

AESO Consultation – 2019 Budget Review Process (BRP): Stakeholder Presentations to AESO Board – November 14, 2018



Summarized Stakeholder Comments and AESO Replies

The following matrix is a summary of the stakeholder comments presented to members of the AESO Board on November 14 regarding the AESO 2019 Business Plan and Budget Proposal (Proposal). It also includes AESO management's replies to these comments for AESO Board consideration in determining their Decision.

The stakeholder comments were presented by representatives of: Alberta Direct Connects (ADC) and Independent Power Consumers Association of Alberta (IPCAA). This summary material should be reviewed in conjunction with the Proposal and the Stakeholder Presentations to the AESO Board which are available on www.aeso.ca/ About the AESO/ Business planning and financial reporting/ Business plan and budget/2019.

Stakeholder Comments on the 2019 Budget Review Process

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

Comment 1

Stakeholders commented on the magnitude of the AESO's G&A costs and suggested that they should be submitted to the AUC for additional scrutiny. In addition, they also recommended the AESO benchmark its own costs against other Independent System Operators to establish the value for money proposition for Alberta.

AESO Response

Comment 1. The stakeholder consultation through the BRP was established to find efficiencies to facilitate the regulatory process with respect to the approval of the AESO's Own Costs. The Transmission Regulation establishes several relevant provisions in this regard. The BRP participants, comprising of the AESO and stakeholders, began this process in 2005 to provide stakeholders with greater transparency of the AESO's planning processes and an increased understanding of the operations of the organization. In addition, this process facilitates the AESO Board receiving stakeholder comments prior to making a decision in respect of the AESO's budgeted Own Costs, forecasted Ancillary Services costs and forecasted Transmission Line Loss costs. The AESO is committed to providing transparency and allowing for a comprehensive review of its Own Costs through the BRR. The AESO does not intend to submit these costs for AUC approval. Also, the AESO has tried to benchmark against other ISOs (as an ISO Industry initiative, historically), and it was determined that it provided very limited value.

Comment 2

Stakeholders commented that the AESO should update the energy and ancillary services markets as a part of the capacity market implementation including an updated energy price that uses much smaller time increments instead of hourly average pricing.

AESO Response

Comment 2. As part of its mandate to ensure an efficiently functioning wholesale energy market, the AESO regularly monitors the overall functioning of the energy and ancillary services markets. As part of the work conducted by the Energy and Ancillary Services (EAS) working group during the CMD development process, as well as during the SAM process prior to that, the interaction between the energy and ancillary services markets was reviewed and the potential for the introduction of additional ancillary services products was examined. The conclusion of this work was that no changes to the structure of the ancillary services market or new products were required at this time. Prior to this, the AESO reviewed the functioning of the ancillary services market in 2015.

With respect to changing the settlement interval, the timing and scope of any changes to settlement frequency have not yet been determined. This topic was identified for further exploration as an item on the roadmap for the evolution of the energy and ancillary services markets in the cover letter for CMD Final and additional discussions on timing and scope are expected to occur in 2019. Development expenditures on this item are expected to be minimal in 2019.

Comment 3

Stakeholders commented that the AESO should work with the AUC and the DOE to develop a process that provides the correct checks and balances on distribution costs in Alberta.

AESO Response

Comment 3. It is not part of the AESO's mandate to provide Distribution Cost Oversight. Therefore, it would not be appropriate for the AESO to allocate resources or provide related data. The AESO acknowledges that distribution cost concerns are a concern raised through the Transmission Facilities Cost Monitoring Committee (TFCMC), of which the AESO is a member.

Comment 4

Stakeholders commented that the AESO should undertake audits of its settlement systems, both before and after the implementation of the capacity market.

AESO Response

Comment 4. The AESO agrees that audits will need to be performed on settlement systems after the implementation of the capacity market settlement. The AESO does not plan on performing an audit of settlement operations in 2019 nor has the AESO had such an audit performed historically. These audits use significant resources and are costly to perform. Given the AESO's focus on capacity market implementation activities in 2019, internal settlement resource will be focused on settlement requirements within the capacity market initiative. The AESO does conduct an annual assessment of the design and effectiveness of its internal controls over financial reporting based on an accepted industry framework. The framework adopted by the AESO for this assessment is the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, AESO Management has concluded that, as of December 31, 2017, the AESO maintained effective internal controls over financial reporting.

Comment 5

Stakeholders commented that the AESO should continue to promote effective utilization of existing transmission infrastructure prior to requiring new transmission to be constructed.

AESO Response

Comment 5. The AESO agrees with the objective of optimizing the transmission system infrastructure. A focus of the Long Term Plan development strategy is to ensure that the transmission plan is flexible and adaptable to a wide variety of potential future scenarios. The focus also includes efficient use of the existing transmission system with timely addition of necessary new transmission developments. The AESO has provided a description of its transmission system planning process, including need assessment, in the AESO 2017 Long-term Transmission Plan (see section 3 Transmission planning and developments).

Comment 6

Stakeholders inquired on the timing of the 2017 Deferral Account Reconciliation (DAR) application.

AESO Response

Comment 6. The AESO plans to file a 2017-2018 deferral account reconciliation application in Q2 2019. The AESO requires time to make system changes for deferral account methodology changes.

Comment 7

Stakeholders stated that Capacity Market cost allocation is a priority and that the rate design is key to self-supply and load participation decisions.

AESO Response

Comment 7. Noted The AESO is currently in a combined consultation process with Stakeholders to review bulk and regional transmission rate design as well as the design for allocation of capacity market costs. The AESO expects the consultation to conclude with applications to the AUC for capacity market cost recovery tariff design in June 2019 and any proposed changes to bulk and regional transmission tariff design in Q1 2020.

Comment 8

Stakeholders stated their support for improving efficiencies and ensuring customer focus in the Commercial services group. Also, tariff design for transmission and capacity is key for price sensitive loads.

AESO Response

Comment 8. The AESO continues to strive for continuous improvement in our procurement, commercial and customer service activities. The AESO has centralized procurement activities for Blackstart and LSSi together with other procurement activities regarding competitive transmission and the Renewable Electricity Program (REP). The AESO has also rebalanced resources to ensure high quality support for Capacity Market activities. Management will continue monitor performance to ensure value and high quality services for market participants.