

Tuesday, June 28, 2022

Dear AESO Stakeholders:

Re: **2023 Budget Development Process June Strategic Discussions**

In June we kicked off our new Budget Development Process (BDP) for the 2023 budget cycle with one-on-one meetings with interested stakeholders. A subset of the AESO Board and Executive met with 16 organizations and their senior level executive(s)—ranging from generators, utilities, distribution companies, consumer groups to industry associations—to have strategic discussions on what they believed the AESO should be focusing on in the upcoming year. The discussions were frank, insightful and I believe had benefits for all parties. By providing a forum for earlier involvement and engagement, we were able to have open conversations regarding what stakeholders felt was of strategic importance to our industry for 2023 and the years to come.

***Themes of strategic importance***

The majority of stakeholders outlined four strategic areas the AESO should consider when developing our 2023 budget:

- Net-zero -- With Alberta's power sector undergoing significant change driven by new technologies, carbon policy, broad electrification and a societal desire for cleaner forms of energy, stakeholders believe the net-zero work is the most critical and most challenging work the AESO will undertake over the next decade. Stakeholders underscored the importance of the leadership role of the AESO in providing guidance and analysis to both industry and the provincial and federal governments, where possible, on the potential net-zero emissions pathways for Alberta's electricity sector. Stakeholders identified the critical role the AESO will play in the reliability of the system and proper functioning of the market during the net-zero transition.
- Cost of delivered energy -- Stakeholders are concerned about the rising costs of delivered energy and believe collaboration is needed to develop meaningful solutions for both large and small consumers. Stakeholders see this as an important focus area and believe the AESO is the right conduit to facilitate this work to balance polarized interests while ensuring reliable, affordable power is always available to Albertans.
- Reliability implications and impacts of our changing system -- Stakeholders are concerned about the reliability of the system through this transformation, including whether the AESO and industry are doing enough to ensure grid resiliency, and whether the challenges of transitioning the generation fleet are fully understood. Stakeholders emphasized that the AESO needs to continue its focus on grid resiliency and reliability, ensuring it has a strong understanding of the risks, challenges and implications to the changing system, and the desire for the AESO to work closely with industry to ensure we are collectively reinforcing "the reliability" of the system through this transformation.
- Market sustainability -- Generators are concerned with the sustainability of the market going forward with the influx of renewables and the potential pathways to net-zero. Each had a slightly different

viewpoint of what may work to maintain a well-functioning market, but ultimately see the need for the AESO to ensure it is fostering market fidelity and investor confidence through this transformation, as a top priority.

Stakeholders explicitly conveyed their understanding of the current pressures on AESO resources and the volume and pace challenges ahead and stressed the imperativeness that the AESO is staffed appropriately to effectively deliver on this work.

These themes strongly align with the AESO's 2022 Strategic Plan and recognize the integrated challenges we face as our power system transforms. We will be considering stakeholders' thoughtful observations, ideas and expertise to inform our corporate focus areas and associated priorities for 2023 and beyond.

The draft budget, incorporating the areas of focus and priorities, will be presented to the Board for its initial input and discussion in September. We will then present a final proposed budget for a subsequent round of stakeholder input in early October. In this step we will be seeking to affirm that we have determined the appropriate areas of focus, priorities and pace, based on the June stakeholder consultations; we will also determine if we missed something crucial in our priorities to support the future of electricity in the province, and any associated impacts on capital or consulting dollars.

For a list of those organizations who participated in the June discussions or additional details on the BDP process steps or schedule, please visit our [Business Planning](#) web page.

If you have questions, please contact Karen Campbell, Director, Settlement Credit & Business Planning at [Karen.Campbell@aeso.ca](mailto:Karen.Campbell@aeso.ca).

Yours truly,



Mike Law  
President and Chief Executive Officer

cc: Karl Johannson Chair, AESO Board  
Pauline McLean, Vice President, Law, General Counsel and Corporate Secretary  
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