

Alberta Electric System Operator 2022 ISO Tariff Modernization Application

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Table of Contents

1. Introduction	3
1.1 Overview	3
1.2 Organization of Application	4
1.3 Relief Requested.....	5
2. Stakeholder Consultation	5
2.1 Stakeholder consultation conducted for this Application	5
2.2 Components of this Application that have not been the subject of stakeholder engagement	7
3. Proposed SASR, GUOC and TMR Revisions	8
3.1 Proposed SASR Revisions.....	8
3.2 Proposed GUOC Revisions.....	11
3.3 Proposed TMR Revisions.....	12
4. Responses to Directions	13
4.1 Direction 20 from Decision 22942-D02-2019, regarding cost allocation for transmission line relocations..	13
4.2 Direction 2 from Decision 26911-D01-2022, regarding the AESO’s proposed PILON revisions to subsection 5.3(6) of the ISO Tariff	14
5. Conclusion	15

Appendices (filed separately)

A Blackline ISO Tariff Sections

- A.1 Section 3 – System Access Service Requests
- A.2 Section 4 – Classification and Allocation of Connection Project Costs
- A.3 Section 5 – Changes to System Access Service
- A.4 Section 6 – Financial Obligations for connection Projects
- A.5 Section 7 – Generating Unit Owner’s Contribution
- A.6 Section 8 – Ancillary Services
- A.7 Appendix A – System Access Service Agreement Proformas

B Clean ISO Tariff Sections

- B.1 Section 3 – System Access Service Requests
- B.2 Section 4– Classification and Allocation of Connection Project Costs
- B.3 Section 5 – Changes to System Access Service
- B.4 Section 6 – Financial Obligations for connection Projects
- B.5 Section 7 – Generating Unit Owner’s Contribution
- B.6 Section 8 – Ancillary Services
- B.7 Appendix A – System Access Service Agreement Proformas

C Proposed new and amended ISO Tariff Definitions

D Stakeholder Engagement Materials

1. Introduction

1.1 Overview

1 Pursuant to sections 30 and 119 of the *Electric Utilities Act*, SA 2003, c E 5.1 (EUA), the Alberta Electric System Operator (AESO) submits this application (Application) for approval from the Alberta Utilities Commission (Commission) for the following revisions to the Independent System Operator (ISO) tariff:

- revisions to sections 3, 4, 5, 6 and Appendix A of the ISO tariff, and new or amended ISO tariff definitions in the AESO's *Consolidated Authoritative Documents Glossary*, to better align the ISO tariff with, and to provide additional clarity regarding the AESO's existing practices for the review and processing of system access service requests (collectively, the "SASR Revisions");
- revisions to section 7 of the ISO tariff to clarify the rates applicable to the generating unit owner's contribution (GUOC), the timing for provision of GUOC evidence, payment of the GUOC and refund of the GUOC (collectively, the "GUOC Revisions"); and
- revisions to section 8 of the ISO tariff to include the costs of complying with applicable emissions legislation in the existing compensation formula for the provision of conscripted transmission must run (TMR) service (the "TMR Revisions").

This Application also responds to the following directions issued by the Commission:

- Direction 20 from AUC Decision 22942-D02-2019,¹ that the AESO address the reasonableness of the findings made by the Commission's predecessor in respect of the transmission line cost allocation principles discussed at PDF page 18 of Decision 2003-043;² and
- Direction 2 from AUC Decision 26911-D01-2022,³ that the AESO file a compliance filing, no later than January 15, 2023 to reflect the Commission's approval of the AESO's proposed subsection 5.3(6) of the ISO tariff payment in lieu of notice provisions (the "PILON Revisions").⁴

2 This Application consists of proposed revisions to the ISO tariff and direction responses that, based on stakeholder consultation conducted by the AESO, the AESO considers to be non-controversial and that should improve clarity, reduce repetition and better reflect the AESO's existing practices and process regarding system access service, the terms and conditions relating to the GUOC, and compensation relating to the provision of conscripted TMR service. The PILON Revisions should, similarly, be non-controversial, given that they have already been approved in concept in AUC Decision 26911-D02-2022.

3 This Application aligns with the AESO's modular approach to the filing of ISO tariff applications, consisting of a variety of tariff revisions and direction responses that the AESO considers to be non-controversial and

¹ AUC Decision 22942-D02-2019, *Alberta Electric System Operator 2018 Independent System Operator Tariff* (September 22, 2019).

² *Ibid.*, para. 1152.

³ AUC Decision 26911-D01-2022, *Alberta Electric System Operator Bulk, Regional and Modernized Demand Opportunity Service Rate Design Application* (November 10, 2022).

⁴ *Ibid.*, para. 145.

that, in the AESO's view, can be efficiently considered by the Commission as part of a single application.⁵ The AESO considers this Application, together with any future "modernization" tariff applications, to be an appropriate vehicle for the review and consideration of less significant, non-controversial improvements to the ISO tariff.

