



## **Alberta Electric System Operator**

**2020 ISO Tariff Update – Interim**

**February 28, 2020**

**Alberta Utilities Commission**  
Decision 25175-D01-2020  
Alberta Electric System Operator  
2020 ISO Tariff Update – Interim  
Proceeding 25175

February 28, 2020

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## **1 Decision**

1. The Alberta Utilities Commission approves the Alberta Electric System Operator’s (AESO) 2020 update to its annual tariff on an interim refundable basis. The interim 2020 Independent System Operator (ISO) tariff update is approved effective April 1, 2020.

## **2 Introduction and process**

2. The AESO filed an application with the Commission on January 31, 2020, pursuant to sections 30 and 119 of the *Electric Utilities Act*, seeking approval of its 2020 ISO tariff update.

3. The Commission issued notice of the application on February 3, 2020, requesting that any statements of intent to participate (SIP) be filed by February 18, 2020. In response to the notice, SIPs were received from:

- Consumers’ Coalition Of Alberta (CCA)
- Greengate Power Corporation
- EPCOR Distribution & Transmission Inc. (EDTI)
- University of Alberta
- Heartland Generation Ltd.
- AltaLink Management Ltd. (AltaLink)
- Canadian Solar Industries Association (CanSia)
- Kalina Distributed Power
- BluEarth Renewables Inc.
- Dual Use Customers (DUC)
- Industrial Power Consumers Association of Alberta (IPCAA)
- Alberta Direct Connect Consumers Association (ADC)

4. The AESO requested approval of its 2020 ISO tariff update application on an interim refundable basis by March 1, 2020, to implement the proposed tariff updates for an effective date of April 1, 2020.<sup>1</sup> Consequently, the Commission issued a process and schedule letter along with information requests (IRs),<sup>2</sup> dated February 19, 2020. The Commission established the process

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<sup>1</sup> Exhibit 25175-X0002, 2018 ISO Tariff Compliance Filing and Update Application, paragraph 88.

<sup>2</sup> Exhibit 25175-X0023, AUC letter - Process for comments for interim approval and IRs, and Exhibit 25175-X0024, AUC IR Round 1 to the AESO.

schedule below, to provide interveners with an opportunity to comment on whether they object to the approval of the 2020 ISO tariff update, on an interim refundable basis.

<b>Process step</b>	<b>Deadline</b>
Commission IRs to the AESO	Filed with letter
IR responses from the AESO	February 24, 2020
Registered parties comments on the AESO request	February 25, 2020

5. The Commission received comments on the AESO’s request for interim approval of its 2020 ISO tariff update from EDTI, the CCA, CanSia (on behalf of the Community Generation Working Group (CGWG)<sup>3</sup>) and DUC (on behalf of the Industrial Customers<sup>4</sup>).

6. EDTI, the CCA and CGWG did not object to the AESO’s request for the 2020 tariff update to be approved on an interim basis, while DUC objected to the request.

7. EDTI stated that it does not object to the AESO’s request for an interim decision if the Commission is able to issue its decision by March 1, 2020. EDTI added that the AESO is required to publish Rider C for the upcoming quarter 30 days prior to the start of the quarter and that Rider C depends, in part, on the ISO tariff that will be in effect during the upcoming quarter.<sup>5</sup>

8. The CCA stated that, based on its review of the application and the AESO’s responses to Commission IRs, it did not object to approval of the AESO’s requested interim rates.<sup>6</sup>

9. The CGWG stated that it “does not have any objections to the interim approval of the 2020 Update Application given that the Refiled ISO Tariff is not also proposed to be subject to interim approval.”<sup>7</sup>

10. The Industrial Customers, in its objection letter, stated that the proposed 2020 tariff rates will impose a significant cost recovery shift from bulk to point of delivery (POD). The Industrial Customers specified that the POD rate increase is a direct result of the AESO’s modifications to the cost-of-service (COS) study, in particular to the non-mechanistic update to the POD capital addition costs. The AESO’s modifications to the COS study is part of the review and variance application filed by the Industrial Customers, in Proceeding 25086. The Industrial Customers argued that the Commission should consider the issues raised in Proceeding 25086 before allowing the AESO’s proposed 2020 tariff to be implemented.<sup>8</sup>

11. The AESO submitted a letter in response to the Industrial Customers objection to the approval of the 2020 ISO tariff update application on an interim refundable basis. The AESO stated that the Commission should reject the request of the Industrial Customers. In its letter, the AESO argued that the Industrial Customers’ request for the Commission to consider the issues raised in Proceeding 25086 before allowing the AESO’s proposed 2020 tariff to be implemented

<sup>3</sup> Comprising CanSia, First Nations Power Authority, and the Alberta Community and Co-Operative Association.

