



Alberta Electric System Operator

2024 Independent System Operator Tariff Update

December 15, 2023

Alberta Utilities Commission

Decision 28627-D01-2023

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Proceeding 28627

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1 Decision summary

1. The Alberta Utilities Commission approves the Alberta Electric System Operator's (AESO) application for its 2024 update to the Independent System Operator (ISO) tariff.

2 Background

2. In Decision 2010-606,¹ the Commission approved the AESO's proposal to file major tariff updates in multi-year intervals and much simpler updates on an annual basis. The simpler, annual updates permit the AESO to update the rates and local investment amounts of the ISO tariff, based on costs and billing determinants forecast by the AESO for the upcoming calendar year.

3. On November 16, 2023, the AESO filed an application with the Commission requesting approval of its 2024 update to the ISO tariff, pursuant to sections 30 and 119 of the *Electric Utilities Act*.

4. The Commission issued notice of the application on November 24, 2023, stating that it had reviewed the ISO 2024 tariff update application and determined it was routine in nature and did not include any contentious issues. The notice of application also indicated that the Commission would make its decision with no further notice or process, subject to any interested party challenging the Commission's designation of the application as routine and explaining the need for intervention. No party applied to intervene in this proceeding or challenged the Commission's designation of this application being routine by the December 1, 2023, deadline.²

5. The AESO amended its application to correct a Transferred Frequency Response ancillary services contract that had been incorrectly allocated within load shed service costs. The AESO explained that "the costs relate to contracted reliability services procured from another jurisdiction, which do not vary with energy use, so these costs should be collected through the other system support services charge and not the Operating Reserves charge (which recovers costs based on costs incurred in the hour)."³ The AESO's correction and amended rates did not change the Commission's determination that the application was routine and that the matter could proceed to a decision without further process.

¹ Decision 2010-606: Alberta Electric System Operator, 2010 ISO Tariff, Proceeding 530, Application 1605961, December 22, 2010, paragraphs 546-551.

² Exhibit 28627-X0026, Notice of application.

³ Exhibit 28627-X0027, Application Revisions.

3 Application and decision

6. The AESO requested approval of the following in its application:⁴

- (i) The updated 2024 rate calculations included in Appendix B⁵ of the application; and
- (ii) The proposed 2024 ISO tariff Rate DTS (demand transmission service), Rate FTS (Fort Nelson demand transmission service), Rate DOS (demand opportunity service), Rate XOS (export opportunity service), Rate XOM (export opportunity merchant service), Rate PSC (primary service credit), Rate STS (supply transmission service), Rider J, and generating unit owner's contribution (GUOC) rates.

7. In the following sections, the Commission makes findings on whether the AESO's application, and the revised rates, are consistent with the methodology approved in prior decisions. The AESO's revenue requirement is reviewed in other proceedings and processes, and is not considered by the Commission in this proceeding.⁶

3.1 Does the AESO's 2024 forecast revenue requirement and rates update comply with Decision 2010-606?

8. The annual ISO tariff updates consist of the following three components:⁷

- (i) An annual revenue requirement update using the wires cost forecast methodology approved in Decision 2010-606⁸ and updated in Decision 22093-D02-2017,⁹ plus forecasts for ancillary services costs, losses costs and administration costs approved by the AESO board for the forecast year.
- (ii) Revised rate levels for each AESO rate calculated from the forecast revenue requirement and forecast billing determinants using rate calculations and the rate design approved in the most recent comprehensive tariff application.
- (iii) Annual updates to investment amounts approved in the most recent comprehensive tariff, reflecting an escalation factor based on the most recent Conference Board of Canada Alberta Consumer Price Index (CPI).

9. The AESO's application consists, in part, of formulaic updates to its annual revenue requirement; rates, riders and maximum investment levels; and a 2024 escalation factor.

3.1.1 The AESO's annual revenue requirement update

10. The AESO's revenue requirement included 2024 forecast costs related to wires, ancillary services, transmission line losses, and the AESO's own administration (which includes other

⁴ Exhibit 28627-X0002, 2024 ISO Tariff Update Application, paragraph 7.

