Alberta Utilities Commission

Alberta Electric System Operator

Application for Approval of the Adjusted Metering Practice Implementation Plan and Associated Section 502.10 of the ISO Rules

May 31, 2022

Alberta Utilities Commission
Decision 27047-D01-2022
Alberta Electric System Operator
Application for Approval of the Adjusted
Metering Practice Implementation Plan and
Associated Section 502.10 of the ISO Rules
Application 27047-A001
Proceeding 27047

May 31, 2022

Published by the:
Alberta Utilities Commission
Eau Claire Tower
1400, 600 Third Avenue S.W.
Calgary, Alberta T2P 0G5

Telephone: 310-4AUC (310-4282) in Alberta
1-833-511-4AUC (1-833-511-4282) outside Alberta
Email: info@auc.ab.ca
Website: www.auc.ab.ca

Contents

Alberta Utilities Commission

Calgary, Alberta

Alberta Electric System Operator
Application for Approval of the Adjusted Metering Practice Implementation Plan and Associated Section 502.10 of the ISO Rules

Decision 27047-D01-2022
Proceeding 27047
Application 27047-A001

1 Decision summary

1. In this decision, the Alberta Utilities Commission decides if the adjusted metering practice (AMP) implementation plan submitted by the Alberta Electric System Operator (AESO), and the related proposed amendments to appendices C and D of the independent system operator (ISO) tariff and to Section 502.10 the ISO Rules, *Revenue Metering System Technical and Operating Requirements*, provide a way to implement the AMP which meets the requirements of the *Electric Utilities Act*.

2. In filing the AMP implementation plan, the AESO has complied with the previous Commission direction in Decision 26215-D02-2021.[1] In its review of this application, the Commission found that the AESO had not provided sufficient information for the Commission to determine if approval of the application was in the public interest or supported the fair, efficient and openly competitive operation of the electricity market. Specifically, the Commission found that the application lacked accurate information regarding cost estimates and information justifying the timing differences between substation categories. As a result, the Commission denies the AESO's request to approve the proposed AMP implementation plan and the associated ISO rule amendment, as well as the related amendment to appendices C and D of the ISO tariff. The Commission also provides direction to the AESO about the information that should be included if the AESO chooses to file a subsequent application for approval of an AMP implementation plan.

2 Background and current application

3. In Decision 22942-D02-2019,[2] the Commission approved the 2018 ISO tariff. Among other things, this included approval of the AESO's proposed AMP. The Commission based its decision on concerns regarding billing determinant erosion and resulting cross subsidy by demand transmission service (DTS) customers that were present under the AESO's net metering practice.[3]

4. In Decision 25848-D01-2020,[4] the Commission varied some of its findings from Decision 22942-D02-2019, determining that grandfathering the AMP was not necessary and

1 Decision 26215-D02-2021: Alberta Electric System Operator – Review and Variance of Decision 26215-D01-2021, Proceeding 26215, Application 26215-A001, June 3, 2021.
2 Decision 22942-D02-2019: Alberta Electric System Operator – 2018 Independent System Operator Tariff, Proceeding 22942, Application 22942-A001, September 22, 2019.
3 Decision 22942-D02-2019, paragraph 645.
4 Decision 25848-D01-2020: Alberta Electric System Operator – Stage 2 Review and Variance of Decision 22942-D02-2019 Adjusted Metering Practice and Substation Fraction Methodology, Proceeding 25848, Application 25848-A001, December 23, 2020.

directing the AESO to proceed with development of an AMP implementation plan. The AESO was instructed to file an application regarding the AMP implementation plan in Decision 26215-D02-2021.

5. On December 10, 2021, the AESO filed the current application[5] with the Commission, in compliance with Decision 26215-D02-2021, submitting the proposed implementation plan for the AMP and related amendments to appendices C and D of the ISO tariff and Section 502.10 of the ISO rules. The AESO requested that the application be approved by either March 1, 2022 (for an implementation date of April 1, 2022) or June 1, 2022 (for an implementation date of July 1, 2022).

6. The Commission issued a notice of application on December 15, 2021, after which it received statements of intent to participate from three parties.[6] Ultimately, Lionstooth Energy Inc. and the Distribution-Connected Generation (DCG) Consortium[7] were granted discretionary standing to participate.

7. The Commission reviewed the entire record in coming to this decision; lack of reference to a matter addressed in evidence or argument does not mean that it was not considered.

3 Legislative and regulatory framework

8. Under Section 20.2(1) of the *Electric Utilities Act*, the AESO must apply to the Commission for approval of a proposed ISO rule.