<sup>4</sup> Comprising DUC, ADC and IPCAA.

<sup>5</sup> Exhibit 25175-X0035, EDTI Comments.

<sup>6</sup> Exhibit 25175-X0036, CCA Letter re AESO Request.

<sup>7</sup> Exhibit 25175-X0037, CGWG Letter - 2018 ISO Tariff Compliance Filing, paragraph 4.

<sup>8</sup> Exhibit 25175-X0038, AESO 2018 Tariff Refiling ADC DUC IPCAA Comments, paragraphs 4-8.

is equivalent to a stay request regarding the use of the AESO's 2018 Transmission System Cost Causation Study Update. The AESO noted that the Commission denied the Industrial Customers' formal request for a stay of the Commission's decision regarding the AESO's 2018 Transmission System Cost Causation Study Update in a Ruling letter dated December 16, 2019.<sup>9 10</sup>

### 3 Background

12. In Decision 2010-606,<sup>11</sup> the Commission approved the AESO's proposed methodology to complete annual tariff update filings between its major tariff applications.

13. In Decision 3473-D01-2015 (Errata),<sup>12</sup> following a compliance filing process, the Commission approved the current form of the 2014 ISO tariff, effective July 1, 2015. The AESO applied for updated 2018 bulk system, regional system and POD cost functionalization and 2018 classification as part of its 2018 comprehensive ISO tariff application, filed on September 14, 2017. The Commission issued its decision on the AESO's 2018 ISO tariff application in Decision 22942-D02-2019.<sup>13</sup> The AESO's compliance with the Commission's directions issued in that decision are currently under consideration by the Commission as part of this proceeding.

14. The Commission approved the current form of the AESO's 2019 ISO tariff, effective January 1, 2019, on a final basis in Decision 24036-D01-2018.<sup>14</sup> The AESO's 2019 ISO tariff approved in that decision reflected costs and billing determinants for the 2019 calendar year.

15. The AESO filed this annual tariff update application to reflect costs and billing determinants for the 2020 calendar year.

### 4 Details of the application

16. The tariff update application consists of formulaic updates to:

- (i) the AESO's annual revenue requirement, based on the AESO's updated forecast costs for 2020;
- (ii) rate, rider and maximum investment level amounts using the rate calculation methodology already approved by the Commission in Decision 22942-D02-2019;<sup>15</sup> and

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<sup>9</sup> Proceeding 25086, Exhibit 25086-X0008, Process schedule and ruling.

<sup>10</sup> Exhibit 25175-X0040, LT AUC re Response to Industrial Customers.

<sup>11</sup> Decision 2010-606: Alberta Electric System Operator, 2010 ISO Tariff, Proceeding 530, Application 1605961-1, December 22, 2010.

<sup>12</sup> Decision 3473-D01-2015 (Errata): Alberta Electric System Operator, 2014 ISO Tariff Compliance Filing Pursuant to Decision 2014-242 [2014 ISO Tariff Application and 2013 ISO Tariff Update, Proceeding 2718, Application 1609765-1, August 21, 2014], Module 1, Proceeding 3473, Application 1610935-1, June 17, 2015.

<sup>13</sup> Decision 22942-D02-2019: Alberta Electric System Operator, 2018 ISO Tariff Application, Proceeding 22942, September 22, 2019.

<sup>14</sup> Decision 24036-D01-2018: Alberta Electric System Operator, 2019 Independent System Operator Tariff Update, Proceeding 24036, December 18, 2018.

<sup>15</sup> Decision 22942-D02-2019, paragraph 74.

- (iii) the investment amounts first approved in Decision 22942-D02-2019<sup>16</sup> in accordance with the escalation factor described below.

