

Mandate and Roles Document

*As required by the Alberta Public Agencies
Governance Act*

ALBERTA ELECTRIC SYSTEM OPERATOR

Contents

- ALBERTA ELECTRIC SYSTEM OPERATOR – Mandate and Roles Document 2
 - 1.0 Preamble 2
 - 2.0 Background, Legislation, and Mandate..... 2
 - 3.0 Accountabilities..... 3
 - 4.0 Roles and Responsibilities..... 4
 - 5.0 Recruitment, Orientation and Training and Evaluation 6
 - 6.0 Code of Conduct 8
 - 7.0 Interaction and Communications 8
 - 8.0 Committees of the AESO Board 12
 - 9.0 Financial, Staffing, and Administrative Arrangements..... 13
 - 10.0 Planning and Reporting 14
 - 11.0 Administration 14

ALBERTA ELECTRIC SYSTEM OPERATOR – Mandate and Roles Document

1.0 Preamble

This Mandate and Roles Document was developed collaboratively between the Minister and the Independent System Operator. It is intended to satisfy the requirements of the *Alberta Public Agencies Governance Act* (APAGA) and reflects a common understanding of the authority, respective roles, and responsibilities of the parties.

This document is not intended to replace the ongoing dialogue at the staff, Deputy Minister, Chief Executive Officer (CEO), Chair, and Minister levels that is expected and required to ensure that the AESO and the Government of Alberta (GOA or Government) are operating collaboratively, where appropriate, and effectively.

Unless otherwise stated, terms used in this document that are defined in the APAGA, *Interpretation Act*, or the *Electric Utilities Act* (EUA) have the same meanings as defined in those Acts.

In this document, the term “Minister” refers to the Minister of Energy and “Department” refers to the Department of Energy, except where otherwise specified. Under the *Government Organization Act*, the Minister may delegate any power, duty and function of the Minister under that Act or any other legislation to any person. Wherever the Minister is referred to in this document, the Deputy Minister may act or the Minister may designate officials to act in the Minister’s place in respect of the power, duty or function for which the reference to the Minister is made.

2.0 Background, Legislation, and Mandate

2.1 Background

The Independent System Operator is a corporation established under and subject to the EUA. The Independent System Operator carries on business as the Alberta Electric System Operator or AESO.

The AESO is responsible for providing for the safe, reliable and economic operation of the Alberta interconnected electric system (AIES) and for promoting fair, efficient and openly competitive markets for electricity, in accordance with applicable legislation. The AESO’s mandate is described further below.

The AESO is a “public agency” within the meaning of APAGA (APAGA Agency).

The AESO interacts with the Department, other GOA departments, and other public agencies where appropriate in carrying out its legislated mandate.

2.2 Legislation

The governing statutes and regulations in force during the term of this document define the AESO's mandate. A list of statutes of particular application to the AESO is set out below. This list is not exhaustive, it does not include all applicable regulations and may change during the term of this document.

- EUA;
- APAGA;
- *Alberta Utilities Commission Act*;
- *Conflicts of Interest Act*;
- *Freedom of Information and Protection of Privacy Act*;
- *Hydro and Electric Energy Act*;
- *Public Sector Compensation Transparency Act*;
- *Reform of Agencies, Boards and Commissions Compensation Act (RABCCA)*; and
- *Renewable Electricity Act (REA)*;
- *Transmission Regulation*; and
- *Utility Payment Deferral Program Act*.

2.3 Mandate

Two statutes, the EUA and certain regulations made under it, principally the *Transmission Regulation*, together with the REA, establish the mandate of the AESO. The AESO's mandate can be briefly described as follows:

- Being responsible for the safe, reliable and economic operation of the AIES;
- Facilitating the operation of a fair, efficient and openly competitive electricity market, including financial settlement;
- Assessing the current and future needs of market participants (individuals and entities that supply, generate, transmit, distribute, trade, exchange, purchase or sell electricity) and planning the transmission system to meet those needs;
- Providing open and non-discriminatory access to the transmission system for market participants, including generation and distribution entities and large industrial consumers of electricity; and
- Administering legacy Renewable Electricity Program support agreements.

The AESO does not have any adjudicative functions as defined in the APAGA.

