

# Stakeholder Comment and AESO Replies Matrix AESO Consultation – 2017 Budget Review Process



## Business Initiatives, Operating Costs and Own Costs Budget Presentation

October 13, 2016

The following information is intended to summarize the AESO's responses to stakeholder comments on the AESO's 2017 Business Initiatives, Operating Cost Forecasts and Own Costs Budget estimates. The related information was presented/posted on the AESO website on October 13, 2016.

### Preliminary List of 2017 Business Initiatives

Do stakeholders have any comments on the AESO's list of Business Initiatives proposed for 2017 (rolled forward from 2016)?

#### Alberta Direct Connect Consumers Association (ADC)

1. The ADC supports the business initiatives as described in the presentation. ADC has proposed the move to a 15 minute pool settlement interval in the past and continues to recommend the AESO consider this as part of any market system upgrades. A shorter settlement interval would improve market efficiency as more intermittent renewable resources are added.

**Comment 1. Noted. The AESO continues to focus its Market Systems Replacement and Reengineering (MSR) program on implementing short-term reliability and security measures. The timing for the implementation of longer-term solutions such as dispatch and settlement period alignment will be reevaluated as part of the ongoing MSR program.**

#### AltaLink Management Limited (AltaLink)

1. AltaLink supports the AESO's list of business initiatives which have been rolled forward from 2016 with the understanding that the priority of these initiatives may change once the government provides their new policy.

**Comment 1. Noted**

#### Capital Power Corporation (Capital Power)

Capital Power supports the AESO's decision to proceed with development of an abbreviated 6-month budget covering the period of January to June 2017 through a limited written process to allow time for more details on the Government's climate-related policy to be released. Capital Power understands that no new business initiatives are being proposed and recommends that the AESO focus its efforts and resources on implementing the Climate Change Program, furthering market initiatives- including mothballing, intertie restoration and the integration of energy storage, and continuing work and consultation on the 2017 GTA toward a Q1 2017 filing date. In the absence of policy certainty from the Government, the AESO should seek to provide market participants with as much certainty as possible on initiatives where the policy is clear. In this regard, Capital Power provides the following comments and requests regarding the Business Initiatives

## Preliminary List of 2017 Business Initiatives

Do stakeholders have any comments on the AESO's list of Business Initiatives proposed for 2017 (rolled forward from 2016)?

identified in the October 13, 2016 Presentation.

### Climate Change Program

1. In addition to the design and development of the AESO's Renewable Electricity Program ("REP"), the AESO should plan to undertake a review of the Connection Process and existing market rules to ensure alignment with the anticipated outcomes of the Alberta Climate Leadership Plan. Capital Power encourages the AESO to consult with and engage stakeholders to the greatest extent possible in these matters.

**Comment 1. Noted. The review of rules and standards has been identified as a priority and included in the AESO's list of 2017 Business Initiatives as provided in the 2017 BRP Stakeholder Consultation Summary Presentation [slide 8]. Stakeholder engagement is considered a fundamental AESO principle and will occur as the REP program progresses.**

### Market Initiatives

2. Capital Power is interested in what new products and/or new technologies the AESO is considering in the scope of operating reserve amendments, and changes to technical standards and tariff provisions. Please provide an overview of the scope of these initiatives.

**Comment 2. The AESO will provide this information as part of its future stakeholder engagement processes, however the AESO would like to note that the technical standards rule amendments in regards to operating reserves has already begun and can be reviewed at [www.aeso.ca](http://www.aeso.ca) see Rules, Standards and Tariff.**

3. Capital Power is interested in the AESO's work plan regarding intertie restoration during the period of January to June 2017. Please provide an update.

**Comment 3. The AESO will provide stakeholders with information updates regarding the intertie restoration program and notes it has nothing new to report at this time.**

4. Additionally, Capital Power requests that AESO assess and communicate market implications resulting from any changes to its current rules, policies, processes and procedures and consult with stakeholders to the greatest extent possible.

