

January 19, 2018

To: Parties currently registered on Proceeding 22942

**Alberta Electric System Operator  
2018 Independent System Operator Tariff Application  
Proceeding 22942**

**Further process and schedule**

1. On November 27, 2017, the Alberta Utilities Commission issued a ruling stating AltaLink Management Ltd. may fully participate in this proceeding and that the coincident metered demand rate design issue (12 CP method or DTS rate design) would be considered in the scope of this proceeding.<sup>1</sup>
2. In that ruling, the Commission also clarified that the issue of distribution facility owner (DFO) customer contribution treatment is properly within the scope of this proceeding.<sup>2</sup>

**Coincident metered demand rate design issue**

3. On December 6, 2017, the Commission requested comments from parties regarding what process steps are necessary to incorporate additional evidence regarding the 12 CP method onto the proceeding.<sup>3</sup>
4. A number of parties submitted that the Alberta Electric System Operator (AESO) should be given time to consult and/or prepare evidence on the 12 CP method issue.<sup>4</sup> These parties included the Alberta Direct Connect Consumer Association (ADC), Consumers' Coalition of Alberta (CCA), the Office of the Utilities Consumer Advocate (UCA), Industrial Power Consumers Association of Alberta (IPCAA), AltaLink, EPCOR Distribution & Transmission Inc., and the Canadian Solar Industries Association (CanSIA)
5. Many of these parties (ADC, CCA, UCA, IPCAA and AltaLink) suggested that in the alternative, a parallel process could be followed to examine the issues raised by the AESO's 2018 application other than those related to the 12 CP method.<sup>5</sup>
6. Similarly, the AESO submitted the 12 CP method should be considered in a parallel process separate from the remaining issues in the application. In addition, the AESO recommended that four weeks be given for information request (IR) responses on the remaining issues. The AESO also submitted that, during the same time frame, it would like to explore with

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<sup>1</sup> Exhibit 22942-X0089, paragraphs 26-27.

<sup>2</sup> Exhibit 22942-X0089, paragraph 25.

<sup>3</sup> Exhibit 22942-X0091.

<sup>4</sup> Exhibits 22942-X0093, 22942-X0094, 22942-X0096, 22942-X0097, 22942-X0098, 22942-X0099 and 22942-X0095.

<sup>5</sup> Exhibits 22942-X0093, 22942-X0094, 22942-X0096, 22942-X0097 and 22942-X0098.

stakeholders the possibility of a negotiated settlement process (NSP) on the 12 CP method. The AESO submitted that if an NSP with stakeholders is not eventually reached, then the 12 CP method issue could be reintegrated back into Proceeding 22942, with perhaps a separate hearing and decision, if necessary.<sup>6</sup>

7. Capital Power Corporation requested a process whereby any additional evidence related to the 12 CP method would be tested by IRs and argument, either through the main proceeding or through a separate module.<sup>7</sup>

8. Energy Storage Canada (ESC) submitted it was opposed to considering the 12 CP method issue and the remaining elements of the AESO 2018 tariff in separate proceedings. ESC submitted that the 12 CP method is integral to the overall rate design process and the examination of the appropriate tariff treatment to be accorded to energy storage. ESC stated all tariff issues must ultimately be considered together in a single proceeding to allow the testing of the entirety of the tariff in one place.<sup>8</sup>

### **Distribution facility owner customer contribution issue**

9. AltaLink, as part of its submission on the 12 CP method issue, noted that it planned to file a proposal in relation to the treatment of FortisAlberta Inc.'s customer contribution (DFO customer contribution) as part of its evidence and noted that it would be discussing its proposal with the AESO and other parties. For this reason, AltaLink requested that any IRs on the remaining issues not related to the 12 CP method be scheduled no earlier than the last week of January 2018.<sup>9</sup>

10. Following AltaLink's submissions, the Commission requested comments from parties on AltaLink's request to allow time for it to discuss the DFO customer contribution issue with the AESO and other parties, and to schedule IRs on the 2018 AESO tariff at the end of January. Comments were due by January 3, 2018.<sup>10</sup>

11. The AESO submitted that AltaLink's request should be denied because it had not previously raised the DFO customer contribution issue with it and other parties. The AESO stated that AltaLink had not provided an explanation that would justify consideration of this issue or demonstrated any pressing need to have the DFO customer contribution issue considered in this proceeding. The AESO submitted that AltaLink should not be permitted to further delay this proceeding and the appropriate time to discuss and consult on the DFO customer contribution issue would be in the next Independent System Operator (ISO) tariff application.<sup>11</sup>

12. EPCOR and the CCA supported AltaLink's request<sup>12</sup> and the UCA stated that it had no concerns with the request.<sup>13</sup> The CCA noted that it also had concerns regarding the DFO

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<sup>6</sup> Exhibit 22942-X0100.