3.0 Accountabilities

The AESO is accountable to the Minister to ensure that it fulfills its mandate and for carrying out the roles and responsibilities assigned to the AESO under the statutes, this document, and the applicable GOA policies.

The EUA sets out the manner in which the AESO must carry out its responsibilities. Section 16 of the EUA imposes a duty on the AESO to act in timely manner that is fair and responsible.

The APAGA describes some general responsibilities of an APAGA Agency. In particular, as an APAGA Agency, the AESO shall:

- Make all reasonable efforts to fulfill its mandate;
- Participate with the Minister in setting its long-term objectives and any short-term targets, if any;
- Monitor its activities for the purpose of ensuring that the agency is:
 - i. Acting within its mandate;
 - ii. Acting in accordance with any policies set by Minister under section 10 of the APAGA (APAGA ministerial policy) and any regulations respecting those policies; and
 - iii. Achieving its long-term objectives and any short-term targets, if any.
- Inform the Minister respecting its significant activities and operations and any significant events that may affect those activities or operations; and
- Discharge any other responsibilities set out in the regulations made under APAGA.

In accordance with the EUA, any person may make a written complaint about the conduct of the AESO to the Alberta Utilities Commission (Commission). The Commission has the authority, when considering a complaint against the AESO, to dismiss the complaint, direct the AESO to change its conduct or refrain from the conduct that is the subject of the complaint.

The AESO may provide advice or comments in response to a request by the Minister and may volunteer to provide advice or comments to the Minister on any matter respecting the development, establishment, amendment, termination or repeal of any enactment, program, directive, guideline or policy that is related to the AESO's mandate.

4.0 Roles and Responsibilities

4.1 Chair

The Chair of the AESO Board (Chair) is designated by the Minister from among the Members of the AESO Board (members). The Chair represents the AESO and its interests as the primary liaison in dealing with the Minister.

The Chair, subject to the direction of the AESO Board, carries out a number of duties and responsibilities, including without limitation, maintaining a sound governance framework, fostering ethical and responsible decision making by the AESO Board, providing advice, counsel and mentoring to the CEO and overseeing AESO Board functions and operations.

4.2 Board and Board Members

The EUA provides that the Minister shall appoint qualified individuals to serve for specified terms as members who are independent of any person who has a material interest in the Alberta electric industry.

Each member, in carrying out their duties, responsibilities or functions as a member, must:

- Be independent of any person who has a material interest in the Alberta electric industry;
- Act honestly, in good faith and in the public interest;
- Avoid conflicts of interest; and
- Exercise the care, diligence and skill that a reasonably prudent individual would exercise in comparable circumstances.

The members are collectively referred to as the “AESO Board” and function as the AESO’s board of directors. The main role of the AESO Board is to oversee the “business and affairs” of the AESO with the day-to-day functioning of the AESO under the care of the CEO. AESO should have policies and effective systems in place to verify that travel, meal, and hospitality expenses of employees comply with established policies. The AESO Board’s responsibilities stem primarily from the AESO’s mandate and its governance is established, principally, from AESO Bylaws and other governance documents. The AESO Bylaws are made available to the public on the AESO website, www.aeso.ca.

The primary channel of communication is between the Minister of Energy and the AESO Board.

4.3 Chief Executive Officer

The AESO Board appoints the CEO, who also serves as President. The CEO reports to the AESO Board and is delegated certain duties and responsibilities by the AESO Board. The CEO has the responsibility and accountability to the AESO Board for the successful operation of the AESO in accordance with its mandate and good business practices. The CEO, as the leader of the AESO executive team, is accountable for the development of organizational strategic plans, business plans and goals, budgets, compensation management, the risk identification and management program, corporate policies, internal controls, and operating plans.

4.4 Minister

The GOA has designated the Minister be responsible for the Department of Energy to be responsible for the AESO. The Minister’s legislated duties and responsibilities in respect of the AESO are specified in the EUA, REA as well as in the APAGA.

The APAGA sets out some particular responsibilities of the Minister regarding public agencies under their responsibility, in this instance AESO.

The Minister shall:

- Participate with the AESO in setting the public agency’s long-term objectives and its short-term targets, if any,
- Advise the public agency, as the Minister considers appropriate, respecting any government policies applicable to the public agency or its activities or operations, and
- Monitor whether the public agency is:
 - Acting within its mandate, and
 - Achieving its long-term objectives and short-term targets, if any.