17. The AESO explained that the updates proposed in the application are consistent with the tariff update methodology approved by the Commission in Decision 2010-606 and would limit potential misallocations that might occur if the AESO continued to rely on Rider C, Deferral Account Adjustment Rider, to allocate revenue and cost imbalances to market participants.<sup>17</sup>

#### 4.1 AESO's annual revenue requirement

18. The AESO's revenue requirement consists of costs related to wires, ancillary services, transmission line losses and the AESO's own administration, which include other industry costs and general and administrative costs. A comparison of the AESO's 2020 forecast, 2019 updated forecast, 2019 forecast, and 2018 and 2017 recorded costs by revenue requirement components, is reproduced in the following table.

**Table 1. Comparison of 2020 forecast to 2019 updated forecast, 2019 forecast, 2018 and 2017 recorded costs by revenue requirement components**

Cost component	2020 forecast	2019 updated forecast	2019 forecast	2018 recorded	2017 recorded
	(\$ million)				
Wires	1916.7	1846.8	1834.6	1782.5	1743.7
Ancillary services	257.8	313.8	313.8	277.8	115.0
Losses	113.5	126.1	126.1	97.1	50.4
Administrative	99.0	97.6	97.6	104.5	98.9
<b>Revenue requirement</b>	<b>2,387.0</b>	<b>2,384.3</b>	<b>2,372.1</b>	<b>2,261.9</b>	<b>2,008.0</b>

Source: Exhibit 25175-X0002, 2018 ISO Tariff Compliance Filing and Update Application, Table 4.2-1 – 2020 Forecast, 2019 Updated Forecast and Forecast, 2018 and 2017 Recorded Cost Components, page 16.

19. The 2020 forecast costs represent an increase of \$15.0 million (or 0.6 per cent) over the 2019 forecast costs included in the 2019 ISO tariff. The increase is the result of the following:<sup>18</sup>

- Increase in wires costs of \$82.1 million (4.5 per cent);
- Decrease in ancillary services costs of \$56.0 million (or -17.8 per cent);
- Decrease in losses costs of \$12.6 million (or -10 per cent); and
- Increase in administrative costs of \$1.4 million (or 1.4 per cent).

20. The AESO determined the 2020 wires costs for transmission facility owners (TFOs) using the method set out in Section 2.2.1 of the AESO's 2014 ISO tariff application and 2013

<sup>16</sup> Decision 22942-D02-2019, paragraph 201.

<sup>17</sup> Exhibit 25175-X0002, 2018 ISO Tariff Compliance Filing and Update Application, paragraphs 16-17.

<sup>18</sup> Exhibit 25175-X0002, 2018 ISO Tariff Compliance Filing and Update Application, paragraph 19.

ISO tariff update,<sup>19</sup> as approved in Decision 2010-606, referred to in Decision 2014-242, and updated in Decision 22093-D02-2017:<sup>20</sup>

- (a) If a transmission facility owner has received final Commission approval for its applicable tariff, the AESO includes the approved cost for that transmission facility owner tariff.
- (b) If a transmission facility owner has applied for its tariff, the Commission has issued an initial decision on the application, and the transmission facility owner has submitted a refiling in compliance with the decision, the AESO includes the transmission facility owner tariff costs included in the refiling.
- (c) If a transmission facility owner has applied for its tariff but the Commission has not yet issued an initial decision on the application or an initial decision has been issued but the transmission facility owner has not yet submitted its compliance refiling, the AESO includes the most recent of the following: (i) the transmission facility owner tariff costs last approved by the Commission on a final basis for the transmission facility owner plus 72% of any increase or decrease included in the transmission facility owner's tariff application above or below the prior approved costs, and (ii) the transmission facility owner tariff costs last applied-for by the transmission facility owner in a compliance refiling plus 72% of any increase or decrease included in the transmission facility owner's tariff application above or below the prior approved costs.
- (d) If a transmission facility owner has not yet applied for its tariff, the AESO includes the most recent of the following: (i) the transmission facility owner tariff costs last approved by the Commission on either a final or interim basis, and (ii) the transmission facility owner tariff costs last applied-for by the transmission facility owner in a compliance refiling.<sup>21</sup>