- 4 This Application does not address all outstanding ISO tariff-related directions that have been issued by the Commission to the AESO. In accordance with the Commission's direction from AUC Decision 26911-D01-2022,⁶ the AESO intends to update the Commission on its plan to address directions that remain outstanding from Decision 22942-D02-2019 by June 30, 2023.

1.2 Organization of Application

- 5 This Application is organized into sections as follows:

- 1 **Introduction** — section 1 provides background on the Application, sets out the proposed scope and process and specifies the relief requested.
- 2 **Consultation** — section 2 provides an overview of the stakeholder engagement undertaken by the AESO in respect of the SASR Revisions, the GUOC Revisions and the TMR Revisions.
- 3 **Proposed Tariff Revisions** – section 3 provides a detailed description of the SASR Revisions, the GUOC Revisions, and the TMR Revisions.
- 4 **Responses to Directions** – section 4 sets out the AESO's response to Direction 20 from AUC Decision 22942-D02-2019, Direction 2 from AUC Decision 26911-D01-2022, and addresses the timing of the AESO's responses to outstanding directions from AUC Decision 22942-D02-2019.
- 5 **Conclusion**

Appendices - the following appendices to the Application are provided in support of the proposed AESO Tariff Modernization:

Appendix A.1 to A.7 – Blacklines of the ISO tariff highlighting the SASR Revisions, the GUOC Revisions, the TMR Revisions, and the AESO's proposed PILON revisions to subsection 5.3(6)

Appendix B.1 to B.7 – Clean copies of the ISO tariff incorporating the SASR Revisions, the GUOC Revisions, the TMR Revisions, and the AESO's proposed PILON revisions to subsection 5.3(6)

Appendix C – Proposed new and amended ISO tariff definitions for the AESO's *Consolidated Authoritative Document Glossary*

Appendix D – Stakeholder engagement materials relating to the SASR Revisions, the GUOC Revisions and the TMR Revisions

⁵ AUC Decision 25175-D02-2020, *2018 Independent System Operator Tariff Compliance Filing Pursuant to Decision 22942-D02-2019 and 2020 Independent System Operator Tariff Update* (November 30 2020), s. 4.10.

⁶ AUC Decision 26911-D01-2022, *Alberta Electric System Operator Bulk, Regional and Modernized Demand Opportunity Service Rate Design Application* (November 10, 2022), para. 153.

1.3 Relief Requested

6 Based on the entirety of the information provided with this Application, the AESO requests that the Commission:

- a) approve the SASR Revisions, the GUOC Revisions and the TMR Revisions described in Section 3 and highlighted in Appendices A and B of this Application;
- b) approve the PILON revisions to subsection 5.3(6) of the ISO tariff described in Section 4 and Appendices A.1, A.2, A.3, A.4 and A.7 of this Application;
- c) confirm that the AESO has satisfactorily responded to Direction 20 from AUC Decision 22942-D02-2019 and AUC Direction 2 from Decision 26911-D01-2022, as described in Section 4 of this Application; and
- d) provide such other relief as the Commission deems appropriate to give effect to this Application.

7 The AESO further requests that the Commission approve the GUOC Revisions with effect no earlier than the 1st day of the month that is at least six weeks from the date that the Commission issues its approval, to ensure that the AESO has a reasonable amount of time to operationalize the Commission’s approval of the GUOC Revisions. All other ISO tariff revisions requested in this Application can be approved with immediate effect.

2. Stakeholder Consultation

2.1 Stakeholder consultation conducted for this Application

8 Prior to filing this Application, the AESO consulted with stakeholders in connection with the SASR Revisions, GUOC Revisions, TMR Revisions and the AESO’s proposed responses to Directions 9, 10, 11 and 20 from Decision 22942-D02-2019. The AESO’s consultation process was intended to identify items that either (i) were non-controversial, and that would therefore be included in this Application, or (ii) would benefit from further consultation with stakeholders and that would therefore be “scoped out” of this Application. The AESO’s consultation process consisted of the following:

Date	Consultation Activities
September 9, 2022	<i>ISO Tariff Modernization Presentation</i> posted
September 9, 2022	<i>Proposed Blackline ISO Tariff Modernization Revisions</i> posted
October 12, 2022	<i>Stakeholder Comments on the ISO Tariff Modernization</i> posted
November 4, 2022	<i>Alberta Electric System Operator Responses to Stakeholder Comments on the ISO Tariff Modernization Application</i> posted
November 10, 2022	<i>Letter of Notice for the ISO Tariff Modernization Application</i> posted
November 10, 2022	<i>Revised Blackline Proposed ISO Tariff Modernization Revisions</i> posted

9 Copies of the AESO’s stakeholder engagement materials for this Application are included in Appendix D.

10 The following stakeholders participated in the above-described consultation process for this Application:

- Alberta Direct Connect;
- AltaLink Management Ltd. (AltaLink);

- BluEarth Renewables Inc., Elemental Energy Renewables Inc., NAT-1 GP Inc. and RWE Renewables Canada Holding Inc.;
- Campus Energy Partners;
- Capital Power Corporation;
- ENMAX Corporation;
- Greengate Power Corporation; and
- Signalta Resources.