The Minister may:

- Consult with the AESO and request its advice or comments on any matter respecting the development, establishment, amendment, termination or repeal of any enactment, program, directive, guideline or policy that is related to the AESO's mandate; and
- Set policies that must be followed in accordance with APAGA by the AESO in carrying out its powers, duties and functions.

Other responsibilities of the Minister in relation to the APAGA are described further in this document.

4.5 Deputy Minister

The Deputy Minister of Energy (Deputy Minister) is the deputy head of the Department and acts under the general direction of the Minister to advance the mandate of the Department and the Government. Under section 21 of the *Interpretation Act*, where an enactment directs or empowers the Minister to do something, or otherwise applies to the Minister, this includes the Deputy Minister or a designate, excepting only the authority to enact a regulation as defined in the *Regulations Act*.

The Deputy Minister will coordinate their actions and will work with the Chair and the CEO, as appropriate, respecting the development and implementation of GOA, the Department and AESO policies, priorities, business plans, resources, budget, and other matters of mutual interest.

The Deputy Minister has a supportive role to the Premier, Minister, and Executive Council that includes overseeing the operations and performance of AESO, to ensure they are operating effectively and in accordance with their mandates. This requires the Deputy Minister to be fully aware of what agencies, including the AESO, are doing and how they are doing it, managed through strong working relationships and direct communication with the Chair and the CEO.

5.0 Recruitment, Orientation and Training and Evaluation

5.1 Recruitment

The GOA will use a competency-based process for the appointment of members to public agencies. Recruitment processes for Alberta's public agencies are centrally coordinated by the Public Agency Secretariat.

Recruitment of members is governed by the Alberta Public Agencies Governance Framework for appointments to Alberta's Public Agencies, section 13 of APAGA and GOA procedures for finalizing agency board appointments, which may include Cabinet review.

The AESO Board recommends to the Minister individuals to be appointed as members, and may recommend to the Minister an individual to be designated as Chair when a Chair needs to be designated. The recommended individuals must be qualified pursuant to the EUA, which requires that, the individuals, in the opinion of the Minister:

- are independent of any person who has a material interest in the Alberta electric industry; and

- will enhance the performance of the AESO in exercising its powers and carrying out its duties, responsibilities and functions.

A competency-based process is used for the appointment of members to public agencies. The recruitment process takes into account the skills, knowledge, experience or attributes required and selection is based on the assessment of the extent to which the person possesses these characteristics.

The profiles of qualified candidates, along with the documented recruitment process, AESO Board recommendations and any additional information required, are sent to the Minister for consideration and selection.

5.2 Appointment

Up to nine members are appointed by Ministerial Order, according to the criteria listed in Section 8 of the EUA, Sections 14 and 15 of the APAGA, and in accordance with the Alberta Public Agencies Governance Framework and GOA procedures for finalizing agency board appointments, which may include Cabinet review.

Remuneration for members is based on criteria set out in the AESO Bylaws.

5.3 Term of Office

In accordance with Section 8 of the EUA, a member is eligible to be appointed for a term of not more than three years, and a member is eligible to be appointed for not more than three terms.

A member continues to hold office after the expiry of the member's term until the member is reappointed, the member's successor is appointed or a period of three months has elapsed, whichever occurs first. Notwithstanding the foregoing, a Member may resign before the end of their term and such resignation is deemed to terminate their appointment in accordance with Section 20(3.1) of the *Interpretation Act*.

5.4 Remuneration

The AESO must establish remuneration rates for its members in accordance with the requirements in the EUA. Such remuneration rates are set out in the AESO Bylaws, which are published on the AESO website. Annual payments to members are also disclosed to the public on the AESO website in accordance with the *Public Sector Compensation Transparency Act*, which applies to agencies, boards and commissions governed by APAGA.

As the AESO is in the midst of transitioning to RABCCA, fiscal prudence will continue to be observed during this period.

5.5 Orientation, Training and Development

The AESO Board, with support of AESO management, delivers an orientation program for newly appointed members. The orientation program is structured as a combination of self-guided and one-on-one presentations. In addition, the AESO Board has established an education program available to members wanting to enhance their knowledge and/or skill in matters relevant to the AESO and their responsibilities as a member.

