

February 22, 2018

Dear Market Participants:

Re: Proceeding 22942 – Update Regarding Consultation on 12 Coincident-peak Method and Refunding FortisAlberta Customer Contributions by AltaLink

On January 30, 2018, the Alberta Electric System Operator (“AESO”) posted a letter to its website inviting comments from market participants regarding the AESO’s proposed consultation process to address the Alberta Utilities Commission (“AUC”) direction in its January 19, 2018 letter¹ regarding (1) the coincident metered demand rate design (“12 CP”) and (2) the distribution facility owner (“DFO”) customer contribution issues. The AESO also requested market participants to indicate whether they intend to participate in the proposed process and to what extent.

Twenty (20) parties responded and all, except one who was silent on the issue, indicated that they would participate if the AESO moves forward with the proposed process. Concurrent with posting this letter, the AESO is also posting a matrix that summarizes the comments received by the AESO, either directly or filed with the AUC.²

Only two parties expressed any concern with the proposed process – EPCOR Distribution and Transmission Inc. (“EPCOR”) and the Office of the Utilities Consumer Advocate (“UCA”).

EPCOR suggests that the AESO’s proposed process is not consistent with the AUC’s direction in its January 19, 2018 letter regarding the AESO being given time to conduct an analysis, consult with parties and prepare evidence on the issues of the 12 CP method and, if necessary, the DFO customer contribution issue. EPCOR expresses surprise that the AESO would initiate a process that does not contemplate the AESO providing any analysis to parties. Further, EPCOR claims that the proposed process contemplates steps that appear “to be little more than a duplication of the [AUC’s] regulatory approval process, with participants being subject to questioning by other parties and potentially being required to provide follow-up information.”

The UCA suggests that the AESO is “requiring” parties to “file a written submission and/or analysis in advance of the sessions and prior to the AESO amending its application.”

¹ Exhibit 29242-X0112.

² The Office of the Utilities Consumer Advocate and the Consumers Coalition of Alberta filed their responses in Proceeding 22942, as Exhibit 22942-X0117 and Exhibit 22942-X0118, respectively.

It appears to the AESO that there has been a misunderstanding by these two parties regarding the AESO's intentions for the proposed consultation process. The AESO is not purporting to "require" parties to participate or make presentations in the consultation process, or to duplicate the AUC process.

The high level intention of the consultation process is to provide participants with an opportunity for direct discussions with other participants and the AESO in order to express any concerns they may have and present information that they believe will be of value in supporting their views. The AESO has not conducted any further analyses or developed any alternative position beyond what was presented in the AESO's 2018 comprehensive ISO tariff application. Information and analysis presented by participants will assist the AESO in assessing whether a change to the 12 CP methodology or the DFO customer contribution policy is warranted.

Whether and how participants present information is entirely within their own discretion. There is no requirement for any party to present its views and, for those who wish to make presentations, the degree of participation could range from simply providing high level thoughts in a PowerPoint presentation to providing analysis that could be used in a regulatory filing.

The process proposed by the AESO in its January 30, 2018 letter was seen by the AESO as the most efficient process to:

- (a) engage with interested parties;
- (b) provide participants with the opportunity, but not an obligation, to share their views and, if they wish, explain the reasons for holding those views;
- (c) consider any analysis that participants may have conducted to this point;
- (d) provide participants with the opportunity to ask questions and gain clarity regarding the concerns or positions of other participants;
- (e) provide the opportunity to request additional data from the AESO;
- (f) provide the opportunity to request that the AESO conduct and provide analysis; and
- (g) assist, in the most efficient and timely manner and having regard to the views of participants, the AESO in developing its position regarding the 12 CP and DFO customer contribution issues and prepare and file evidence regarding those matters.

The AESO considers its proposed process to be consistent with the AUC's January 19, 2018 ruling.

Having regard to the level of interest of parties to participate in the process, the AESO has decided to move forward with its proposed approach. The AESO will however be splitting the two issues into two separate sessions. Set out below are the first consultation process steps and dates:

Issue 1: 12 CP Methodology

1. March 12, 2018 - 9 am to 3 pm (detailed agenda to follow)
2. March 26, 2018 - 9 am to 3 pm (agenda to be determined at end of March 12 session)

Issue 2: DFO Customer Contribution Issue

1. March 5, 2018 - 1 pm to 3 pm

Please RSVP to isotariffnotice@aeso.ca with information regarding who will be attending from your company/association and, if you indicated that you were going to present information at the initial session, the amount of time you will require, including allowing time for questions, and the type of audio/visual tools that you will require. A detailed agenda will follow once the AESO has a final listing of attendees and presentation times.

It should also be noted that some parties, in their comments regarding the AESO's proposed process, raised issues that are outside the scope of the 12 CP and DFO customer contribution issues. The AESO will not be addressing these other issues as part of its consultation process.

Yours truly,

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Director, Tariff Design

cc: Miranda Keating Erickson, Vice-President, Markets