**Comment 4. Noted. The AESO will communicate related updates through its regular stakeholder engagement process.**

## Preliminary List of 2017 Business Initiatives

Do stakeholders have any comments on the AESO's list of Business Initiatives proposed for 2017 (rolled forward from 2016)?

### 2017 GTA

5. Capital Power submitted comments to the AESO on September 28, 2016 regarding the scope of its 2017 GTA consultation. In those comments a number of questions concerning scope and process were asked to the AESO. Please advise when the AESO will be providing reply comments to stakeholders, or in the alternative when the next 2017 GTA consultation meeting will be held to address these issues.

**Comment 5. Noted. The AESO will be holding additional stakeholder engagement sessions in regards to the 2017 GTA late in 2016 and early 2017. Please raise any further issues or concerns at these sessions.**

6. In addition to these previously submitted written comments regarding the scope of the 2017 GTA consultation, Capital Power requests that the AESO also consider (i) a review of Section 11 Ancillary Services, subsection 6(1) & 6(2) to clarify the language regarding UTMR compensation and escalation path(s) and (ii) a review of Section 14 Peak Metered Demand Waivers to include language that gives consideration to generators.

**Comment 6. See response to Comment 5 above.**

### **Industrial Power Consumer Association of Alberta (IPCAA)**

1. No major concerns.

**Comment 1. Noted**

### **Utilities Consumer Advocate (UCA)**

1. The UCA does not have any comments on the AESO's list of Business Initiatives proposed for 2017.

**Comment 1. Noted**

## Pool Price Forecast for 2017

Do stakeholders have any comments on the Pool Price forecast for 2017?

### ADC

1. Can the AESO provide a comment on any cost savings or additional costs of using a 3<sup>rd</sup> party forecast?

**Comment 1. There was no additional cost to the AESO for using a third party forecast. The AESO regularly subscribes to EDC's quarterly updates for various business purposes. In terms of cost savings, the resources typically allocated to developing the BRP pool price forecast were dedicated/reallocated to other Climate Leadership Program (CLP) related forecasting tasks within the AESO.**

### AltaLink

1. AltaLink supports using EDC Associates for its 2017 BRP pool price forecast.

**Comment 1. Noted**

### Capital Power

1. Capital Power supports the use of accepted, reliable industry sources of information.

**Comment 1. Noted**

### IPCAA

1. \$32/MWh is proximate to the current (October 24<sup>th</sup>) forward curve – at \$31.50/MWh for Cal 17.

**Comment 1. Noted.**

### UCA

1. The UCA does not have any comments on the Pool Price forecast for 2017.

**Comment 1. Noted**

## AESO Wires Costs Forecast for 2017

Do stakeholders have any comments on the Wires Costs forecast for 2017?

### ADC

1. No comments

**Comment 1. Noted**

### AltaLink

1. No comments.

**Comment 1. Noted**

### Capital Power

1. Capital Power has no comment at this time.

**Comment 1. Noted**

### IPCAA

1. Does this forecast incorporate values from the ATCO Electric 2015-17 GTA Compliance filing, and the AltaLink 2015-16 GTA Compliance filing?

**Comment 1. The wires costs forecast shown in the 2017 BRP Stakeholder Consultation Summary Presentation (prepared as of September 26) did not include the impact of ATCO Electric's 2015-2017 GTA Compliance filing. The forecast did, however, include the impact of AltaLink's 2015-2016 GTA Compliance filing.**

The AESO recently filed the 2017 tariff update application (October 21, 2016) which includes the most recent wires costs forecast, incorporating both TFO's compliance filings along with amounts assigned to prior production years. The table below contains the wires costs forecast included in the AESO's 2017 tariff update application and the 2017 BRP forecast for wires costs. The AESO will update the final BRP wires costs forecast to include the most current information.

\$ million	2017 Forecast (Tariff Update)	2017 Forecast (BRP)	2016 Updated Forecast	2016 Forecast Costs	2015 Recorded Costs	2014 Recorded Costs
Wires Costs	1,729.4	1,864.8	1,706.4	1,684.5	1,566.6	1,255.9

## AESO Wires Costs Forecast for 2017

Do stakeholders have any comments on the Wires Costs forecast for 2017?