21. The AESO's summary of wires costs has been reproduced below:

**Table 2. AESO 2020 forecast wires costs**

Description	2020 forecast	2019 updated forecast	2019 forecast
<b>TFO wires-related costs</b>	(\$ million)		
AltaLink	859.6	857.8	875.6
ATCO Electric	706.9	686.5	692.3
Isolated Generation	(0.7)	(4.1)	(4.1)
Subtotal ATCO Costs	706.2	682.4	688.1
ENMAX Power Corporation	106.4	91.7	81.2
EPCOR Distribution & Transmission	107.9	102.7	106.2
City of Lethbridge	8.4	7.1	7.1
TransAlta Utilities Corporation	6.9	6.9	6.7
City of Red Deer	5.3	5.1	4.9
FortisAlberta (Farm Transmission)	4.8	4.8	4.7
Alberta PowerLine L.P.	106.5	83.8	55.4

<sup>19</sup> Exhibit 0026.00.AESO-2718, Alberta Electric System Operator 2014 ISO Tariff Application and 2013 ISO Tariff Update, paragraphs 53-57.

<sup>20</sup> Decision 22093-D02-2017: Alberta Electric System Operator, 2017 ISO Tariff Update, Proceeding 22093, April 4, 2017.

<sup>21</sup> Exhibit 25175-X0002, 2018 ISO Tariff Compliance Filing and Update Application, paragraph 29.



Description	2020 forecast	2019 updated forecast	2019 forecast
	(\$ million)		
<b>TFO wires-related costs</b>			
<b>Subtotal TFO wires-related costs</b>	<b>1,911.9</b>	<b>1,842.2</b>	<b>1,830.0</b>
Invitation to Bid on Credits (IBOC)	2.3	2.1	2.1
Location Based Credit Standing Offer (LBC SO)	2.5	2.5	2.5
<b>Subtotal IBOC/LBC SO costs</b>	<b>4.8</b>	<b>4.6</b>	<b>4.6</b>
<b>TOTAL WIRES COSTS</b>	<b>1,916.7</b>	<b>1,846.8</b>	<b>1,834.6</b>

Source: Exhibit 25175-X0007, Appendix D - 2020 Rate Calculations, D-1 Rev Req.

22. The AESO’s 2019 forecast of costs for ancillary services is \$257.8 million, which represents roughly 11 per cent of the AESO’s transmission revenue requirement. Ancillary services, as defined in subsection 1(1)(b) of the *Electric Utilities Act*, are services required to ensure that the interconnected electric system is operated in a manner that provides a satisfactory level of service with acceptable levels of voltage and frequency. The AESO indicated that the largest component of ancillary services costs is operating reserves, which represents the real power capability above system demand required to provide for regulation, forced outages and unplanned outages.<sup>22</sup>

23. The AESO forecast the cost of transmission line losses to be \$113.5 million in 2020, which represents about five per cent of the AESO’s transmission revenue requirement. Losses are the energy lost on the transmission system when power is transmitted from suppliers to loads. Losses are the residual of the metered generation plus scheduled imports less metered loads, less scheduled exports.<sup>23</sup>

24. The 2020 forecast cost for AESO administration is \$99.0 million, which represents approximately four per cent of the AESO’s transmission revenue requirement. The AESO Board approves the AESO’s administrative costs in their entirety and allocates administrative costs among the three functions of the AESO; namely, transmission, energy market, and load settlement. Administrative costs are defined in paragraph 1(1)(g) of the *Transmission Regulation* as follows:<sup>24</sup>

- (g) “ISO’s own administrative costs” means
  - (i) the transmission-related costs and expenses of the ISO respecting the administration, operation and management of the ISO,
  - (ii) the transmission-related costs and expenses of the ISO respecting reliability standards and reliability management systems, and
  - (iii) the transmission-related costs and expenses required to be paid, or otherwise appropriately paid, by the ISO, except for the following:
    - (A) costs for the provision of ancillary services;
    - (B) costs of transmission line losses;
    - (C) amounts payable under TFO transmission tariffs;

<sup>22</sup> Exhibit 25175-X0002, 2018 ISO Tariff Compliance Filing and Update Application, paragraph 33.

<sup>23</sup> Exhibit 25175-X0002, 2018 ISO Tariff Compliance Filing and Update Application, paragraph 35.

<sup>24</sup> Exhibit 25175-X0002, 2018 ISO Tariff Compliance Filing and Update Application, paragraphs 37-39.

## 4.2 Rate calculations and billing determinants

### Rate calculations

25. The AESO used the rate calculation methodology approved in Decision 3473-D01-2015 using the 2018 rate calculations included in Appendix B[H]<sup>25</sup> of the AESO 2018 ISO tariff filing as the template for the 2020 rate calculations. The AESO provided the 2020 rate calculations in tables D-1 through D-16 of Appendix D<sup>26</sup> to this application.

