

2022 ISO Tariff Modernization Application

September 9, 2022

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- The 2022 ISO Tariff Modernization Application (“**Application**”) is intended to
 - Propose revisions to the terms and conditions of the ISO tariff to better align with, and to provide stakeholders with clarity regarding existing AESO practices and processes regarding system access service requests (“**SASR**”)
 - Propose revisions to include emissions compliance costs as costs that are recoverable under the existing ISO tariff compensation formula for the provision of conscripted Transmission Must-Run (“**TMR**”) service
 - Respond to outstanding directions issued by the Commission in AUC Decision 22942-D02-2019
 - With the exception of the conscripted TMR revisions described above, consist solely of administrative and non-structural changes to the ISO tariff
- The Application may also assist the AESO in meeting its obligations under the Government of Alberta’s *Red Tape Reduction Act*

Stakeholder Engagement Objectives and Process

- The AESO is consulting with stakeholders to test the significance and clarity of the proposed ISO tariff revisions that the AESO intends to include in the Application
- The AESO is requesting that stakeholders provide written feedback on whether the proposed ISO tariff revisions would add clarity, or whether the proposed revisions raise concerns that require further engagement
- Blacklines of the AESO's proposed ISO tariff revisions accompany this presentation
- Stakeholders are also invited to comment on the AESO's proposed responses and approach to Commission directions outstanding from AUC Decision 22942-D02-2019 and that the AESO intends to address in the Application
- Stakeholders are invited to provide feedback on the proposed ISO tariff revisions and direction responses by completing and submitting the stakeholder comment matrix that accompanies this presentation **on or before October 7, 2022**, to tariffdesign@aeso.ca

Stakeholder Engagement Objectives and Process (cont.)

- The AESO will review and consider written stakeholder feedback received by the October 7, 2022 deadline
- The AESO will compile and post a directional, high-level summary of the feedback received on or before October 21, 2022
- The AESO may revise the scope of the Application based on stakeholder feedback
- The AESO intends to finalize and file the Application with the Commission on or around November 4, 2022

1. Definitional updates
 - Updated ISO tariff definition of “radial circuit”
 - New ISO tariff definitions: “system transmission facilities” and “permit and licence”
2. Revisions to ISO tariff Terms and Conditions to align and to add clarity to:
 - Section 3, *System Access Service Requests*
 - Section 4, *Classification and Allocation of Connection Project Costs*
 - Section 5, *Changes to System Access Service*
 - Section 6, *Financial Obligations for Connection Projects*
 - Section 7, *Generating Unit Owner’s Contribution*
 - Section 8, *Ancillary Services*
 - Section 10, *Settlement and Payment Terms*, including consequential reference updates to each of Rates DTS, PSC and STS
 - *Construction Commitment, Rates DTS and STS pro forma agreements*
3. Speak to directions outstanding from AUC Decision 22942-D02-2019

Proposed ISO Tariff Revisions

(Please review this overview together with the accompanying definition and blackline documents)

- **Revised definition of “Radial Circuit”:** The current definition of radial circuit, used in subsection 4.2(2)(b) of the tariff, does not align with the current Alberta Reliability Standards (“**ARS**”) definition. Additionally, subsection 4.2(2)(b) contains redundant/conflicting wording regarding a radial circuit
 - **Proposed Revision:** Replace the current “radial circuit” ISO tariff definition with the current ARS definition
 - **Impacted Sections:** Consolidated Authoritative Document Glossary (“**CADG**”) definition of “radial circuit”; 4.2(2)(b)
- **New definition of “system transmission facilities”:** This concept is repeated throughout the ISO tariff
 - **Proposed Revision:** Adopt a new CADG definition of “system transmission facilities”
 - **Impacted Sections:** CADG definition of “system transmission facilities”, 3.4(1)(c), 3.4(2), 3.4(3), 4.2(2)(l), 4.2(3), 5.3(3)