9. After considering a proposed ISO rule, in accordance with Section 20.21(1) of the *Electric Utilities Act*, the Commission may, by order, approve the ISO rule, direct the AESO to revise the ISO rule or refuse to approve the ISO rule.

10. In accordance with Section 20.21(2) of the *Electric Utilities Act*, the Commission may approve an ISO rule filed under Section 20.2 only if the Commission is satisfied:

> …
>
> (a) that the ISO rule
>
> (i) is not technically deficient,
> (ii) supports the fair, efficient and openly competitive operation of the electricity market, and
> (iii) is in the public interest,
>
> …
>
> and
>
> (c) that the Independent System Operator, in developing the rule, complied with the Commission rules made under section 20.9.

5 Proceeding 27047, Compliance Filing Pursuant to Decisions 25848-D01-2020 and 26215-D01-2021, and Application for Approval of Proposed Amended Section 502.10 of the ISO Rules.

6 While nine SIPs were received in total, the individual parties comprised a total of three groups.

7 The DCG Consortium consists of BluEarth Renewables Inc.; Elemental Energy Renewables Inc.; NAT-1 GP Inc., a subsidiary of BHE Canada; and RWE Canada Ltd., a subsidiary of RWE AG.

11. Section 20.9 of the *Electric Utilities Act* requires the Commission to make rules requiring the AESO to consult with parties in the development of ISO rules and authorizes the Commission to develop rules governing the AESO's process in the development of those rules. Rule 017: *Procedures and Process for Development of ISO Rules and Filing of ISO Rules with the Alberta Utilities Commission*, is the Commission rule which was created in response to Section 20.9 of the *Electric Utilities Act*.

4 Issues

4.1 Do the rule amendments meet the criteria set out in the *Electric Utilities Act*

12. Pursuant to Section 20.21(2) of the *Electric Utilities Act*, the Commission may approve an ISO rule if the following criteria are demonstrated to have been met:

(a) The ISO rule is not technically deficient (subsection 20.21(2)(a)(i) of the *Electric Utilities Act*).

(b) The ISO rule supports the fair, efficient and openly competitive operation of the electricity market (subsection 20.21(2)(a)(ii) of the *Electric Utilities Act*).

(c) The ISO rule is in the public interest (subsection 20.21(2)(a)(iii) of the *Electric Utilities Act*).

(d) The AESO fulfilled its obligation to adequately consult with stakeholders in developing the rule (subsection 20.21(2)(c) *Electric Utilities Act*).

4.1.1 The ISO rule is not technically deficient

13. The Commission is satisfied that the ISO rule is not technically deficient. The proposed amendments to Section 502.10 of the ISO rules are consistent with the statutory scheme and authorized by subsections 20(1)(a), 20(1)(c) and 20(1)(l) of the *Electric Utilities Act*;[8] and are complete and reasonably self-contained.

4.1.2 The ISO rule supports the fair, efficient and openly competitive operation of the electricity market

14. Based on the information provided, the Commission is unable to make a determination whether the ISO rule and proposed AMP implementation plan supports the fair, efficient and openly competitive operation of the electricity market or is in the public interest.

15. The DCG Consortium argued that the AMP implementation plan is unjustly discriminatory, due to the difference in timing of implementation within Phase 1 of

[8] Subsections 20(1)(a), (c) and (l) of the *Electric Utilities Act* state: The Independent System Operator may make rules respecting
(a) the practices and procedures of the Independent System Operator; […]
(c) the operation of the interconnected electric system; […]
(l) any other matter the Independent System Operator considers necessary or advisable to carry out its duties, responsibilities, and functions under this Act and the regulations.

implementation.[9] Within Phase 1, substations categorized by the AESO as Category B substations would see the AMP implemented immediately upon approval of the plan, while implementation at substation categorized as Category C substations could require several years before implementation begins. The DCG Consortium submitted that this difference in timing would result in lost revenue for DCG connected to Category B substations when compared to those connected to Category C substations.[10] The AESO listed "the need for more accurate billing as soon as possible" as one of the justifications for the differential treatment between Category B and Category C substations.[11] This was reiterated in the AESO's rebuttal evidence, where it stated, "The increased accuracy to billing determinants (and corresponding benefits to all ISO tariff market participants) resulting from implementation of the AMP mitigates in favor of implementing the AMP as soon as reasonably possible."[12]

16. However, as will be discussed in Section 4.1.3 below, the phase-out of DCG credits will substantially decrease billing determinant erosion, independent of implementation of the AMP, leaving it unclear to the Commission how much benefit can be achieved through the AMP implementation. As a result, the Commission cannot evaluate the AESO's claim that the benefits of more accurate billing determinants provide sufficient justification for the different timing of implementation at Category B and Category C substations.