26. The AESO explained that the 2020 rate calculations use the following inputs:

- the 2020 forecast revenue requirement discussed in Section 4 of this application;
- the functionalization and classification of wires costs approved for 2020 in Decision 22942-D02-2019; and
- the 2020 forecast billing determinants prepared by the AESO.

### Billing determinants

27. The rate calculations for the 2020 rates update are based on the AESO’s forecast of billing determinants for 2020. Billing determinants are calculated using historical and year-to-date ratios between demand transmission service (DTS) energy, and each individual billing determinant.<sup>27</sup>

**Table 3. 2020 and 2019 forecast billing determinants**

Rate DTS billing determinant	Units	2020 forecast	2019 actual	Increase (Decrease)	
				Amount	%
Coincident metered demand	megawatt (MW)-months	91,210.9	93,436.3	(2,225.5)	(2.4)
Billing capacity					
• Total billing capacity	MW-months	160,561.5	159,312.7	1,248.8	0.8
• First (7.5×SF) MW	MW-months	37,281.1	36,875.0	406.1	1.1
• Next (9.5×SF) MW	MW-months	35,072.1	34,656.1	416.1	1.2
• Next (23×SF) MW	MW-months	43,920.9	43,425.9	495.0	1.1
• All Remaining MW	MW-months	44,287.4	44,355.7	(68.3)	(0.2)
Highest metered demand	MW-months	120,191.4	120,522.7	(331.3)	(0.3)
Metered energy (all hours)	gigawatt hour	61,157.4	59,652.3	1,505.2	2.5
DTS market participants	customer-months	5,477.6	5,407.4	70.2	1.3
Pool price	\$/megawatt hours	57.81	54.88	2.93	5.3

Source: Exhibit 25175-X0002, Table 4.3-3 – 2020 Forecast and 2019 Actual Billing Determinants, page 24.

28. Billing determinants changed from the 2019 forecast on which the currently approved rates were based. Consequently, the AESO’s 2020 updated rates increase 5.7 per cent overall

<sup>25</sup> Proceeding 22942, Exhibit 22942-X0004.01, Appendix H - 2018 Rate Calculations. In Exhibit 25175-X0029, IR response AESO-AUC-2020FEB19-001(a), the AESO stated “the 2018 ISO tariff template includes the Transmission Constraint Rebalancing (‘TCR’) charge, as well as a more granular presentation of revenue offsets calculations which make it a better template (or starting point) for 2020 rate calculations.”

<sup>26</sup> Exhibit 25175-X0007, Appendix D - 2020 Rate Calculations.

<sup>27</sup> Exhibit 25175-X0002, 2018 ISO Tariff Compliance Filing and Update Application, paragraphs 53-56.

from the approved 2019 rates, including an increase of 6.5 per cent to Rate DTS,<sup>28</sup> and a decrease of 9.0 per cent to Rate STS, Supply Transmission Service.<sup>29 30</sup>

### 4.3 2020 maximum investment levels

29. The tariff update includes updated investment amounts approved in the 2018 ISO tariff application and reflect an escalation factor based on a composite of specified recent inflation indices. The AESO updated the composite inflation index used for developing the POD cost function to 2020, using additional Statistics Canada cost index values and the most recent Conference Board of Canada forecast of the Alberta consumer price index. The composite inflation index values used to update the escalation factor in the application have been reproduced in the following table:

**Table 4. Composite inflation index values and escalation factor calculation**

	Year	Basis	Present value factor
2018 tariff application	2018	actual	1.6169
2019 (not applicable)	2019	forecast	1.6521
2020 tariff Update	2020	forecast	1.6935
2020 escalation factor (over 2018)			1.0473 <sup>31</sup>

Source: Exhibit 25175-X0008, Appendix E - 2020 Escalation Factor and Investment Levels, Escalation Factor.