11 In its September 9, 2022 presentation to stakeholders,⁷ the AESO explained that the intent of this Application was to propose revisions to the ISO tariff to better align with, and to provide clarity regarding the existing AESO practices and process regarding system access service, and to reduce red tape; to propose revisions to include emissions compliance costs in the existing ISO tariff compensation formula for the provision of conscripted TMR ancillary service; and to respond to certain outstanding directions issued by the Commission in AUC Decision 22942-D02-2019.

12 The AESO clarified to stakeholders that with the exception of the TMR-related revisions, the revisions proposed by the AESO were intended to be entirely administrative in nature (i.e., non-structural changes to the ISO tariff).⁸

13 Stakeholders provided written comments regarding the AESO's September 9, 2022 presentation and blackline. The AESO posted a summary of these comments on October 12, 2022.

14 Based on the feedback received, stakeholders were supportive of or did not oppose many of the ISO tariff revisions proposed by the AESO. Further, no stakeholders opposed the AESO's proposed response to Direction 20 from Decision 22942-D02-2019.

15 Some stakeholders raised concerns with or opposed certain of the AESO's proposed ISO tariff revisions and responses to Directions 9, 10 and 11 of Decision 22942-D02-2019. The AESO consequently decided to scope these items out of this Application to ensure that they can be considered through further stakeholder engagement and, if determined by the AESO to be appropriate, a future tariff application. As described in the AESO's November 4, 2022 update to stakeholders,⁹ in response to stakeholder feedback, the AESO removed the following items from the scope of this Application:

- "Critical Requirement" revisions to Section 3 of the ISO tariff. The AESO stated that it may revisit these revisions as part of a future tariff application (including as part of the AESO's response to Direction 11 from Decision 22942-D02-2019¹⁰);

⁷ Appendix D – Stakeholder Consultation Materials, PDF 5-6.

⁸ Ibid., PDF 5.

⁹ Ibid., PDF 204.

¹⁰ Direction 11 from AUC Decision 22942-D02-2019, *Alberta Electric System Operator 2018 Independent System Operator Tariff* (September 22, 2019), para. 462: "As with the Commission's direction in Section 7.2.2 [ISO preferred alternative] 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 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 ISO tariff application."

- Proposed deletion of “long-term overall cost” from Section 3 of the ISO tariff. The AESO stated that it may revisit these revisions as part of a future tariff application (including as part of the AESO’s response to Direction 10 from Decision 22942-D02-2019¹¹);
- Revisions to GUOC requirements that would result in the timing requirements for the provision of GUOC evidence and the payment of a GUOC being specified on the AESO’s website. The AESO stated that it may revisit these revisions as part of a future tariff application; and
- Totalization revisions to Section 10 of the ISO tariff to permit totalization of the same service, for the same market participant, within a substation. The AESO has decided to propose these revisions as part of the AESO’s upcoming adjusted metering practice application.

16 The AESO on November 4, 2022 posted its responses to the stakeholder feedback and, on November 10, 2022, posted a revised blackline of proposed ISO tariff revisions that reflected the AESO’s reduced scope for this Application.

17 The AESO notes that in its written feedback, AltaLink suggested that the AESO replace its proposed definition and use of the term “permit and licence” with a definition that was instead specific to the needs identification documents (NIDs) that the AESO is required to file under section 34 of the EUA. In its November 4, 2022 response to AltaLink, the AESO stated that it was continuing to consider AltaLink’s suggestion. The AESO can now confirm that it agrees with AltaLink that it is appropriate to use a NID-specific concept in place of the AESO’s previously suggested “permit and licence” definition, and this is reflected in the “needs approval” definition and related ISO tariff revisions that the AESO proposes in section 3 below.

18 Based on the stakeholder feedback received by the AESO, it is the AESO’s understanding that the SASR Revisions, GUOC Revisions, TMR Revisions and the AESO’s response to Direction 20 from Decision 22942-D02-2019 consulted on by the AESO are either supported by or not opposed by stakeholders.