### UCA

1. The UCA represents the interests of residential, farm and small business consumers of electricity and natural gas in Alberta. Over the past several months, the UCA has noticed an increase in concerns from consumers regarding high transmission charges on their electricity bills. Therefore, the UCA would like to request more detail on the wires costs which are forecasted to increase from \$1,591 in 2015 to \$1,797.4 in 2016 and \$1,859 in 2017.

**Comment 1. As indicated by the AESO, wires costs are the amounts paid primarily to TFOs in accordance with their Alberta Utilities Commission (AUC)-approved tariffs [99.7% of the 2017 forecast wires costs] and are not controllable costs of the AESO nor are these approved by the AESO Board. To prepare the 2017 forecast, the AESO used the TFO tariffs approved or applied-for with the AUC as of September 26, with a majority of the forecast reflecting: i) a compliance filing for a 2016 tariff; ii) a compliance filing for a 2017 tariff; or iii) AUC approvals for a 2017 tariffs. The AESO does not have a role in reviewing nor approving TFO tariff applications.**

2. Given the AESO is responsible to determine the need for developing new transmission infrastructure, either directed by the AESO or when requested by the TFO or DFO, can the AESO explain how it ensures the transmission wires solution is prudent and in the public interest compared to other options for addressing reliability concerns?

**Comment 2. When the AESO develops its Need Identification Document (NID), a number of alternatives are determined by completing detailed planning studies. These alternatives are then screened by completing a technical, cost and land aspect assessment by the AESO. Several viable alternatives are then further assessed in conjunction with information received from the Transmission Facility Owner (TFO). Based on the assessment and study, the AESO selects a preferred alternative that is identified in our NID application to the AUC. The AESO will direct the TFO to complete its Facility Application for the transmission development, which includes a Service Proposal and Cost Estimate. The AESO reviews these documents to ensure they are accurate, complete and contain an appropriate level of detail before issuing a Notice to File Direction letter to the TFO.**

**When the costs change as a result of cost trends, in service date (ISD) changes or scope changes, the AESO reviews the revised estimates from the TFOs, ensuring that the planning decision is still appropriate. The AESO also ensures the costs are reasonable and well understood. At no time in the planning process does the AESO determine prudence of costs, as this is the role of the AUC.**

## AESO Wires Costs Forecast for 2017

Do stakeholders have any comments on the Wires Costs forecast for 2017?

3. Given the AESO is responsible for establishing practices respecting the preparation of cost estimates from TFOs, is the AESO planning to undertake any initiatives to improve these practices for the purposes of ensuring the cost estimates are reasonable compared to other options and that there is sufficient detail provided for cost oversight and monitoring?

**Comment 3. The AESO has a number of initiatives to enhance the quality of estimates in the selection of planning alternatives and in making transmission planning decisions:**

- The AESO has further integrated the use of Geographical Information Systems (GIS) and Cost Benchmark data to evaluate alternatives in earlier stages of transmission planning. This has provided further analysis of preliminary cost estimates and has provided for land aspect information to be part of the alternative screening and assessment process. These efforts have been done in-house and further leverage technological efficiencies.
- The AESO provided the industry with a revised cost template on October 14, 2016. The revised cost template will consolidate the reporting of project cost information into one cost workbook. This consolidation includes the cost estimate for the initial service proposal, cost estimates due to project changes throughout the project lifecycle, and other cost estimates for 180 days after permit and licenses and the 90 day post energization final cost estimate. This template also includes the reporting of actual final costs, and will improve consistency and transparency throughout the project life cycle when used for cost management, oversight and monitoring.
- The AESO is continuously reviewing its cost review processes to ensure the best available information is received from the TFOs and that cost estimates align to the project Functional Specifications. The AESO is reviewing the Service Proposal guidelines which will be updated and posted by Q1 2017.
- The AESO continues to review and enhance ISO Rule 9.1 with respect to procurement and cost reporting.

