus areas position us to proactively manage the profound changes occurring today and those that we see on the horizon. Recent events in power systems across North America, however, have also reinforced the critically important role of an Independent System Operator (ISO), and that a continued attention to core business functions also remains paramount during this transformation. Consistent with this, the AESO is taking steps to strengthen our core business through grid resiliency and market function to ensure we have a strong foundation to support our areas of strategic change.

Information is critical to the electricity industry. Grid resiliency and market function depend on it, as do our stakeholders as they join us on this journey of change. As the data hub for industry,

the AESO has committed to enhancing our data and digitalization activities to ensure the greatest value can be extracted by all stakeholders.

The AESO stewards the reliability of the grid and efficient market function on behalf of all Albertans. Our success is dependent on our engagement with stakeholders. We are committed to continuing to work in meaningful and productive ways with our stakeholders and to build upon the advancements we have made over the past several years.

On behalf of the AESO's Board of Directors and our employees, we look forward to continuing our important work on behalf of all Albertans and to fulfilling our purpose:

Providing leadership to power Alberta today and into the future.

Michael Law

Regards,
Mike Law



FUTURE OF ELECTRICITY



ENERGIZING PEOPLE AND CULTURE

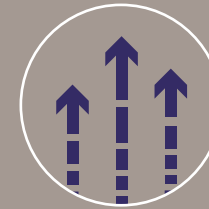


DRIVING VALUE THROUGH GRID OPTIMIZATION



ENABLING TRANSFORMATION

STRENGTHENING TODAY'S CORE BUSINESS



MARKETS AND COMPETITION



GRID RESILIENCY



DATA AND DIGITALIZATION



EXTERNAL ENGAGEMENT





ENERGIZING PEOPLE AND CULTURE

Our strength as an organization and our ability to enable transformation is tied to the collective expertise of our people. We drive value throughout our business by fostering a diverse culture of trust, agility, innovation and inclusivity.

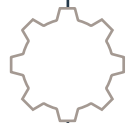
STRATEGIC ACTIONS

- ① Shape our culture to foster innovation and collaboration and build our expertise to enable industry's transformative change.
- ② Enhance inclusive employee experiences and position the AESO as a great place to work.
- ③ Cultivate leadership and talent capabilities that attract, engage, develop and retain industry experts.



OUTCOMES

- We are respected as leaders and experts in the electricity industry.
- We enable transformative change across Alberta's power system.
- Our employee experience ratings exceed global benchmarking.



DELIVERING VALUE THROUGH GRID OPTIMIZATION

We will ensure Albertans receive value from the power system by delivering reliable electricity service while managing future costs.

STRATEGIC ACTIONS

- 1 Optimize the use of the existing transmission system and minimize or defer the need for new infrastructure through the use of new technologies and methodologies.
- 2 Develop transmission capacity optimization signals and advance probabilistic congestion methodologies.
- 3 Enhance transmission and distribution coordination with facility owners.
- 4 Seek opportunities to reduce regulatory burden in existing processes, such as the connection process, and reduce costs through risk-based rules and standards.



OUTCOMES

- We keep transmission rates below the 2021 five-year projections.
- We have established transmission capacity optimization signals by the end of 2023.
- We streamline the connection process for market participants and continue to remove red tape for industry.



ENABLING TRANSFORMATION

The transformation of the province's electricity system will support economic growth and help shape Alberta's future. We play a leadership role in enabling this transformation while maintaining system reliability, acting in the public's interest, and providing guidance to policy-makers and industry.

STRATEGIC ACTIONS

- 1 Ensure our framework can enable electrification and is flexible and adaptable to integrate technological change on a level playing field.
- 2 Proactively provide information and insights to government at both the provincial and federal level regarding policies that impact the electricity sector, with a focus on carbon policy.
- 3 Continue to assess system reliability needs and proactively identify and implement required changes.
- 4 Complete modernization of the tariff to ensure appropriate price signals for use of the transmission system, enable optionality without undue cross-subsidization and reduce barriers to entry.



OUTCOMES

- We provide a fair and balanced framework that ensures customers have optionality without shifting costs to other consumers.
- We implement policy changes in a manner that sustains or enhances reliability and the functioning of a competitive market.
- We have the price signals, technical requirements and products needed to sustain system reliability as the generation fleet and the industry more broadly transform.