<sup>7</sup> Exhibit 22942-X0101.

<sup>8</sup> Exhibit 22942-X0103.

<sup>9</sup> Exhibit 22942-X0098.

<sup>10</sup> Exhibit 22942-X0104.

<sup>11</sup> Exhibit 22942-X0108.

<sup>12</sup> Exhibits 22942-X0107 and 22942-X0105.

<sup>13</sup> Exhibit 22942-X0106.

customer contribution issue and requested that it be expanded to consider other related matters, specifically, existing accountability mechanisms and the contracting practices of DFOs.<sup>14</sup> The CCA submitted that it intends to file submissions, including evidence on this matter in this proceeding.<sup>15</sup>

### Process and schedule

13. The Commission has directed the writer to convey its findings as follows.

14. With respect to the DFO customer contribution issue, only the AESO objected to AltaLink's request. The AESO's objection is largely that AltaLink has failed to raise the DFO customer contribution issue in a timely manner.

15. The Commission notes that in AltaLink's 2017-2018 general tariff application (GTA), where AltaLink's DFO customer contribution issue was initially raised, the Commission issued a ruling that relied in part on submissions made by the AESO. The ruling stated:

The Commission accepts the submission of the AESO that revisions to the ISO tariff would be required "to properly accommodate AltaLink's proposal." This would be the case regardless of the fact that AltaLink has indicated in paragraph 886 of its amended application that "AltaLink's monthly Revenue Requirement billings to the AESO will not be impacted since the incremental Revenue Requirement associated with this Rate Base addition will be offset by a newly proposed FortisAlberta Miscellaneous Revenue Offset (MRO) Tariff (reference Section 8.1.4)." Further, as AltaLink's Fortis customer refund proposal would only apply to Fortis, the result of such a proposal would be that AltaLink would be treated differently from other TFOs [transmission facility owners] who are subject to the ISO customer contribution tariff provisions and further, that Fortis would also be treated differently from all other market participants who must pay customer contributions for system access service. **As such, any discussion of customer contribution treatment is more appropriately addressed in the context of an ISO tariff application, not in a single TFO's GTA.**<sup>16</sup> [emphasis added]

16. As a result, all parties, including the AESO, should have been aware that the DFO customer contribution issue properly belongs in this proceeding.

17. With respect to the DTS rate design issue, the Commission considers that the DTS rate design affects other aspects of the tariff and is central to this proceeding. The ADC, EPCOR and ESC all noted a similar concern.<sup>17</sup> The Commission finds a decision on the tariff could not be issued until the DTS rate design is decided, and while there may be an apparent efficiency gain from allowing remaining issues in the proceeding to proceed in parallel, this efficiency would later be lost as the DTS rate design would have to be decided before any decision on the tariff could be issued. Additionally, the AESO must be provided adequate opportunity to supplement its application with its position on the 12 CP method.

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<sup>14</sup> Exhibit 22942-X0105.

<sup>15</sup> Exhibit 22942-X0150, paragraph 6.

<sup>16</sup> Proceeding 21341, Exhibit 21341-X0047, paragraph 31.

<sup>17</sup> Exhibits 22942-X0093, 22942-X0099 and 22942-X0103.

18. As a result, and noting that no party has objected to the AESO being given time to conduct an analysis, consult with parties and prepare evidence on the 12 CP method issue, the Commission will not implement a parallel process to consider the DTS rate design issue.

19. The Commission considers that time is required for the AESO to conduct an analysis and prepare evidence on the issues of the 12 CP method and, if necessary, the DFO customer contribution. The Commission also considers that revisions may be required to the AESO's application as a result.

20. For these reasons, the Commission suspends Proceeding 22942 until the AESO submits a revised application to include the results of its analysis of and evidence on the issues respecting the 12 CP method and, if necessary, the DFO customer contribution. If the AESO is not in a position to file its revised application by March 30, 2018, the Commission directs it to file a status update by the same date.

21. If you have any questions, please contact Jay Halls at [jay.halls@auc.ab.ca](mailto:jay.halls@auc.ab.ca) or by phone at 403-592-4426, or Salma Karim at [salma.karim@auc.ab.ca](mailto:salma.karim@auc.ab.ca) or by phone at 403-592-4436.

Sincerely yours,

Salma Karim  
Application Officer