5.6 Evaluation of Members

The AESO Board annually conducts a self-assessment of its operations including assessments of the Chair, members and AESO Board Committees. The AESO Board annually meets to review these assessments, identifies measures to improve performance and implements and monitors those measures.

6.0 Code of Conduct

The AESO maintains a Code of Conduct, available on its public website, regarding conflicts of interest as well as other ethical matters. Where conflicts, real or apparent may arise, it is each employee and member's responsibility to offer full disclosure as soon as they become aware of such conflict. The Chair, or another person designated to deal with the matter, will assess any real or apparent conflict and a decision will be rendered on behalf of the organization as to how any conflict will be resolved.

All new members, employees and contractors are required to read and acknowledge their understanding of the AESO Code of Conduct as part of their orientation to the AESO. As well, all members, employees and contractors are required to confirm compliance with the AESO Code of Conduct, or identify exceptions, on an annual basis.

In addition, the AESO Board has established a Complaints Procedure that provides for a confidential process to report complaints about the AESO or its staff, without fear of reprisal.

The AESO Code of Conduct is available as part of the AESO Bylaws which are posted on the AESO website, www.aeso.ca.

7.0 Interaction and Communications

7.1 Interaction

The AESO's most common and ongoing interactions with the GOA are with the Department of Energy. In general, the Chair and the CEO will discuss and agree on these interactions, as well as emerging issues, with the Minister (or representative) and/or Deputy Minister, as applicable.

Where there are significant financial, policy, or other issues with implications for the AESO, electricity industry or the GOA, the Chair, the CEO, the Minister (or representative), and/or the Deputy Minister, as applicable, will attempt to resolve them through collaboration. Outcomes must be consistent with governing statutes and other legislation and GOA objectives, efficient, and cost effective.

The requirement of interaction between the Minister and the AESO is not intended to impede the ability of either the GOA or the AESO in the timely execution of their respective mandates and taking appropriate action whenever it is required.

Such interactions may include the following:

- Collaboration on development of regulatory instruments to ensure shared outcomes are achieved and regulations are consistent, compatible, efficient, cost effective, and clear;
- Regular contacts between the Minister and AESO Board;
- Ongoing interactions with their respective staff to ensure efficient and effective work processes;
- Annual or semi-annual meetings between the AESO Board and the Minister and/or official of the Department;
- Reviewing the AESO's annual business plan and budget with the Minister and participation by the Minister with the AESO in setting the AESO's long-term objectives and short-term targets, if any;
- The filing of the annual report with the Minister;
- Advising on key GOA policies which have a significant impact on the AESO's performance;
- Advising on changes to current GOA policies; and
- Advising on changes to AESO business plan and budget.

The AESO and the Department may collaborate and cooperate with each other in the execution of their respective roles, facilitating work through:

- Periodic meetings with other electricity agencies chaired by an Assistant Deputy Minister of the Department (ADM) or other Executive, to allow for updates, understanding of common concerns, and coordination; and
- Collaboration on issues with implications to the AESO, the electric industry or GOA to ensure shared outcomes, such as agency alignment, are achieved that are compatible, efficient, cost effective, and consistent with legislation and GOA objectives.

7.2 Information Sharing and Advisory Services

The purpose of this document is to ensure that the AESO and the Minister are working together to achieve the goals under APAGA and effectively satisfying the AESO's mandate under the EUA. This includes a clear recognition that the GOA will determine GOA policy and that, where the AESO has concerns and wants to engage on GOA policy, there will be joint processes to facilitate input, collaboration, advice and direction.

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The Department, other GOA departments, sector agencies, and the AESO have regular and *ad hoc* needs for information, advice, or expertise from one another in policy, in the development of statutes and regulations, and in day-to-day operations.

The primary focus of the information, advice, and expertise sharing between the AESO and the Department is:

- To provide status of the AESO and its reliable operation;
- To provide status of renewable electricity programs including any relevant data or performance metrics;
- To discuss and provide input into GOA policy proposals;
- To provide analysis of GOA policies and issues which have implications for the AESO, industry, or stakeholders;
- To disseminate information regarding the AESO and its role in Alberta's competitive electricity market, as appropriate;
- To coordinate with other GOA departments and sector agencies respecting electric industry and related matters;
- To collect, record and disseminate information regarding electricity system costs in Alberta, as appropriate; and
- To collect, record and assess information and data on market performance of the electricity market and renewable electricity programs and other industry activities, as appropriate.