4.1.3 The ISO rule is in the public interest

17. The Commission finds that the AESO has not demonstrated that the AMP implementation plan is in the public interest. The Commission is not satisfied by the level of accuracy and completeness of the cost estimates provided by the AESO in the AMP implementation plan. In addition, the Commission's decision to phase out DCG credits,[13] which was issued after Decision 25848-D01-2020, will partially resolve the issue of billing determinant erosion, leaving the Commission unclear as to the further benefits derived through implementation of the AMP.

18. In Decision 25848-D01-2020, the Commission directed the AESO "…to submit a plan setting out the details on how to operationalize the implementation, such as extent, timing, and costs of the adjusted metering practice."[14] In the current application, the AESO provided a Class 5 estimate (-50% to 100%)[15] for Phase 2 of the AMP implementation[16] with no quantification of the potential costs associated with Phase 3. The AESO stated that it could not develop more accurate cost estimates until the AMP implementation plan was approved.[17] The Commission cannot accept this justification for a lack of more reliable cost information, and questions how the AESO can support its claim that the implementation plan for the AMP is in

9 Exhibit 27047-X0003, AMP Implementation Plan, PDF page 7.
10 Exhibit 27047-X0089, REDACTED – AMP Implementation – DCG Consortium Argument, PDF page 6.
11 Exhibit 27047-X0097, AESO Written Argument, PDF page 8.
12 Exhibit 27047-X0083, AESO Rebuttal Evidence, PDF page 3.
13 Decision 26090-D01-2021, FortisAlberta Inc., Distribution-Connected Generation Credit Module for Fortis's 2022 Phase II Distribution Tariff Application, June 7, 2021, paragraphs 87-89.
14 Decision 25848-D01-2020, paragraph 52.
15 "Class 5 estimate" refers to the Association for the Advancement of Cost Engineering (AACE) cost management practices. For more information, see AESO Information Document #2015-002R.
16 Exhibit 27047-X0078, AESO-AUC-2022MAR28-001 to 003, PDF page 9.
17 Exhibit 27047-X0078, AESO-AUC-2022MAR28-001 to 003, PDF page 10.

the public interest without having quantified the costs of implementation within a more reasonable range of accuracy.

19. Lionstooth also raised concerns over the costs of the AMP implementation. It submitted that the AESO's proposed approach would disadvantage one set of customers over another[18] by proposing that the AMP implementation occur in three phases. Phase 1 includes an assessment of existing substations to determine if they require administrative or physical changes to be compliant with the AMP.[19] Phase 2 involves completing all physical or administrative changes required to bring existing distribution facility owner (DFO) substations with reverse power flows into compliance with the AMP.[20] The AESO proposed that costs associated with Phase 2 would be classified as system-related costs.[21] Phase 3 involves future upgrades required as changes in the system (e.g., connection of new generation) result in the need to complete upgrades to ensure all substations remain compliant with the AMP.[22] The costs associated with Phase 3 would be classified partially as system and partially as participant-related. The AESO would determine the percentage of costs deemed as system based on the average level of investment coverage that applies under the ISO tariff.

20. Lionstooth argued that because the majority of substations in ATCO Electric Ltd.'s and Fortis Alberta Inc.'s service territories already have feeder-level metering, while the majority of substations in other jurisdictions do not have feeder-level metering, this difference in cost allocation between phases 2 and 3 would disadvantage customers in urban areas over customers in rural areas.[23] In its review of Lionstooth's argument, the Commission considers that it is unable to determine whether this difference in cost allocation would result in material impacts to ratepayers because the AESO has not provided cost estimates for Phase 3 of the AMP implementation. In its information request responses, the AESO stated that it "cannot predict how many or where new generation will connect in the future"[24] and therefore cannot provide an estimate of the total cost of Phase 3 implementations.

21. In addition to the FEOC concerns raised by Lionstooth, the Commission has concerns regarding how the reasonableness of the AESO's Phase 3 costs estimates can be assessed. With no information on the estimated costs of Phase 3, and given that the requested approval of the AMP implementation plan includes Phase 3, the Commission must be satisfied that Phase 3 costs are (1) reasonable and (2) in the public interest. The lack of cost estimates provided by the AESO means that the Commission is unable to determine whether these criteria would be met on a balance of probabilities.