## AESO Ancillary Services Costs Forecast for 2017

Do stakeholders have any comments on the Ancillary Services Costs forecast for 2017?

### ADC

1. No comments

**Comment 1. Noted**

### AltaLink

1. No comments.

**Comment 1. Noted**

### Capital Power

1. Has the AESO factored any changes in determining UTMR or other Ancillary Services into the budget?

**Comment 1. The methodology used to determine the 2017 forecast was provided in the Supplementary 2017 Forecast and Budget Reference Document in section 5.2 c) [page 8]. No changes to previous methodologies have occurred.**

### IPCAA

1. No comments

**Comment 1. Noted**

### UCA

The UCA would like to request more transparency around the need and costs for Contracted Transmission Must-Run Service and Reliability Service:

Contracted Transmission Must-Run - The UCA is concerned that the forecasted TMR services cost is \$2.8M in 2017.

1. Can the AESO explain the details of “the event of foreseeable TMR” that would require contracted services in 2017? Where is TMR service needed in the province?

**Comment 1. Decreasing transmission capacity in the Northwest area of the province has resulted in the need for contracted TMR services as an interim measure until transmission reinforcements can be implemented. The need for TMR services in this area is currently being met through real-time TMR directives which are compensated under Section 11 of the ISO Tariff.**



## AESO Ancillary Services Costs Forecast for 2017

Do stakeholders have any comments on the Ancillary Services Costs forecast for 2017?

2. Can the AESO provide a breakdown of the \$2.8M cost forecast for 2017 to further explain these contracted services?

**Comment 2. As a contract is not yet in place, the 2017 forecast amount is an estimate of the potential costs based on previous experience with similar contracted TMR services.**

3. Did the AESO run a competitive process to procure the TMR services? If yes, please provide details. If no, please explain why not.

**Comment 3. No, a competitive process was not used given the location of the system issues and an insufficient number of effective generators to conduct a competitive process.**

4. Please explain how this TMR service meets the requirements of the Transmission Regulation, section 15 and why it is allowed as an exception under section 15(3).

**Comment 4. TMR is required to ensure reliable service as an interim measure until transmission reinforcements can be implemented in the area.**

5. Can the AESO explain why entering this new contract is prudent or necessary compared to other options for addressing reliability requirements? Is the cost of the contracted TMR service materially less than the cost of transmission wires over the contracted period?

**Comment 5. The need for TMR in the area is currently being satisfied via real-time TMR directives and compensated via Section 11 of the ISO Tariff. The need for TMR in this area is foreseeable and the AESO is attempting to contract TMR services as a lower cost alternative. There is no wires alternative available over the contract period; the contracted TMR service will be used as an interim solution until transmission enhancements can be implemented.**

Reliability Service - The UCA is concerned that the Reliability Service agreement with Powerex Corp. is forecasted to cost \$2.9M annually for the duration of the contract regardless of whether these services are needed in that time or not.

6. Albertans have been paying for this service for well over a year. Please provide a detailed summary of the specific benefits that we have received for the service that we would not have received in its absence.

**Comment 6. The Reliability Service agreement (RSA) provides access to energy or balancing services in the occurrence of high impact but low probability event of an energy shortfall or system restart event. While these risks have not materialized over the previous year, the RSA is similar in nature to an insurance product with the annual cost analogous to an insurance premium. The RSA provides the benefit of an increase ability to manage or recover from risks should they occur.**

## AESO Ancillary Services Costs Forecast for 2017

Do stakeholders have any comments on the Ancillary Services Costs forecast for 2017?

7. Can the AESO explain the details of the foreseeable event of supply shortfall that required the AESO to enter this agreement?