- **New definition of “permit and licence”:** The tariff distinguishes between connection projects that require the construction of “transmission facilities” and those that do not. This distinction does not align with the AESO’s existing connection, behind-the-fence and contract change processes
 - **Proposed Revision:** To better align with existing practices, revise the tariff to distinguish more specifically between connection projects that require a “new or amended permit and licence” to construct/operate transmission facilities, and those that do not. Projects that require new or amended permit and licence proceed through the AESO’s connection process, and projects that do not proceed through either the AESO’s behind-the-fence or contract change processes. For clarity, as noted earlier, a new definition of “permit and licence” will be adopted in the CADG
 - **Impacted Sections:** CADG definition of “permit and licence”; 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), 7.4(1)

Section 3 – *System Access Service Requests*

- **Issue – “critical information”:** Section 3 of the ISO tariff, *System Access Service Requests*, authorizes the ISO to reject or cancel a system access service request and connection project if “critical information” from a SASR (e.g., requested in-service date, generating unit size) is not provided or changed
 - **Proposed Revision:** To reduce red tape, remove the concept of “critical information” because *all* information in a SASR is critical. The AESO may reject or cancel a SASR and connection project if *any* information required by the AESO in a SASR is not provided or changes.
 - **Impacted Sections:** 3.2, 3.7(6), 3.9(1)-(3)
- **Issue – SASRs for separate PODs/POSSs:** Subsection 3.2(5) requires separate SASRs for changes to existing SAS at each point-of-delivery (“**POD**”) and point-of-supply (“**POS**”) at a single point of connection. This provision is not required as it can be enforced through the existing SASR requirement under subsection 3.2(1). Also, SASRs should be separated based on “purpose” and not POD or POS
 - **Proposed Revision:** To reduce red tape, delete subsection 3.2(5)
 - **Impacted Sections:** 3.2(5)

Section 3 – System Access Service Requests (cont.)

- **Issue – “overall long-term cost” of a connection alternative:** Subsection 3.4(1) requires the AESO to assess the “overall long-term cost of a connection alternative”, including distribution, participant-related, system-related and all other transmission (including non-wires) costs associated with a connection. The concept of “overall long-term cost of a connection alternative” is not clearly understood and is debatable
 - **Proposed Revision:** To increase clarity, delete the reference to “overall long-term cost of a connection alternative”, but retain the different categories of costs (distribution, participant-related, system-related, and other transmission costs) that must be considered by the ISO in considering a connection alternative.
 - **Impacted Sections:** 3.4(1)(a), 3.4(2)

Section 3 – System Access Service Requests (cont.)

- **Issue – TPL planning requirements:** Subsections 3.4(1) and 3.4(4) repeat requirements already set out in the Transmission Planning (TPL) Alberta Reliability Standards
 - **Proposed Revision:** To reduce red tape, delete these requirements
 - **Impacted Sections:** 3.4(1)(b)-(d), 3.4(4)
- **Issue – cost estimating requirements for connection projects:** Subsection 3.4(5) repeats cost estimating requirements already set out in AUC Rule 007
 - **Proposed Revision:** To reduce red tape, delete subsection 3.4(5)
 - **Impacted Sections:** 3.4(5)
- **Issue – section 3.4(6):** This section repeats what is already stated in existing sections 4.6 and 4.2.
 - **Proposed Revision:** To reduce red tape, delete subsection 3.4(6)
 - **Impacted Section:** 3.4(6)

Section 3 – System Access Service Requests (cont.)

- **Issue – construction commitment agreements:** Subsection 3.5(2) requires the AESO to be provided with a copy of the construction commitment agreement that is executed between the market participant (“**MP**”) and the transmission facility owner (“**TFO**”); however, the AESO does not require a copy of the agreement
 - **Proposed Revision:** To reduce red tape, delete subsection 3.5(2)
 - **Impacted Section:** 3.5(2)
- **Issue – timing for execution of SAS agreements:** The timing for the execution of SAS agreements under subsection 3.6(1)(b) does not align with the behind-the-fence or contract processes
 - **Proposed Revision:** To better align with existing practices, revise subsection 3.6(1)(b) to require system access service agreements to be executed in the timelines specified as part of the behind-the-fence or contract change processes
 - **Impacted Sections:** 3.6(1)

Section 3 – System Access Service Requests (cont.)