⁵ Exhibit 28627-X0004, Appendix B- 2024 Rate Calculations.

⁶ See Decision 22942-D02-2019: Alberta Electric System Operator, 2018 ISO Tariff Application, Proceeding 22942, September 22, 2019, Section 3.1, paragraphs 44-48, for a discussion of how the AESO's revenue requirement is considered in various AUC proceedings and/or other processes.

⁷ Decision 2010-606, paragraph 537.

⁸ Decision 2010-606, paragraphs 546-551.

⁹ Decision 22093-D02-2017: Alberta Electric System Operator, 2017 ISO Tariff Update, Proceeding 22093, April 4, 2017.

industry costs, and general and administrative costs) that it needs to recover through its rates. The AESO forecast a 2024 revenue requirement of \$2,617.7 million. This represents an increase of \$69.1 million (or 2.7 per cent) over the 2023 total revenue requirement forecast of \$2,548.6 million. The AESO attributed the increase to a forecast increase of \$60.8 million (or 20.1 per cent) in 2024 ancillary services costs. The AESO's forecast revenue requirement was included in Appendix B of its application.¹⁰

11. The AESO determined the 2024 wires costs for transmission facility owners (TFOs) using the method approved in Decision 22093-D02-2017.¹¹

12. The AESO explained that ancillary services costs, transmission line losses costs, and the AESO's own administration costs are approved by the AESO board in accordance with the *Transmission Regulation*.¹² The AESO acknowledged that the 2024 forecast ancillary services, losses and administration costs had not, as of the filing of the application, been approved by the AESO board, and proposed to file a letter to advise the Commission of the AESO board approval once it has been received.¹³

13. The Commission is satisfied that the AESO's revenue requirement forecast has been prepared in accordance with the approved methodology.

14. The Commission acknowledges that the AESO's 2024 forecast ancillary services costs, the transmission line losses costs, and the AESO's own administration costs have not been approved on a final basis. The Commission directs the AESO to submit, as a post-disposition filing, a letter confirming AESO board approval for these costs by January 31, 2024. Any difference between the forecast costs included in this application and the final AESO board-approved costs or the AESO's actual costs will have to be settled through Rider C.¹⁴

3.1.2 Rate calculations and billing determinants

15. The AESO explained that the 2024 rate calculations used the following inputs:

- (i) the 2024 forecast revenue requirement;
- (ii) the functionalization and classification of wires costs and the point-of-delivery costs function approved in Decision 22942-D02-2019; and
- (iii) the 2024 forecast billing determinants prepared by the AESO.

¹⁰ Exhibit 28627-X0004, Appendix B- 2024 Rate calculations, B-1 Rev Req and B-2 TFO Rev Req worksheets.

¹¹ This methodology was described in Section 2.2.1 of the AESO's 2014 ISO tariff application and 2013 ISO tariff update, approved in Decision 2010-606, referred to in Decision 2014-242: Alberta Electric System Operator, 2014 ISO Tariff Application and 2013 ISO Tariff Update, Proceeding 2718, Application 1609765, August 21, 2014, and updated in Decision 22093-D02- 2017.

¹² Exhibit 28627-X0002, application, paragraph 14.

¹³ Exhibit 28627-X0002, application, paragraph 15

¹⁴ Rider C – Deferral Account Adjustment Rider, applies to system access service provided under Rate DTS, Rate FTS and Rate PSC. The ISO must recover or refund through Rider C the accumulated deferral account balances, which comprise differences between revenues and costs incurred in providing system access service to market participants.

16. The Commission finds that the AESO's use of its 2021 Long-term Outlook,¹⁵ which forecasts relatively flat load growth in 2024, as the basis to determine 2024 billing determinants in the tariff update is reasonable. Further, the Commission is satisfied that the AESO calculated 2024 rates in accordance with the approved methodology.

17. For the above reasons, the Commission approves the 2024 ISO tariff Rate DTS, Rate FTS, Rate DOS, Rate XOS, Rate XOM, Rate PSC and Rate STS as set out in tables B-1 through B-16 of Appendix B to the application.