2.2 Components of this Application that have not been the subject of stakeholder engagement

19 There are four components of this Application that were not the subject of the stakeholder engagement described in section 2.1 of this Application:

- As described in the GUOC Revisions addressed in section 3.2 of this Application, the AESO has proposed to bold the term “metering equipment” in subsection 7.1(c) of Section 7 of the ISO tariff, to reflect the fact that this term is a defined term already included in the AESO’s *Consolidated Authoritative Document Glossary*;
- As described in the GUOC Revision addressed in section 3.2 of this Application, the AESO has proposed revisions to subsection 7.4(3) of Section 7 of the ISO tariff, to clarify the timing for the commencement of the GUOC refund calculation. Specifically, the AESO has proposed that the

¹¹ Direction 10 from AUC Decision 22942-D02-2019, *Alberta Electric System Operator 2018 Independent System Operator Tariff* (September 22, 2019), para. 442: “Although the Commission considers that the AESO should have discretion with respect to subsection 3.4(1) and that the AESO will exercise its discretion reasonably, in light of the concerns of parties in this proceeding, additional review of the provision may be of value once the AESO has had an opportunity to apply subsection 3.4(1). 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.”

GUOC refund period commence on the requested energization date that is available to the AESO at the time that the AESO notifies a generator of the GUOC payment that the generator will be required to pay;

- As described in section 4.2 below, the AESO has proposed additional revisions to the PILON provision set out in subsection 5.3(6) of the ISO tariff (i.e., revisions in addition to the PILON Revisions already approved in AUC Decision 26911-D01-2022). The AESO considers these additional revisions necessary to eliminate the potential for market participants to inappropriately avoid the requirement for a PILON in certain circumstances; and
- As described further in section 3.3 below, as part of the TMR Revisions the AESO has proposed a revision to subsection 8.8 of Section 8 of the ISO tariff, *Ancillary Services*, to extend the period for the invoicing of emissions compliance costs incurred by a market participant in the provision of conscripted TMR.

20 The AESO does not consider stakeholder engagement to be necessary for the above components of the Application, as they are either very minor in nature, or required for the proper operation of ISO tariff revisions that have already been consulted upon or, in the case of the PILON Revisions, approved.

3. Proposed SASR, GUOC and TMR Revisions

3.1 Proposed SASR Revisions

21 The AESO has identified a number of revisions to Sections 3, 4, 5, 6 and Appendix A of the ISO tariff, and associated new or amended ISO tariff definitions in the AESO's *Consolidated Authoritative Documents Glossary* (collectively referred to in this Application as the "SASR Revisions") that the AESO considers necessary to better align with and to clarify the AESO's existing practices and processes for the review of system access service requests (SASRs) that market participants submit to the AESO.

22 The proposed SASR Revisions are highlighted in the blackline included as Appendices A.1 to A.7 to this Application, with the exception of the proposed ISO tariff definitional changes that are described in Appendix C of this Application. The SASR Revisions consist of the following:

New and Amended ISO Tariff Definitions in the AESO's *Consolidated Authoritative Documents Glossary*

- Revised definition of "Radial Circuit": The current definition of radial circuit, used solely in subsection 4.2(2)(b) of the ISO tariff, does not align with the current and more recent Alberta Reliability Standards definition. The AESO proposes to replace the current "radial circuit" ISO tariff definition with the current Alberta Reliability Standards definition.
- New definition of "system transmission facilities": This concept is repeated throughout the ISO tariff. To eliminate repetition, the AESO proposes to adopt a new CADG definition of "system transmission facilities" and to adopt it throughout the ISO tariff (see subsections 3.4(1)(c), 3.4(2), 3.4(3), 4.2(2)(l), 4.2(3) and 5.3(3)).
- New definition of "needs approval": The terms and conditions of the ISO tariff currently distinguish between connection projects that require the construction of "transmission facilities" and those that do not. While this distinction is generally correct, it does not precisely align with the AESO's existing connection, behind-the-fence and contract change processes. As a result, to better align with the AESO's existing SASR processes, the AESO proposes to revise the terms and conditions to distinguish more specifically between connection projects that require a "new or amended needs approval" for transmission facilities, and those that do not, and to define a "needs approval" within the CADG as "an approval required for a need to expand or enhance the capability of the transmission system in accordance with section 34 of the *Electric Utilities Act*". Projects that require

a new or amended needs approval will proceed through the AESO's connection process, while projects that do not will proceed through either the AESO's behind-the-fence or contract change processes. This proposed change results in revisions to subsections 3.3(2)-(4), 3.4(1), 3.6(1), 3.6(4), 3.7(1), 3.7(4)-(5), 6.2(4)(b)-(c), 6.2(5), 7.2(1) and 7.4(1) of the ISO tariff.