**Comment 7. The RSA is intended to provide risk mitigation for supply shortfall or system restart events regardless of how they occur. Such situations can result from numerous events, all of which are probabilistic in nature. While the AESO implements Rules, Standards and operating procedures with the intention of avoiding such events, the reality is that no electricity system can be made 100% risk free.**

8. Can the AESO explain what other options were evaluated to address reliability requirements?

**Comment 8. The AESO evaluated obtaining similar services utilizing the Montana Alberta Tie Line (MATL) or from resources internal to the province.**

9. Can the AESO explain why entering this new contract is prudent or necessary compared to other options for addressing reliability requirements? Is the cost of the agreement materially less than the cost of transmission wires over the 15 year period?

**Comment 9. Other options do not provide the same level of operational flexibility or level of service. Additional transmission wires would not mitigate the risks covered by the RSA and as such are not a valid comparator.**

## AESO Transmission Line Losses Costs Forecast for 2017

Do stakeholders have any comments on the Transmission Line Losses Costs forecast for 2017?

### ADC

1. No comments

**Comment 1. Noted**

### AltaLink

1. No comments.

**Comment 1. Noted**

### Capital Power

1. Currently, a new line loss rule is under review and subject to an AUC proceeding. It is estimated that new loss factors will be available and in effect starting in 2017. Also, the AESO has had almost a year of experience dispatching the two HVDC lines where minimizing total system losses was stated by the AESO as being one of three major operating principles. Both of these elements – new loss factor methodology and HVDC line operations - stand to impact the annual cost of losses. Please clarify whether the AESO's forecast 2017 transmission line losses gives consideration to these elements. If so, in what way did they impact the 2017 forecasted costs and if not, whether the AESO intends on incorporating these aspects for 2018 forecasted transmission line losses costs.

**Comment 1. To correct one statement, loss factors impact the distribution or allocation of the costs of line losses among market participants but do not impact the costs. The impact of the two HVDC lines, which began operations in December 2015 is captured in eight months of the historical data that is used in developing the 2017 losses forecast.**

**As provided in the Supplementary 2017 Forecast and Budget Reference Document in section 6 a) [page 9]:**

**“The annual volume forecast for transmission line losses is based on the hourly forecast losses volumes, which are based on:**

- 5-year historical actual losses volumes as a percentage of demand; and
- forecast load volumes.”

### IPCAA

1. No comments. **Comment 1. Noted.**

### UCA

1. The UCA does not have any comments on the Transmission Line Losses Cost forecast for 2017. **Comment 1. Noted**

## Other Industry Costs Forecast for 2017

Do stakeholders have any comments on the Other Industry Costs forecast for 2017?

### ADC

1. No comments

**Comment 1. Noted**

### AltaLink

1. No comments.

**Comment 1. Noted**

### Capital Power

1. Capital Power has no comment at this time.

**Comment 1. Noted**

### IPCAA

1. Can the AESO provide a breakdown of the \$1.5 M Regulatory Process Cost forecast?

**Comment 1. The budget for Regulatory Process Costs is not developed through an analysis of specific proceedings given the uncertain nature of the issues that may present themselves during 2017. The table below provides additional details on the historical costs and budgets.**

Regulatory Process Costs (\$ million)	Typical Budget Cost Allocation	2017 Budget	2016 Budget	YTD Sept 2016 Actual	2015 Actual
AB Reliability Standards	Transmission		0.3	-	0.1
ISO Rules	Energy Market		0.6	0.3	1.0
ISO Tariff	Transmission		0.4	0.0	0.1
Need Identification Documents	Transmission		0.4	0.0	0.1
Other	Issue Specific		-	0.6	0.1
<b>Total</b>		1.5	1.6	0.9	1.4



**AESO Transmission Line Losses Costs Forecast for 2017**

Do stakeholders have any comments on the Transmission Line Losses Costs forecast for 2017?

**UCA**

1. The UCA does not have any comments on the Other Industry Costs forecast for 2017.

**Comment 1. Noted**

## AESO Own Costs Budget for the First 6 Months of 2017

Do stakeholders have any comments on the General & Administrative budget proposal for the first 6 months of 2017?