30. The AESO applied the resulting 1.0473 escalation factor to the 2018 Rate DTS maximum investment levels to determine the 2020 Rate DTS maximum investment levels, which resulted in an increase to the 2020 maximum investment levels, as set out in the table below:

**Table 5. Calculation of 2020 maximum investment levels**

Tier	Rate DTS investment	Primary Service Credit (PSC) factor	Rate PSC investment
<b>2018 maximum investment levels</b>			
Substation fraction (for new points of delivery)	\$100,400/year	21%	\$21,080/year
First (7.5 × substation fraction) MW of contract capacity	33,050/MW/year	21%	\$6,940/MW/year
Next (9.5 × substation fraction) MW of contract capacity	\$19,600/MW/year	21%	\$4,120/MW/year
Next (23 × substation fraction) MW of contract capacity	\$13,150/MW/year	21%	\$2,760/MW/year
All remaining MW of contract capacity	\$8,050/MW/year	0%	\$0/MW/year
<b>2020 escalation factor (over 2018)</b>		<b>1.0473</b>	
Tier	Rate DTS investment	Primary Service Credit (PSC) factor	Rate PSC investment
<b>2020 maximum investment levels</b>			

<sup>28</sup> Exhibit 25175-X0002, 2018 ISO Tariff Compliance Filing and Update Application, Table 4.3-5 – Increase (Decrease) for 2020 Rate DTS Components.

<sup>29</sup> Exhibit 25175-X0002, 2018 ISO Tariff Compliance Filing and Update Application, Table 4.3-7 – Increase (Decrease) for 2020 Rate STS Components.

<sup>30</sup> Exhibit 25175-X0002, 2018 ISO Tariff Compliance Filing and Update Application, paragraph 62.

<sup>31</sup> = 1.6935 / 1.6169 = 1.0473

Substation fraction (for new points of delivery only)	\$105,150/year	21%	\$22,080/year
First (7.5 × substation fraction) MW of contract capacity	\$34,600/MW/year	21%	\$7,270/MW/year
Next (9.5 × substation fraction) MW of contract capacity	\$20,550/MW/year	21%	\$4,320/MW/year
Next (23 × substation fraction) MW of contract capacity	\$13,750/MW/year	21%	\$2,890/MW/year
All remaining MW of contract capacity	\$8,450/MW/year	0%	\$0/MW/year

Source: Exhibit 25175-X0008, Appendix E - 2020 Escalation Factor and Investment Levels, 2020 Investment.

## 5 Commission findings

31. The Commission, in Decision 2010-606, approved an approach that included filing comprehensive tariff applications every three years and, in conjunction with this, filing annual tariff updates. The Commission stated that it considered an annual revenue requirement and rate update may benefit customers by limiting potential misallocations that might occur if the AESO were to rely on Rider C exclusively to allocate periodic revenue and cost imbalances to its customers.<sup>32</sup>

32. The scope of the annual tariff updates includes the following three components:<sup>33</sup>

- an annual revenue requirement update using the wires cost forecast methodology described in section 2.2 of the Application, plus forecasts for ancillary services costs, losses costs and administration costs approved by the AESO Board for the forecast year;
- revised rate levels for each AESO rate calculated from the forecast revenue requirement and forecast billing determinants using rate calculations and the rate design approved in the most recent comprehensive tariff application; and
- annual updates to investment amounts approved in the most recent comprehensive tariff, reflecting an escalation factor based on the most recent Conference Board of Canada Alberta consumer price index (CPI).

33. The AESO has included the 2020 wires costs for transmission facility owners using the approach described in the AESO's 2014 ISO tariff application and 2013 ISO tariff update,<sup>34</sup> approved in Decision 2010-606, referred to in Decision 2014-242 and updated in Decision 22093-D02-2017.

34. The Commission recognizes that the AESO's 2020 forecast for ancillary services, losses and administrative costs included in this application have yet to be approved by the AESO board

<sup>32</sup> Decision 2010-606, paragraph 547.

<sup>33</sup> Decision 2010-606, paragraph 537.

<sup>34</sup> Exhibit 0026.00.AESO-2718, Alberta Electric System Operator 2014 ISO Tariff Application and 2013 ISO Tariff Update, dated July 19, 2013, paragraphs 53-57.

as final. The AESO has proposed to file a letter to advise the Commission of AESO board approval once it has been received.<sup>35</sup>

35. A Commission IR asked why the AESO had not used the 2014 rate calculations included as Appendix B of the AESO 2014 ISO tariff compliance filing as the template for the 2020 rate calculations, given that the 2018 ISO tariff does not come into effect until the approval of the AESO's compliance with Decision 22942-D02-2019. The AESO responded:

The AESO chose to use Exhibit 22942-X0004.01, Appendix H - 2018 Rate Calculations, from Proceeding 22942 (AESO 2018 ISO Tariff) as a template (starting point) because it required fewer modifications to create the 2020 rates calculations workbook. The AESO considers it appropriate to use the functionalization and classification of bulk, regional, and point of delivery costs approved in Decision 22942-D02-2019 to calculate 2020 rates because, while the 2018 ISO tariff is not yet effective, the 2020 rates update is subject to the Commission's approval in this Proceeding 25175.