Revisions to Section 3 of the ISO tariff, *System Access Service Requests*

- **SASRs for separate PODs/POSSs**: The AESO proposes to delete subsection 3.2(5) of the ISO tariff. Subsection 3.2(5) of the ISO tariff currently requires separate SASRs for changes to existing system access service provided at each point-of-delivery (POD) and point-of-supply (POS) at a single point of connection. However, this provision is not required as it can be enforced through the existing SASR requirement under subsection 3.2(1). Additionally, the AESO considers that SASRs should be distinguished based on the market participant and facilities that they serve and not upon the associated POD or POS.
- **TPL planning requirements**: The AESO proposes to delete subsections 3.4(1)(b)-(c) and 3.4(4) of the ISO tariff, as they repeat requirements already set out in the Transmission Planning (TPL) Alberta Reliability Standards.
- **Cost estimating requirements for connection projects**: The AESO proposes to delete subsection 3.4(5) of the ISO tariff, as it repeats cost estimating requirements already set out in AUC Rule 007, *Applications for Power Plants, Substations, Transmission Lines, Industrial System Designations, Hydro Developments and Gas Utility Pipelines* and Section 504.5 of the ISO rules, *Service Proposals and Cost Estimates*.
- **Construction contribution requirements**: The AESO proposes to delete subsection 3.4(6) of the ISO tariff, as it repeats what is stated in existing subsections 4.6 and 4.2 of the ISO tariff.
- **Construction commitment agreements**: The AESO proposes to delete subsection 3.5(2). Subsection 3.5(2) requires the AESO to be provided with a copy of the construction commitment agreement that is executed between a market participant and the transmission facility owner responsible for the ownership, construction and operation of connection transmission facilities. However, the AESO does not require a copy of the agreement and subsection 3.5(2) is therefore unnecessary.
- **Timing for execution of SAS agreements**: The timing for the execution of system access service agreements under subsection 3.6(1)(b) of the ISO tariff does not align with the AESO's behind-the-fence or contract processes. Accordingly, the AESO proposes to revise subsection 3.6(1)(b) to require system access service agreements to be executed according to timelines specified by the AESO on its website as part of the behind-the-fence or contract change processes that the AESO is responsible for in accordance with section 6(1) of the *Transmission Regulation*.
- **Transitional election of GUOC and SAS agreement provisions**: Subsection 3.8 of the ISO tariff was adopted to provide market participants who had reached a certain stage of the Connection Process with legacy treatment from new GUOC payment and SAS agreement execution timing requirements previously approved by the Commission.¹² The AESO proposes to delete this GUOC-

¹² AUC Decision 25175-D02-2020, *2018 Independent System Operator Tariff Compliance Filing Pursuant to Decision 22942-D02-2019 and 2020 Independent System Operator Tariff Update* (November 30 2020), paras. 78-79.

related provision because the transition to the new requirements is now complete and it is no longer required.

- Notification of changes to a system access service request: The AESO proposes to revise subsections 3.9(1) and 3.9(2) to more clearly reflect the fact that it is the market participant's obligation to notify the AESO of changes to any information (not just changes to "critical requirement" information) that the market participant has provided in a SASR, and that it is the AESO that determines whether or not to accept the change (subject to further information or requirements that the AESO may require in order to continue its review of the system access service request) or to reject the change.
- Project cancellation by the AESO due to a market participant's inaction: Section 10(b) of the construction commitment agreement proforma included in Appendix A of the ISO tariff contemplates the cancellation of a connection project by the AESO if the AESO reasonably concludes, "based on the action or inaction of the market participant, that the market participant is not proceeding with the Connection Project." As the AESO is not a party to a construction commitment agreement, the AESO proposes to remove this provision from the pro forma agreement and to replace it with equivalent language in proposed new subsection 3.10 of the ISO tariff.

Section 4 of the ISO tariff, *Classification and Allocation of Connection Projects Costs*

- Connection project costs: Subsection 4.2(1) of the ISO tariff currently requires the AESO to classify all costs of a connection project determined by the AESO "under subsection 3.4(1)" to be classified as participant- or system-related. However, the costs of all connection projects, not only those to which subsection 3.4(1) applies, must for contribution and investment purposes be classified by the AESO as either participant- or system-related. The AESO proposes to delete the reference to subsection 3.4(1) from subsection 4.2(1), to ensure that subsection 4.2(1) continues to apply to all connection projects.
- Radial circuit language: Subsection 4.2(2)(b) contains wording, regarding "a double radial configuration" that does not align with the ARS definition of a radial circuit that the AESO proposes to adopt (as described above). The AESO proposes to delete this language.

Section 5 of the ISO tariff, *Changes to System Access Service*

- PILON for Demand Transmission Service (DTS) reductions: The AESO considers that the use of the word "effective" in reference to a contract reduction in subsection 5.3(5) of the ISO tariff can potentially be confused with an "effective" system access service agreement as described elsewhere in the ISO tariff. The AESO therefore proposes to delete the phrase "is effective" from subsection 5.3(5).
- Payments and refunds of construction contributions: The required timing for payment of a construction contribution adjustment or PILON for a DTS reduction is repeated in subsections 5.3(5) and 5.7(1) of the ISO tariff, and the required timing for payment of a construction contribution adjustment in subsection 5.7(1) can be simplified. The AESO proposes to delete the reference to PILON payment from 5.7(1) and to simplify the required timing for payment of a construction contribution adjustment to "within 30 days of a request for payment".