18. In accordance with Decision 26980-D01-2021,¹⁶ the calculation of the Rider J charge should include both wind and solar annual forecasting services costs. The Commission finds that the AESO's methodology to calculate the Rider J charge, the rate of \$0.01 per megawatt hour, that allows it to recover current period costs and under-collected amounts from prior years to be reasonable, and is therefore approved.

3.1.3 Annual updates to maximum investment levels

19. In accordance with Decision 2010-606, the tariff update should include an update to maximum investment level amounts that were approved in the 2018 ISO tariff application escalated using additional Statistics Canada cost index values and the most recent Conference Board of Canada forecast of the Alberta CPI. The AESO included the updated calculation to the maximum investment levels in Appendix C¹⁷ of its application.

20. The Commission is satisfied that maximum investment level amounts, escalated by a factor of 1.1707 that is based on a composite of specified recent inflation indices, are consistent with the rate calculation methodology previously approved by the Commission in Decision 3473-D01-2015 (Errata)¹⁸ and the investment amount first approved in Decision 22942-D02-2019. The updated maximum investment levels are approved as filed.

4 Annual Updates to GUOC

21. In Decision 27777-D01-2022,¹⁹ the Commission approved the AESO's proposed process to calculate the GUOC rates and the GUOC rates that are currently in effect.²⁰ The proposed GUOC rates for 2024 have no changes relative to the approved 2023 GUOC rates.

22. The proposed rates for the six planning regions, which the AESO is requesting to be made effective January 1, 2024, are as follows:

¹⁵ <https://www.aeso.ca/assets/Uploads/grid/lto/2021-Long-term-Outlook.pdf>

¹⁶ Decision 26980-D01-2021: Alberta Electric System Operator, 2022 Independent System Operator Tariff Update and Rider J Amendment Application, Proceeding 26980, December 17, 2021, paragraphs 27-28.

¹⁷ Exhibit 28627-X0005, Appendix C.

¹⁸ Decision 3473-D01-2015 (Errata): Alberta Electric System Operator, 2014 ISO Tariff Compliance Filing Pursuant to Decision 2014-242, Module I, Proceeding 3473, Application 1610935-1, June 17, 2015.

¹⁹ Decision 27777-D01-2022: Alberta Electric System Operator, 2023 ISO Tariff Update, Proceeding 27777, December, 21, 2022.

²⁰ Decision 27777-D01-2022, paragraph 25.

Table 1. 2024 generating unit owner's contribution rates

Planning region	Current rate (\$/megawatt)
Northwest	10,000
Northeast	30,000
Edmonton	20,000
Central	20,000
Calgary	30,000
South	50,000

Source: Proceeding 28627, Exhibit 28627:X0002, application, Table 5-1 -2024 Generating Unit Owners Contribution Rates.

23. The Commission is satisfied that the GUOC rates are consistent with the rate calculation methodology previously approved by the Commission in Decision 27777-D01-2022. These amounts are approved as filed.

5 Order

24. It is hereby ordered that:

- (1) The Alberta Electric System Operator's 2024 Independent System Operator tariff update application is approved, effective January 1, 2024.

Dated on December 15, 2023.

Alberta Utilities Commission

(original signed by)

Kristjana Kellgren
 Executive Director, Rates
 On behalf of the Alberta Utilities Commission

Appendix 1 – Proceeding participants

Name of organization (abbreviation) Company name of counsel or representative
Alberta Electric System Operator (AESO)

Alberta Utilities Commission
Delegated authority K. Kellgren, Executive Director, Rates
Commission staff C. Strasser R. Cassidy C. Meulenbroek

Appendix 2 – Summary of Commission directions

This section is provided for the convenience of readers. In the event of any difference between the directions in this section and those in the main body of the decision, the wording in the main body of the decision shall prevail.

1. The Commission acknowledges that the AESO’s 2024 forecast ancillary services costs, the transmission line losses costs, and the AESO’s own administration costs have not been approved on a final basis. The Commission directs the AESO to submit, as a post-disposition filing, a letter confirming AESO board approval for these costs by January 31, 2024. Any difference between the forecast costs included in this application and the final AESO board-approved costs or the AESO’s actual costs will have to be settled through Rider C. paragraph 14