

April 11, 2021

**Privileged and Confidential
Sent By E-mail**

NERA Economic Consulting
Marble Arch House
66 Seymour Street
London, UK W1H 5BT

Attention: Richard Druce, Director

Norton Rose Fulbright Canada LLP
3700, 400 Third Ave SW
Calgary, AB T2P 4H2 CANADA

F: +1 403.264.5973
nortonrosefulbright.com

Matthew D. Keen
+1 604.641.4913
matthew.keen@nortonrosefulbright.com

Assistant
604 641 4527
rosalind.endo@nortonrosefulbright.com

Our reference
1001123234

Dear Mr. Druce:

**AESO Bulk and Regional Tariff
Instruction Letter for Expert Report**

Further to our Expert Retainer Letter, dated February 26, 2021 (the **Retainer**), and our verbal instructions on March 11, 2021, we write to provide instructions to Oliver, Wyman Limited, operating as NERA Economic Consulting (**NERA**) with respect to the Expert Report Services referred to in the Retainer.

This letter is subject to the terms of the Retainer, including the defined terms and payment terms mentioned therein.

I. Scope of Expert Report

We ask that you please provide your expert opinion on the following matters:

- (a) NERA's recommended rate design for the Bulk and Regional Tariff (the **Recommended Rate Design**), including the underlying quantitative analysis and rationale to reach the recommended design;
- (b) key alternative design options considered by NERA in coming to the Recommended Rate Design (the **Alternatives**);
- (c) a discussion of marginal and embedded rate design methods, including the appropriateness of using either method for transmission rate design in Alberta;
- (d) a discussion of the principle of cost causation and other relevant rate design principles, including an assessment of how the Recommended Rate Design and the Alternatives do or do not meet these principles, as well as confirmation that the Recommended Rate Design supports the AESO's published tariff design objectives;¹ and
- (e) an updated cost causation (i.e., cost allocation) study.

¹ These objectives are cost responsibility, efficient price signals, minimal disruption, simplicity, and innovation and flexibility, and elaborated upon in publicly available AESO stakeholder consultation materials.

II. Assumptions

We ask that NERA rely on the following assumptions in preparing the Expert Report:

- (a) Rates under the tariff must be just, reasonable and not unduly discriminatory.
- (b) The ISO Bulk and Regional tariff can only be levied on load customers (being distribution facility owners, customers who are industrial systems and persons who have made an arrangement, and exporters).
- (c) Any tariff levied by the ISO must seek to recover a defined annual revenue requirement, recover the costs reasonably attributable to each class of system access service provided by the ISO from such classes, and ensure that rates do not differ based upon the location of load on the transmission system.
- (d) The ISO must plan a transmission system such that:
 - i. transmission of all anticipated in-merit electric energy can occur when all transmission facilities are in service 100% of the time, and
 - ii. on an annual basis, transmission of all anticipated in-merit electric energy can occur when operating under abnormal operating conditions at least 95% of the time.

III. Duty as an Expert

In drafting your Expert Report, it is important that you abide by your duties as an expert witness to:

- (a) provide opinion evidence that is fair, objective, and non-partisan (i.e., independent); and
- (b) provide opinion evidence that is related only to matters that are within your area of expertise.

If you cannot comply with these duties for any reason, please let us know as soon as possible.

IV. Format of Expert Report

While there is some flexibility as to the ultimate format of the Expert Report, we ask that you include the following information:

- (a) Statement of Qualifications: Provide a brief statement of your qualifications, including relevant educational and professional experience, and enclose an updated curriculum vitae, the latter of which should be attached to the Expert Report.
- (b) Acknowledgement of Independence: Rule 001 of the Alberta Utilities Commission, section 19.2, requires that you acknowledge your duty as an independent witness to provide opinion evidence to the Commission that is fair, objective and non-partisan.
- (c) Purpose of the Report: Provide a brief statement of why the report was written.
- (d) Documents Reviewed and Assumptions Made: List the documents that you consulted in drafting your report, including a description of each document, as well as any assumptions on which you have relied in your report, and any research you have conducted.
- (e) Analysis of the Information Gathered: Set out your analysis of the issues that we have asked you to review. It is important to support your conclusion with evidence.
- (f) Summary of Opinion: Provide a succinct summary of your opinion.

V. Timing of Expert Report

We ask that you complete the Expert Report by May 17, 2021.

Please contact us if you have any questions or concerns with the above.

Yours very truly,



Matthew D. Keen
Partner