Section 6 of the ISO tariff, *Financial Obligations for Connection Projects*

- Connection alternatives: Figures 6-1 and 6-2 and subsection 6.2 of the current ISO tariff do not reflect that it is the AESO (not the market participant) that is responsible for determining the preferred connection alternative for a connection project. To reflect this, the AESO proposes to update the language in Figures 6-1 and 6-2, subsections 6.2(3)(a)(i), 6.2(4)(a)-(b) and 6.6(1)(a),

and in schedule “A” of the Construction Commitment Agreement pro forma contained in Appendix A of the ISO tariff.

Appendix A of the ISO tariff, Rate DTS, STS and Construction Commitment Agreement Pro Formas

- PODs and POSs within a substation: The DTS and STS system access service agreement proformas contained in Appendix A of the ISO tariff currently reflect the concept of a POD or POS at a substation level. This does not align with the fact that multiple different PODs or POSs can exist within a substation (for e.g., at a feeder point). The AESO proposes to revise sections 3, 4, 7, 8 and 10 of the DTS pro forma, and sections 3, 4, 7, 10 of the STS proforma agreement to reflect this more accurate view of a POD and POS.¹³
- Commissioning for Load Facilities: The current DTS system access service agreement pro forma does not specify the commissioning period applicable to load facilities, which is required for purposes of construction contribution decision calculations and peak demand waiver eligibility. The AESO proposes to revise section 5 of the pro forma to clarify that commissioning for a load facility will (for CCD and peak demand waiver purposes) last for 90 days from energization, unless otherwise agreed to in writing between the AESO and the market participant.

3.2 Proposed GUOC Revisions

23

The AESO has identified a number of revisions required to Section 7 of the ISO tariff, concerning the terms and conditions applicable to the generating unit owner’s contribution payable for new generating units in accordance with section 29 of the *Transmission Regulation*. These revisions are highlighted in Appendix A.5 to this Application, and consist of the following:

- “Metering Equipment” Definition: To reflect the fact that “metering equipment” is a defined term in the AESO’s *Consolidated Authoritative Document Glossary*, the AESO proposes to bold the “metering equipment” term that is currently contained in subsection 7.1(c).
- GUOC rates: It is currently unclear in the current ISO tariff which GUOC rates (for example, this year’s, last year’s, etc.) apply to a connection project. The AESO proposes to introduce a new subsection 7.2(1) to clarify that the GUOC rates that apply to a connection project are the rates that are in effect (i) on the date GUOC evidence is provided, for projects where evidence is required, or (ii) for all other projects, the rates in effect on the date that GUOC is paid.
- Evidence of ability to pay GUOC: Currently, subsection 3.6(8) of the ISO tariff addresses the evidence of ability to pay GUOC that must be provided to the AESO for certain connection projects. The AESO proposes to move this provision to subsection 7.4(1) of the ISO tariff, to ensure all GUOC-related provisions are contained in section 7 of the ISO tariff. The AESO also proposes to remove excessive detail from this provision regarding the financial security that can be provided to the AESO.
- Timing for payment of GUOC: Currently, subsection 3.6(9) of the ISO tariff addresses the timing for payment of a GUOC. The AESO proposes to move this provision to subsection 7.4(2) of the ISO tariff, to ensure all GUOC-related provisions are contained in section 7 of the ISO tariff. The AESO also proposes to revise this provision, to clarify that payment of GUOC is due at the specific

¹³ AUC Decision 22942-D02-2019, *Alberta Electric System Operator 2018 Independent System Operator Tariff* (September 22, 2019), paras. 684-686.

times currently applicable in accordance with the AESO's connection, behind the fence or contract change processes. These proposed revisions also provide clarity, insofar as they will clarify when GUOC will be required to be paid for generating facilities for which a system access service agreement under Rate STS of the ISO tariff is not required (as is the case, for example, with some distribution connected generation).

- Notification of GUOC to be paid: Subsection 7.4 of the current ISO tariff is silent on when generating facility owners that do not have STS agreements are to be notified of the GUOC payments for the connection of new generation capacity. The AESO proposes to revise subsection 7.4(3) to clarify that the AESO must provide "reasonable notice" to all generating facility owners of the GUOC evidence that they may be required to provide under subsection 7.4(1), and the GUOC amount that they will be required to pay under subsection 7.4(2).
- Refund of GUOC: Under subsection 7.5(2) of the current ISO tariff, the timing for refund of a GUOC that has been paid is currently tied to the existence of an STS agreement; however, not all generating facilities have an STS agreement. Additionally, the AESO considers that subsection 7.5(4) can be simplified in light of the requirements currently set out in Section 505.2 of the ISO rules, *Performance Criteria for Refund of Generating Unit Owner's Contribution*. The AESO proposes to revise subsections 7.5(2) and 7.5(4) to state that the "clock" for refund of the GUOC will be tied to the energization date that a generator has provided to the AESO at the time that the AESO issues its notice, under subsection 7.4(3), of the GUOC payment amount that the generator will be required to pay. The AESO also proposes to revise subsections 7.5(4)(a) and (b) to more closely align with Section 505.2 of the ISO rules.