- **Issue – project cancellation by the AESO due to MP failure to execute system access agreement:** Subsection 3.6(7) currently authorizes the AESO to cancel a connection project if an SAS agreement is not executed, but only for connection projects for which permit and licence are required
 - **Proposed Revision:** This section can be simplified by removing the unnecessary reference to the construction of transmission facilities, because the AESO requires the right to cancel a connection project if a system access service agreement is not executed for connection projects, *regardless* of whether new or amended permit and licence are required
 - **Impacted Sections:** 3.6(7)
- **Issue – project cancellation by the AESO due to MP inaction:** This provision is currently contained in the construction commitment agreement proforma; however, the AESO is not a party to that agreement.
 - **Proposed Revision:** Move this provision to a new section 3.10. Delete section 4 of the *Construction Commitment Agreement* proforma.
 - **Impacted Sections:** 3.10; section 4 of the *Construction Commitment Agreement* pro forma.

Section 4 – *Classification and Allocation of Connection Project Costs*

- **Issue – connection project costs:** Subsection 4.2(1) 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 AESO's proposed revisions to subsection 3.4(1) would mean that subsection 3.4(1) only applies to connection projects requiring new or amended permit and licence
 - **Proposed Revision:** 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
 - **Impacted Sections:** 4.2(1)

- **Issue – payment in lieu of notice (“PILON“) for Demand Transmission Service (“DTS”) reductions:** The use of the word “effective” in reference to a contract reduction in subsection 5.3(5) can potentially be confused with an “effective” system access service agreement
 - **Proposed Revision:** Delete “is effective” from subsection 5.3(5).
 - **Impacted Sections:** 5.3(5)
- **Issue – payments and refunds of construction contributions:** The required timing for payment of a construction contribution adjustment or PILON is repeated in subsection 5.3(5) and 5.7(1), and the required timing for payment of a construction contribution adjustment in subsection 5.7(1) can be simplified
 - **Proposed Revision:** Delete the reference to PILON payment from 5.7(1), and simplify the required timing for payment of a construction contribution adjustment to “within 30 days of a request for payment”
 - **Impacted Sections:** 5.7(1)

- **Issue – connection alternatives:** The language in figures 6-1 and 6-2 and subsection 6.2 does not reflect that it is the AESO that is responsible for determining the preferred connection alternative for a connection project
 - **Proposed Revision:** Update the language in Figures 6-1 and 6-2, and subsections 6.2(3)(a)(i), 6.2(4)(a)-(b), and 6.6(1)(a)
 - **Impacted Sections:** Figures 6-1 and 6-2, 6.2(3)-(4), 6.6(1), 1(a)(i) and schedule “A” of the *Construction Commitment Agreement* pro forma

Section 7 – *Generating Unit Owner's Contribution*

- **Issue – evidence of ability to pay GUOC:** Excessive detail in subsection 3.6(8) regarding the timing for, and types of evidence of ability to pay GUOC that will be acceptable to the AESO (“a fully executed, enforceable and irrevocable assignment of funds” etc.)
 - **Proposed Revision:** To reduce red tape, delete excessive detail and continue to rely on the existing provisions regarding financial security in section 103.3 of the ISO rules, *Financial Security Requirements*. Clarify that evidence of ability to pay GUOC is required as specified by the ISO on the AESO website. Move this provision to section 7.4(1), to codify all of the GUOC provisions in that section
 - **Impacted Sections:** 3.6(8), 7.4(1)
- **Issue – timing for payment of GUOC:** Currently described in section 3.6(9), with detail that does not need to be included in the tariff.
 - **Proposed Revision:** Move to section 7.4(2) to codify all GUOC provisions in section 7, and clarify that payment of GUOC is due at the times specified by the ISO on the AESO website (through an Information Document, or as part of the AESO’s *Connection, BTF or Contract Change* processes)
 - **Impacted Sections:** 3.6(9) and 7.4(2)

Section 7 – *Generating Unit Owner's Contribution (cont.)*

- **Issue – transitional election of GUOC and SAS agreement provisions:**
Subsection 3.8 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. However, they are no longer required, as the transition to the new requirements is now complete
 - **Proposed Revision:** To reduce red tape and eliminate detail that is no longer required, delete subsection 3.8
 - **Impacted Sections:** 3.8
- **Issue – GUOC rates:** It is unclear which GUOC rates (e.g., this year's, last year's, etc.) apply to a connection project
 - **Proposed Revision:** 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
 - **Impacted Sections:** 7.2(1)