### ADC

1. No comments

**Comment 1. Noted**

### AltaLink

1. No comments.

**Comment 1. Noted**

### Capital Power

1. Capital Power has no comment at this time.

**Comment 1. Noted**

### IPCAA

1. The AESO's G&A costs are now very close to \$100M (for a 1-year period). IPCAA submits that if the G&A costs exceed \$100M they should be examined formally through the AESO's Tariff process, and not approved by the AESO Board directly.

**Comment 1. Noted.**

### UCA

1. The UCA does not have any comments on the General & Administrative budget proposal for the first 6 months of 2017.

**Comment 1. Noted**

## AESO Own Costs Budget for the First 6 Months of 2017

Do stakeholders have any comments on the Capital budget proposal for the first 6 months of 2017?

### ADC

1. ADC reiterates that the AESO should include the functionality of a 15 minute settlement interval in any upgrade plans.

**Comment 1. Noted. See AESO response to ADC Comment 1. in the Preliminary List of Business Initiatives section above.**

### AltaLink

1. No comments.

**Comment 1. Noted**

### Capital Power

1. Capital Power has no comment at this time.

**Comment 1. Noted**

### IPCAA

1. See EMS Question in Major Projects Comments section below

**Comment 1. Noted**

### UCA

1. The UCA does not have any comments on the Capital budget proposal for the first 6 months of 2017.

**Comment 1. Noted**

## Major Projects Comments

Do stakeholders have any comments on the Energy Management System (EMS) or System Coordination Centre (SCC) Expansion project plans?

### ADC

1. No comments

**Comment 1. Noted**

### AltaLink

1. No comments.

**Comment 1. Noted**

### Capital Power

1. Capital Power has no comment at this time.

**Comment 1. Noted**

### IPCAA

1. What will the total Capital Cost of the EMS replacement be? How does this compare to the original capital estimates provided?

**Comment 1. The total Capital Cost projection (as of August 31, 2016) for the EMS replacement project compared to the original Capital Estimate provided in the related Board Decision Document (2015-BRP-001) are presented in the table below:**

(\$ millions)	Total Approved	2015 Actual	2016 Projected	2017 Budget	Total Project	Variance Amount	Variance (under budget)
EMS	\$31.7	\$7.3	\$16.4	\$5.9	\$29.6	(\$2.1)	(7%)

### UCA

1. The UCA does not have any comments the Energy Management System (EMS) or System Coordination Centre (SCC) Expansion project plans.

**Comment 1. Noted**



## Other Comments

Do stakeholders have any other comments to offer at this time?

### ADC

1. The ADC requests the AESO prioritize the publishing of an updated transmission rate impact projection (TRIP) model. This is a valuable tool for our members in budgeting future transmission costs.

**Comment 1. The AESO acknowledges the value of TRIP information in supporting stakeholder budgeting and business decisions. During the 2016 BRP, the AESO committed to publishing an updated TRIP with the upcoming 2017 Tariff Application. The AESO expects to provide an update on the Transmission Rate Projections by Q1 2017.**

### AltaLink

1. AltaLink supports the AESO's 2017 business plan and interim budget proposal which will allow time for the AESO to incorporate the government's new policy initiatives into the BRP, when they become available, and to consult with stakeholders on these initiatives. AltaLink looks forward to participating in the AESO's consultation process in March 2017 concerning its detailed 18-month budget from July 2017 to December 2018.

**Comment 1. Noted**

### Capital Power

1. Capital Power appreciates the AESO's effort to provide an estimated 2017 Energy Market Trading Charge as requested in Capital Power's previous comments. We look forward to participating in the forthcoming comprehensive Budget Review Process and detailed stakeholder consultation anticipated to begin in March 2017 covering the 18-month period from July 2017 to December 2018.

**Comment 1. Noted**

### IPCAA

1. Can the AESO please publish an update to its Transmission Rate Impact Projection (TRIP) model? The current version is from June 2014 and customers have been requesting an update for several years now. This information is critical to budgeting and other business decisions.

**Comment 1. Noted. See response to ADC Comment 1. above.**

### UCA

1. The UCA does not have any other comments to offer at this time. Thank you for the opportunity to provide comments for your consideration.

**Comment 1. Noted**