Pursuant to the EUA, the AESO must provide the Minister with reports and information that the Minister may request. In addition to this, Sections 8 and 9 of APAGA set out the circumstances when the Minister may request information from the AESO.

In circumstances where the Minister requests records or information that are commercially sensitive, confidential or may form the basis an investigative or enforcement action, the AESO will inform the Minister of its concerns and offer alternative solutions to assist the Minister for considering his or her request.

In addition to complying with information requests made under the EUA or APAGA, the GOA's requirements for new or *ad hoc* AESO information, advice, and expertise should, where possible, be anticipated and identified in ongoing planning and budget processes to prevent avoidable negative impacts on regular AESO services to industry, GOA, and public stakeholders.

7.4 Communications

The Minister, the AESO Board, the Chair, and the CEO each have a role to play in ensuring the fulfillment of the AESO's mandate and alignment with the objectives of the GOA.

The Minister, through their delegates, and through the efforts of the Department:

- Informs the AESO of GOA policies, legislation and direction affecting AESO operations and responsibilities; and
- Informs the AESO of, and makes available to the public, any APAGA ministerial policy that must be followed by the AESO in carrying out its powers, duties and functions.

The Chair, through the CEO, and through the efforts of the AESO staff:

- Provides the Minister with advice on matters requested by the Minister or as deemed appropriate by the AESO Board; and
- Advises the Minister and Department prior to making news releases, to ensure the Minister and Department are aware of and prepared for any necessary response.

The Chair, CEO, Minister, and Deputy Minister are committed to the timely exchange of information and effective consultation, where appropriate and necessary, to enable the fulfillment of their respective responsibilities. They will communicate frequently to ensure, to the best of their ability, that there are no surprises between the Department and the AESO on finances, appointments processes, or significant files or issues.

External communications shall be coordinated, whenever practicable, between the Department's communication staff and AESO communication staff so that proper planning and review can occur before information is communicated. Communications should be timely, clear, transparent, and constructive.

8.0 Committees of the AESO Board

The AESO is accountable for establishing and ensuring adherence to a sound and robust governance framework, including compliance with the APAGA. To address this responsibility, the AESO Board may establish one or more internal committees comprised of members as it considers necessary and appropriate to support the governance responsibilities of the AESO Board.

The list of current AESO Board committees is updated as required from time to time and is posted on the AESO website, www.aeso.ca. At the time of signing of this document, the AESO has established the following committees:

- Audit Committee,
- Human Resources Committee,
- Governance and Nominations Committee, and
- Power System Committee.

8.1 Audit Committee

The Audit Committee provides consultation, advice and recommendations to the AESO Board on financial reporting matters, systems of internal controls, systems for managing risk within its mandate, the external and internal audit processes, and the AESO's process for monitoring compliance with laws and regulations.

8.2 Human Resources Committee

The Human Resources Committee provides consultation, advice and recommendations to the AESO Board with respect to human resources matters and management compensation, and managing risk within its mandate. This encompasses AESO executive compensation, including the CEO, officer selection, succession planning and human resources programs and practices.

8.3 Governance and Nominations Committee

The Governance and Nominations Committee provides consultation, advice and recommendations to the AESO Board regarding compliance with legislation, member compensation, AESO Board succession planning and enhancement of the AESO's corporate governance practices and managing risk within its mandate as well as nomination of members for appointment by the Minister. This includes the annual review of AESO governance documents and processes, member orientation and ongoing education, AESO Board performance assessments and best practices in governance matters.

8.4 Power System Committee

The Power System Committee provides advice and makes recommendations to the AESO Board regarding transmission, markets and operations matters, including the AESO Competitive Process and the Renewable Electricity Program as well as for managing risk within its mandate.