*Note - On June 7, 2022, the AESO published a process document that provides stakeholders details on the new GUOC Rate update process to be implemented in conjunction with the AESO's forthcoming 2023 ISO tariff rates update application. More detail can be found at <https://www.aeso.ca/rules-standards-and-tariff/tariff/guoc-rates>

Section 7 – *Generating Unit Owner’s Contribution (cont.)*

- **Issue - Notification of GUOC:** Subsection 7.4 is silent on when generating facility owners that do not have Supply Transmission Service (“**STS**”) agreements are to be notified of their GUOC payments
 - **Proposed Revision:** 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 7.4(2)
 - **Impacted Section:** 7.4
- **Issue – Refund of GUOC:** Under subsection 7.5(2), the clock for refund of a GUOC is currently tied to the existence of an STS agreement; however, not all generating facilities have an STS agreement. Additionally, subsection 7.5(4) can be simplified in light of the requirements currently set out in section section 505.2 of the ISO rules, *Performance Criteria for Refund of Generating Unit Owner’s Contribution*
 - **Proposed Revision:** Revise subsections 7.5(2) and 7.5(4) to state that the clock for refund of the GUOC is tied to the energization date initially identified by the owner of the generating facility and included in the notification of GUOC payment that the AESO is required to issue under subsection 7.4(4); revise subsections 7.5(4)(a) and (b) to reflect the current rule regarding calculation of GUOC refunds

- **Issue – Emission Costs:** TMR is out-of-market generation that the AESO requires to be online and operating at specific levels to address insufficient local transmission infrastructure relative to local demand. The current compensation formula for *conscripted* TMR service, set out in Section 8 of the ISO tariff, was developed to ensure that TMR providers can recover the costs incurred to deliver conscripted TMR service, but was approved before emissions pricing was contemplated
 - **Proposed Revision:** Revise subsection 8.6(1) to provide that a generator that provides conscripted TMR service may be compensated for variable emissions costs. This compensation is intended to reflect the actual cost of emissions compliance, prorated for the energy usage of conscripted TMR service from a generating facility. For example:
 - For facilities regulated under Provincial Technology Innovation Emissions Reduction (“*TIER*”) *Regulation*, 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
 - 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
 - **Impacted Sections:** 8.6(1)(a)(i), 8.6(1)(a)(vi)

- **Issue – totalization within a substation:** The tariff currently does not permit services at different POD or POS within a substation to be totalized for a market participant. This results in administrative inefficiency (i.e., more DTS and STS contracts than necessary)
 - **Proposed Revision:** New subsection 10.4 to permit totalization, for purposes of ISO tariff billing and contracting, of the same service, for the same market participant, within a substation – unless the market participant requests otherwise. Additionally, clarify that the existing totalization under subsection 10.3 is for the purposes of ISO tariff billing and contracting
 - **Impacted Sections:** 10.3(1) and 10.4, 8(1) of Rate DTS, 3(1) of Rate STS and Rate PSC

Appendix A: Pro forma agreements – Rate DTS and Rate STS agreements

- **Issue:** The DTS and STS system access service agreement proformas 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)
 - **Proposed Revision:** The DTS and STS proformas have been revised to reflect the new, more granular view of a POD and POS
 - **Impacted Sections:** 3, 4, 7, 8, 10 of the DTS proforma agreement, 3, 4, 7, 10 of the STS proforma agreement
- **Issue:** Additionally, the DTS pro forma does not specify the commissioning period applicable to load facilities, which is required for purposes of construction contribution decision (“**CCD**”) calculations and Peak Demand Waiver eligibility
 - **Proposed Revision:** The DTS proforma has been revised to clarify that commissioning for a load facility last for 90 days from energization, unless otherwise agreed to in writing between the AESO and the MP
 - **Impacted Section:** 5 of the DTS proforma agreement