3.3 Proposed TMR Revisions

24 TMR is out-of-market generation that the AESO requires to be online and operating at a specific output level to address transmission constraints (such as insufficient local transmission infrastructure relative to local demand). In accordance with section 301.2 of the ISO rules, *ISO Directives*, the AESO may direct (i.e., conscript) a market participant to provide TMR. Where a contract does not exist in respect of an AESO's directive to provide TMR (for example, in cases where the need for TMR is unforeseen), then subsection 8.6 of the ISO tariff determines the amount that is to be paid to the market participant for the provision of that TMR service.

25 The compensation formula set out in subsection 8.6 was the subject of a negotiated settlement between the AESO and interested stakeholders that was ultimately approved by the Commission in AUC Decision 2008-014, in February 2008.¹⁴ Since that time, with the passing of emissions pricing legislation, a new category of costs are being incurred by generators that is not contemplated by the existing compensation formula.

26 The AESO proposes to revise subsections 8.6(1)(a)(i) and 8.6(1)(a)(vi) to provide that a generator that provides uncontracted TMR service (in response to an AESO directive) may be compensated for actual emissions costs that the generator incurs as a result of responding to the directive. This compensation is intended to reflect the actual cost of emissions compliance that a generator incurs, prorated for the energy usage of conscripted TMR service from a generating facility. For example, under the revisions proposed by the AESO:

¹⁴ AUC Decision 2008-014, *Alberta Electric System Operator Ancillary Services – Article 11 Negotiated Settlement* (February 12, 2008).

- for facilities regulated under the provincial Technology Innovation Emissions Reduction (TIER) regulations, a facility would be entitled to compensation for actual demonstrable costs of compliance as submitted and accepted by the Minister in an annual compliance report prior to June 30th of the following year, prorated for MWh of Conscripted TMR service divided by total MWh of production in the compliance period.
- alternatively, for facilities regulated under the federal Greenhouse Gas Pollution Pricing Act, a facility would be entitled to compensation for actual demonstrable costs of compliance evidenced by fuel invoices for the compliance period, prorated for MWh of conscripted TMR service divided by total MWh of production in the compliance period

27 As part of the TMR Revisions, the AESO also proposes to revise subsection 8.8, in order to extend the invoicing period for emissions compliance costs. The AESO considers this revision to be required because, based on applicable Provincial or Federal emissions legislation, a generator that provides TMR service to the AESO may not know what their actual emissions compliance costs are for some time after TMR service has been provided.

4. Responses to Directions

4.1 Direction 20 from Decision 22942-D02-2019, regarding cost allocation for transmission line relocations

28 **Direction 20 from Decision 22942-D02-2019:**

“As several aspects of the contribution policy, and especially those related to the classification of costs as between system-related and participant-related elements have undergone significant evolution since 2003, the Commission considers that a review of the 2003 relocation principles is warranted. Accordingly, the AESO is 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.”¹⁵

AESO Response:

The AESO does not consider that the 2003 relocation principles initially approved in EUB Decision 2003-043 need to change. Notably, subsection 4.10(1) of the current ISO tariff requires the AESO to make reasonable efforts to ensure that, where transmission facilities must be relocated, the party causing the relocation pays all reasonable costs associated with the relocation. In other words, the AESO is generally required to classify transmission relocation costs as participant-related. As a result, it is for the Commission to decide if the costs of a transmission line relocation should nevertheless be classified as system-related, despite subsection 4.10(1). The AESO considers this approach to be appropriate, as it effectively defaults to a participant-related cost classification in the absence of a Commission decision to the contrary. The AESO considers AUC Decision 24964-D02-2021¹⁶ to be a recent example of this approach working in practice.

¹⁵ AUC Decision 22942-D02-2019, *Alberta Electric System Operator 2018 Independent System Operator Tariff* (September 22, 2019), para. 1152.

¹⁶ AUC Decision 24964-D02-2021, *ATCO Electric Ltd. 2020-2022 Transmission General Tariff Application*, section 10.2.3.