STRENGTHENING TODAY'S CORE BUSINESS

Our core business is the fundamental base upon which we demonstrate value for stakeholders and position the province for the transformation of the electricity system. We deliver on our core mandate and achieve our strategic objectives by focusing on continuous improvement and execution. This includes delivering a reliable grid, a well-functioning wholesale market, an efficient process for connecting new customers, and developing far-reaching plans that prepare us for the future.

While we are committed to excellence in all that we do, the following are areas of focus. Specific actions in these areas may evolve through time and will be communicated annually via our Budget Review Process.



We believe competitive forces drive the lowest-cost outcome for consumers. We are focused on creating a foundation that maintains investor confidence by designing and operating a market that is fair, efficient and openly competitive. We will balance investors' need for clarity and stability of price signals with the need to evolve and progress in response to the transformation of the electricity system in Alberta and beyond.



MARKETS AND COMPETITION

FOUNDATIONAL ACTIVITIES

- 1 Support the sustainability of the energy market by assessing it no less than every two years to determine whether the existing pricing framework will continue to attract new investment when needed and maintain supply adequacy.
- 2 Implement enhancements in the ancillary services market to remove barriers to entry, enhance competition and improve price fidelity.
- 3 Champion the principles of efficient markets and competitive forces during this period of transformative change, to protect the integrity of the market and minimize distortions wherever possible.

OUTCOMES

- Stakeholders' confidence in our energy-only market structure is sustained through this period of significant change.
- Consumers realize the benefits of a competitive market in the form of innovation and cost savings.
- Industry—both producers and consumers of electricity—see Alberta as a place to invest.



GRID RESILIENCY

We will prepare the power system for a period of significant change. The AESO recognizes that Alberta's transmission system must be resilient and able to adapt to increasing levels of renewable generation, distributed resources, coal-to-gas conversions, electrification of the transportation system, climate change, and cyber threats.

FOUNDATIONAL ACTIVITIES

- 1 Coordinate across the gas and electric industries to prepare the grid for potential extreme weather events.
- 2 Strengthen cyber security capabilities across the industry through risk-based adoption of enhanced cyber-protection standards.
- 3 Assess climate change implications on our grid infrastructure.

OUTCOMES

- Albertans will continue to enjoy a resilient, secure, reliable and cost-effective grid through the development and implementation of proactive plans.



DATA AND DIGITALIZATION

Advancement in digital and data technology is one of the drivers of the global electricity transformation. As part of our leadership role in enabling this transformation, we will enhance the accessibility and use of data for AESO and stakeholder decision-making and prepare for increased application and pace of digitalization within our industry.

FOUNDATIONAL ACTIVITIES

- 1 Establish common enterprise methods, practices and procedures to identify, store, manage, process, secure, share and govern data in a repeatable way.
- 2 Develop analytical processes that support agile and quality decision making for internal and external customers while building capability within the AESO to meaningfully incorporate those processes.
- 3 Provide leading-edge tools to efficiently and effectively do the job, including digital workplace, business system and process modernization.

OUTCOMES

- We are a data hub for industry and facilitate industry innovation and consumer optionality to enhance efficiency and enable new business models.
- We can adapt business tools and processes in conjunction with the changes that result from the transformation.



EXTERNAL ENGAGEMENT

The AESO strives to be proactive in our role with stakeholders, approach our work in a coordinated manner, and limit regulatory burden as we navigate the challenges posed by the power system's transformation.

FOUNDATIONAL ACTIVITIES

- 1 Collaborate with stakeholders—including agencies and the government—to prioritize and coordinate the resolution of key issues within the AESO's mandate that are of importance to industry and Albertans.
- 2 Maximize the value that can be extracted from our engagement processes to drive efficiencies in the regulatory forum.
- 3 Enhance the AESO's profile through clear and concise communications.

OUTCOMES

- We are reassuring stakeholders through our actions that the power system and competitive wholesale market for electricity will remain resilient.
- We are prioritizing and addressing activities related to our mandate in a timely manner, so the industry is collectively better prepared for the challenges posed by the transformation of the grid.
- We are reducing the complexity and duration of regulatory proceedings and leveraging creative approaches and negotiated settlements to narrow issues and resolve disagreements amongst stakeholders.

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