Proposed Approach to Directions Outstanding from AUC Decision 22942-D02-2019

Directions Outstanding from AUC Decision 22942-D02-2019

- A number of directions remain outstanding from the AUC Decision 22942-D02-2019, including:
 - Direction 9, regarding the AESO’s discretion to adjust contract capacity under subsection 4.2(2) of the ISO tariff
 - Direction 10, regarding the AESO’s selection of a preferred connection alternative under subsection 3.4(1)
 - Direction 11, regarding the AESO’s application of the “critical information” requirements under subsection 3.2(2); and
 - Direction 20, regarding the costs of transmission line relocations
- The AESO intends to respond to these outstanding directions in the Application

Direction 9, regarding the AESO's discretion to adjust contract capacity

- **Background:** Subsection 5.2(2) of the ISO tariff permits the AESO to adjust a market participant's contract capacity if that capacity does not reflect the actual flows, provided that (i) the AESO must first discuss any such adjustment with the market participant; (ii) the AESO must not adjust deviations less than 10 per cent of the contracted capacity; and (iii) a market participant may dispute a decision by the AESO to adjust contract capacity
- **Direction 9:** "... If following stakeholder engagement, further amendments to subsection 5.2(2) are determined to be beneficial and consensus can be made in an information document, then the AESO is directed to include those amendments in the information document as part of its next AESO tariff application " – paragraph 18 of AUC Decision 22942-D02-2019
- **Response:** To date, the AESO has not exercised its authority under subsection 5.2(2) to adjust any contract capacities. As part of a future stakeholder engagement, the AESO will propose scenarios under which it might exercise its authority under subsection 5.2(2). The results of this future engagement may be incorporated into an AESO Information Document
 - **The AESO is seeking stakeholder feedback on this proposed approach to Direction 9**

Direction 10, regarding the AESO's selection of a preferred connection alternative

- **Background:** Subsection 3.4(1) requires the AESO to determine how to respond to a system access service request, and to select a preferred connection alternative taking into account relevant factors. Under the current ISO tariff, subsection 3.4.(1) clarifies that a preferred connection alternative must be selected by the AESO on the basis of “overall long-term cost”
- **Direction 10:** 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 – paragraph 442 of AUC Decision 22942-D02-2019
- **Response:** As noted earlier in this presentation, the AESO is proposing revisions to simplify and clarify the application of subsection 3.4(1), including by deleting reference to the “overall long-term cost of a connection alternative”
 - **The AESO is seeking stakeholder feedback on its proposed revisions to subsection 3.4(1), and will base its response to Direction 10 in the Application on the feedback that is received**

Direction 11, regarding the “critical information” requirements for SASRs

- **Background:** Subsection 3.2(2) lists specific “critical information” that the AESO requires in order to accept and review a SASR, including the location of a proposed facility, the MWs of capacity requested, and the requested in-service date of the facilities
- **Direction 11:** “Additional review of [subsection 3.2(2)] 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” – paragraph 462 of AUC Decision 22942-D02-2019
- **Response:** As noted earlier in this presentation, the AESO is proposing revisions to simplify and clarify the application of subsection 3.2, including by deleting reference to specific information that would be considered to be “critical” to the AESO’s review of a SASR. These revisions reflect the AESO’s view that *all* information provided in a SASR is critical
 - **The AESO is seeking stakeholder feedback on its proposed revisions to subsection 3.2, and will base its response to Direction 11 in the Application on the feedback that is received**

Direction 20, regarding the costs of transmission line relocations

- **Background:** In Decision 2003-043, the Commission’s predecessor set down broad principles for the classification of transmission line relocation costs
- **Direction 20:** “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” – paragraph 1152, AUC Decision 22942-D02-2019
- **Proposed Response:** In light of recent AUC Decisions regarding the classification of the costs of transmission line relocations (e.g., AUC Decision 26708-D01-2021), the AESO does not consider that the 2003 relocation principles 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 is seeking stakeholder feedback on this proposed response**

Next Steps

- The AESO requests written stakeholder feedback to be provided on or before **October 7, 2022**
- The AESO will review and consider written stakeholder feedback received by the October 7, 2022, deadline
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- The AESO may revise the scope of the Application based on stakeholder feedback
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