4.2 Direction 2 from Decision 26911-D01-2022, regarding the AESO's proposed PILON revisions to subsection 5.3(6) of the ISO Tariff

29

Direction 2 from Decision 26911-D01-2022:

*"The AESO is directed to file a compliance filing to reflect the approved changes to Section 5.3(6) of its PILON terms and conditions by January 15, 2023."*¹⁷

AESO Response:

In AUC Proceeding 26911, the AESO applied to extend the applicability of the PILON waiver available under subsection 5.3(6) of the ISO tariff to sites that have not increased contract capacity in the last five years.¹⁸ The AESO explained that the current PILON charges were a barrier to stakeholders providing the AESO with accurate information about their sites. The AESO's proposed revisions to subsection 5.3(6) of the ISO tariff that if approved would help to ensure that accurate information is available to effectively plan the efficient use of the transmission system. Specifically, the AESO proposed the following modifications to subsection 5.3(6) of the ISO tariff:

- eliminate a requirement that the market participant has taken system access service for at least 20 years;
- eliminate provisions providing that a proposed DTS contract reduction stemmed from a market participant's demand reduction initiative; and
- change the minimum period since the market participant had last requested a contract capacity increase to five years rather than ten years.

In addition, the AESO noted that in accordance with Section 5.2 of its terms and conditions, if a market participant reduced their contract capacity, they would have to pay back some or all of the investment provided by a TFO (under the AESO's Contribution Policy) to build the connection facilities required to serve the market participant's original contract capacity.¹⁹

In AUC Decision 26911-D01-2022, the Commission approved the AESO proposal to revise the PILON waiver applicability to sites that have not increased contract capacity in the last five years and directed the AESO to file a compliance filing reflecting the changes to the terms and conditions by January 15, 2023.²⁰

The AESO now proposes to revise subsection 5.3(6) of the ISO tariff in accordance with the Commission's direction.

However, to maintain the effectiveness of the PILON requirement as a mechanism to encourage the provision of accurate information in the first instance, the AESO considers that a PILON waiver should not be granted in cases where a market participant has already executed a system access service agreement under Rate DTS to increase their contract capacity in the future (at the same point of connection). Without this additional requirement, a market participant could reduce their future contract capacity commitment

¹⁷ AUC Decision 26911-D01-2022, *Alberta Electric System Operator Bulk, Regional and Modernized Demand Opportunity Service Rate Design Application* (November 10, 2022), para. 152.

¹⁸ Proceeding 26911 Exhibit X0001.03, para. 369.

¹⁹ Exhibit 26911-X0001.03, AESO application, PDF page 105, para. 378.

²⁰ Decision 26911-D01-2022, *Alberta Electric System Operator Bulk, Regional and Modernized Demand Opportunity Service Rate Design Application* (November 10, 2022), par. 156.

without paying a PILON, which would not achieve the AESO's need to obtain accurate information, for transmission planning purposes, from market participants.

As a result, in addition to the revisions to subsection 5.3(6) already approved in Decision 26911-D01-2022, the AESO is also proposing revisions to subsection 5.3(6) to ensure that a PILON waiver under subsection 5.3(6)(c) will only be available to a market participant that, at the time that the market participant requests a reduction or termination in DTS contract capacity, has not executed a system access service agreement for a future increase to contract capacity.

Market participants should still be incented to give the AESO the best available information when executing a system access agreement. Not adding this additional language to the terms and conditions would allow market participants to break their commitment to a contract capacity increase with no consequences. Therefore, a PILON waiver should not apply under the scenario described above and the additional language to the terms in conditions should be approved.

The already approved revisions to subsection 5.3(6) of the ISO tariff are highlighted in Appendix A.3 to this Application, together with the additional revision to subsection 5.3(6) that the AESO has described above.

5. Conclusion

30 The AESO submits that the ISO tariff revisions and direction responses provided in this Application are in the public interest and that the ISO tariff resulting from this Application will be just and reasonable. The AESO requests that the Commission approve this Application, including:

- a) the SASR Revisions, the GUOC Revisions and the TMR Revisions described in Section 3 and highlighted in Appendices A and B of this Application;
- b) the PILON revisions to subsection 5.3(6) of the ISO tariff described in Section 4 and Appendices A.1, A.2, A.3, A.4 and A.7 of this Application;
- c) the AESO's responses to Direction 20 from AUC Decision 22942-D02-2019 and AUC Direction 2 from Decision 26911-D01-2022, as described in Section 4 of this Application; and
- d) provide such other relief as the Commission deems appropriate to give effect to this Application.

31 The AESO further requests that the Commission approve the GUOC Revisions with effect no earlier than the 1st day of the month that is at least six weeks from the date that the Commission issues its approval, to ensure that the AESO has a reasonable amount of time to operationalize the Commission's approval of the GUOC Revisions. All other ISO tariff revisions requested in this Application can be approved with immediate effect.

32 All of which is respectfully submitted this 9th day of December 2022.

Alberta Electric System Operator

"Electronically submitted"

Per: Nicole LeBlanc
Director, Markets & Tariff