9.0 Financial, Staffing, and Administrative Arrangements

9.1 Financial

The AESO is required by the EUA to be managed so that on an annual basis no profit or loss results from its operations. It is also required to prepare a budget for each fiscal year and to appoint an independent auditor to review and audit its financial statements. It derives its revenue from electricity market participants through an AESO Tariff, which must be approved by the Commission, and through a trading charge and load settlement charge, both of which are approved by the AESO Board. While the AESO does not currently receive any funding from the GOA, the REA provides that the AESO can recover a shortfall in its prudent costs and expenses from the GOA in relation to its duties under that act.

9.2 Audit

The AESO is required by the EUA to have an independent auditor review and audit its annual financial statements and to file those audited financial statements with the Minister, annually, within 120 days after the end of the AESO's fiscal year. The AESO is also required by the EUA to prepare and have audited financial statements relating to any part of its business and affairs for any period of time specified by the Minister.

The AESO shall ensure that an adequate system of books and records in respect of the financial affairs of the AESO is installed and maintained in accordance with generally accepted accounting principles in Canada.

9.3 Staffing

The AESO is not subject to the *Public Service Act* and retains staff and other resources as it deems appropriate on terms and conditions it determines. AESO human resource matters are overseen by the AESO Board and one of its Committees and are carried out by the CEO and other AESO management.

The Minister expects the AESO's staffing and human resource management systems to reflect prudent fiscal management and to comply with the RABCCA and related regulations.

10.0 Planning and Reporting

As noted above, the AESO is required by legislation to establish an annual budget. AESO management undertakes an annual business plan and budget planning process that includes consultation with AESO stakeholders through a separate process called the “Budget Review Process” (BRP). A copy of the BRP documentation is available on the AESO website, www.aeso.ca.

The BRP provides an opportunity for interested stakeholders to appear before the AESO Board to provide comments on the AESO’s proposed annual business plan and budget for the AESO Board to consider when rendering a decision to approve the proposed business plan and budget. Subsequent to the stakeholder presentations, the proposed annual business plan and budget is presented to the AESO Board for approval by AESO Management. Once approved, the AESO Board issues its decision with regard to the annual business plan and budget on the AESO website, www.aeso.ca.

Respecting the Minister’s responsibilities identified in Section 6 of the APAGA, each year the AESO shares its business plan and budget with the Minister and participates with the Minister in setting its long-term objectives and short-term targets, if any.

As noted above in section 9.2 *Audit*, within 120 days after the end of each fiscal year, the AESO shall deliver an annual report to the Minister with respect to its annual audited financial statements, which report also includes a report on its business and affairs. Although not required by law to do so, the AESO regularly reports to and communicates with AESO stakeholders regarding matters pertinent to its mandate.

The AESO maintains records of its affairs in accordance with applicable legislation and good business practices.

In support of the GOA’s commitment to reducing regulatory requirements, agencies must provide a red tape reduction annual plan outlining their efforts to reduce red tape and achieve a 33 per cent reduction by 2023 to the Department of Energy. Agencies must provide updates to this plan through monthly progress reports solicited by the Department of Energy.

11.0 Administration

11.1 Review of the Mandate and Roles Document

This Mandate and Roles Document must be reviewed by the Minister and the AESO and renewed, amended or replaced within three years after the date it is signed.

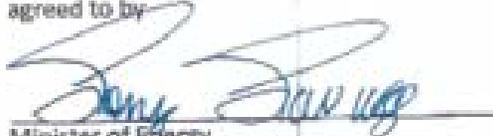
A review of the AESO’s mandate and operations will be carried out every seven years by the Minister in accordance with the APAGA.

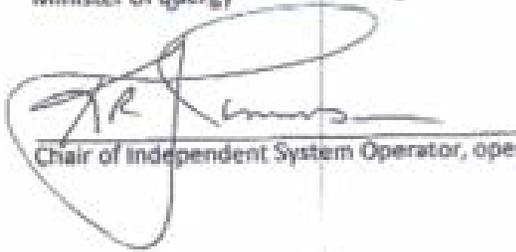
11.2 Transparency

A copy of the AESO Mandate and Roles Document will be available to the public on the AESO’s website, www.aeso.ca and on the Public Agency Secretariat website.

11.3 Signatures

This AESO Mandate and Roles Document signed this 23rd day of June, 2021, is accepted and agreed to by


Minister of Energy


Chair of Independent System Operator, operating as Alberta Electric System Operator