22. The Commission also finds that the ability of the AMP to reduce significant billing determinant erosion is no longer clear, given the phase-out of DCG credits. When the AMP was

18 Exhibit 27047-X0087, Lionstooth Energy Argument, PDF page 7.
19 Exhibit 27047-X0003, AMP Implementation Plan, PDF page 6.
20 Exhibit 27047-X0003, AMP Implementation Plan, PDF page 7.
21 System-related costs refer to costs incurred as a result of an AESO-identified need to expand or enhance the capability of the transmission system, and which are recovered from load customers of the ISO tariff. This is in contrast to participant-related costs, which would primarily be borne by the market participants seeking the system access service request for access to the transmission system. For more information, see Proceeding 27015, Exhibit 27015-X0002.
22 Exhibit 27047-X0003, AMP Implementation Plan, PDF page 9.
23 Exhibit 27047-X0087, Lionstooth Energy Argument, PDF page 6.
24 Exhibit 27047-X0078, AESO-AUC-2022MAR28-001 to 003, PDF page 10.

first proposed as part of the AESO's 2018 tariff application, interveners raised concerns about whether the AESO had overstated or properly analysed the issue of billing determinant erosion.[25] At that time, the Commission found that there was "sufficient concern with respect to billing determinant erosion and resulting cross subsidy by DTS customers to justify the AESO's decision to propose its adjusted metering practice."[26] However, this decision was issued prior to the decision to phase out DCG credits.[27] Given that the phase-out of DCG credits will eliminate one of the major causes of billing determinant erosion, the Commission questions the remaining value of implementing the AMP.

23. Given this uncertainty, the AESO is not required by the Commission to file a further application proposing an implementation plan for the AMP. However, if the AESO wishes to do so, the Commission directs the AESO to include the following information in any future AMP implementation plan application:

(a) AACE Class 3 (-20% to +30%) estimates and forecast completion date for all scopes of work proposed in the implementation plan. Alternatively, the AESO could include in its implementation plan mechanisms for cost review and oversight of future phases of AMP implementation.

(b) AACE Class 5 (-50% to 100%) estimates for the total theoretical maximum cost of implementation across all phases.

(c) Quantification of the benefits of implementation of the AMP, including a cost-benefit analysis.

4.1.4 Did the AESO fulfill its obligation to adequately consult with stakeholders

24. Sections 4 and 5 of Rule 017 require the AESO to post notice of proposed rules, receive comments from stakeholders on the proposal and provide written responses to stakeholder comments. All of this must be posted on the AESO's website. The AESO states that it held preliminary collaboration meetings and discussions with stakeholders from May to September 2021, after which it provided stakeholders with a draft of the AMP implementation plan. In October 2021, the AESO issued a letter of notice to stakeholders regarding the development of the AMP implementation plan and proposed amended Section 502.10, received comments from stakeholders and responded to all stakeholder feedback. All comments, along with the AESO's replies explaining the rationale for why certain positions were accepted or rejected, were then posted to the AESO's website.

25. The AESO stated that most of the participants, apart from DCG stakeholders, did not raise substantive concerns with the AMP implementation plan or the proposed amended Section 502.10. The AESO indicated that DCG stakeholders' concerns were primarily related to whether the AMP was even necessary.[28]

26. The AESO submitted that it considered and addressed all stakeholder comments.

[25] Decision 22942-D02-2019, PDF page 153.
[26] Decision 22942-D02-2019, PDF page 154.
[27] Decision 26090-D01-2021.
[28] Exhibit 27047-X0002.01, Compliance Filing and Proposed Amended Section 502.10, PDF page 20.

27. Having reviewed the details of the consultation conducted by the AESO provided in the application, the Commission is satisfied that the informational and consultation requirements established by Rule 017 have been met.

5 Order

28. The Commission finds that the information provided about the proposed AMP implementation plan, Section 502.10 of the ISO rules, and the related amendments to appendices C and D of the ISO tariff, is insufficient for the Commission to be satisfied that the criteria set out in Section 20.21(2) of the *Electric Utilities Act* are met. In particular, the Commission was unable to evaluate whether the proposed rule amendment supports the fair, efficient and openly competitive operation of the electricity market or if the proposal is in the public interest. Section 20.21(4) states that the AESO has the onus of satisfying the Commission that the approval criteria are met. The AESO's application has not discharged that onus.

29. Accordingly, pursuant to subsection 20.21(1)(c) of the *Electric Utilities Act*, the Commission refuses to approve Section 502.10 of the ISO Rules, *Revenue Metering System Technical and Operating Requirements*, and denies the AESO's AMP implementation plan and related amendments to appendices C and D of the ISO tariff. The AMP implementation will therefore not proceed on July 1, 2022 as requested by the AESO.

Dated on May 31, 2022.

Alberta Utilities Commission

(original signed by)

Carolyn Dahl Rees
Chair

(original signed by)

Vincent Kostesky
Acting Commission Member