Additionally, in accordance with the approach approved in Decision 2010-606, annual tariff update applications involve updates to rate levels using rate calculations and rate design approved in the most recent comprehensive tariff application. The AESO generally applies for tariff updates following and between its major tariff applications. For purposes of the AESO's 2020 rates update, the rate calculations and design were most recently approved in Decision 22942-D02-2019, which was issued in September 2019. [footnote removed]

The AESO considers it appropriate and efficient for the 2020 rates update to be based on the 2018 ISO tariff template.<sup>36</sup>

36. The Commission agrees with the AESO's response that it is more appropriate and efficient for the 2020 tariff rates to be based on updates in Exhibit 22942-X0004.01, Appendix H - 2018 Rate Calculations, from Proceeding 22942. This will allow the AESO to implement the proposed 2020 tariff updates, consistent with the functionalization and classification of bulk, regional and POD costs that were approved in Decision 22942-D02-2019.

37. The Industrial Customers objected to the AESO's request to have its 2020 ISO tariff update approved on an interim refundable basis, effective April 1, 2020. The Industrial Customers noted that the AESO's modifications to the COS study are part of the review and variance application filed by the Industrial Customers, in Proceeding 25086. The Industrial Customers argued that the Commission should consider the issues raised in Proceeding 25086 before allowing the AESO's proposed 2020 tariff to be implemented.

38. The Commission rejects the Industrial Customers' suggestion that the Commission should consider the issues raised in Proceeding 25086 before allowing the AESO's proposed 2020 tariff to be implemented. The functionalization and classification of bulk, regional and POD costs approved in Decision 22942-D02-2019 are to be applied by the AESO, unless Decision 22942-D02-2019 is varied.

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<sup>35</sup> Exhibit 25175-X0002, 2018 ISO Tariff Compliance Filing and Update Application, paragraph 26.

<sup>36</sup> Exhibit 25175-X0029, AESO-AUC-2020FEB19-001 and 002, AESO-AUC-2020FEB19-001(c), PDF page 3.

39. For the reasons provided above, the AESO’s 2020 ISO tariff update application is approved, on an interim refundable basis, pending release of the Commission’s final decision in this proceeding.

## **6 Order**

40. It is hereby ordered that:

- (1) The Alberta Electric System Operator’s 2020 ISO tariff update application, as applied for, is approved, on an interim refundable basis, effective April 1, 2020.

Dated on February 28, 2020.

### **Alberta Utilities Commission**

*(original signed by)*

Mark Kolesar  
Chair

*(original signed by)*

Henry van Egteren  
Vice-Chair

*(original signed by)*

Tracee Collins  
Commission Member

## Appendix 1 – Proceeding participants

<b>Name of organization (abbreviation) Company name of counsel or representative</b>
Alberta Electric System Operator (AESO)
Consumers' Coalition of Alberta (CCA)
Greengate Power Corporation
EPCOR Distribution & Transmission Inc. (EPCOR)
University of Alberta
Heartland Generation Ltd.
AltaLink Management Ltd. (AltaLink)
Canadian Solar Industries Association (CanSia)
Kalina Distributed Power
BluEarth Renewables Inc.
Dual Use Customers (DUC)
Industrial Power Consumers Association of Alberta (IPCAA)
Alberta Direct Connect Consumers Association (ADC)

<p>Alberta Utilities Commission</p> <p>Commission panel</p> <ul style="list-style-type: none"> <li>M. Kolesar, Chair</li> <li>H. van Egteren, Vice-Chair</li> <li>T. Collins, Commission Member</li> </ul> <p>Commission staff</p> <ul style="list-style-type: none"> <li>C. Wall (Commission counsel)</li> <li>S. Sajnovics (Commission counsel)</li> <li>C. Strasser</li> <li>J. Halls</li> </ul>
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