



# **BUSINESS PLAN:** 2010 – 2011 to 2012 – 2013



# **ALBERTA UTILITIES COMMISSION**

The Alberta Utilities Commission (AUC) is an independent, quasi-judicial agency of the Government of Alberta.

While the Minister of Energy is responsible for the AUC, it makes formal decisions independently in accordance with relevant statutes and regulations. The AUC's operations are funded through a general administration fee on Alberta's utilities and on the Independent System Operator (ISO).

The AUC reports on administrative matters to the Alberta legislature through the Minister of Energy.

## **VISION**

The AUC is a trusted leader that delivers innovative and efficient regulatory solutions for Alberta.

## **WHAT WE DO**

The AUC regulates the utilities sector, natural gas and electricity markets to protect social, economic and environmental interests of Alberta where competitive market forces do not.

## **HOW WE DO IT**

The AUC is fair, open and transparent in its regulatory processes and delivers sound principled decisions.

## **VALUES**

- We are impartial and objective.
- We are accountable and strive for excellence in everything we do.
- We treat everyone with dignity and respect.
- We maintain and promote a positive work environment.

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## STRATEGIC PRIORITIES

This business plan sets out for 2010 - 2011 to 2012 - 2013 the fundamental long term objectives, strategies and ongoing adjudicative work that are central to the AUC's regulation of the utility and market sectors of Alberta's economy. We have also established performance measures to track our progress made against our objectives.

The following strategic priorities focus our work for this planning period and beyond:

### **PUBLIC CONFIDENCE**

We will enhance public confidence in the AUC's regulation by improving our regulatory processes to ensure they are effective, efficient, open and transparent.

### **PRINCIPLED DECISIONS**

We will provide timely, principled decisions and ensure that the public interest is considered in every application that comes before us.

### **INNOVATION**

We will focus on developing new and innovative approaches to traditional regulation.

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## CORE BUSINESSES

### **MARKETS**

The AUC provides expert analysis of energy markets, market rules and reliability standards, and market data, while supporting an adjudicative forum to ensure market integrity.

### **FACILITIES**

The AUC is responsible for making timely decisions on the need, siting, construction, alteration, operation and decommissioning of natural gas and electricity transmission facilities. The AUC regulates power plants to ensure they are sited, constructed, altered, operated and decommissioned in a safe and environmentally responsible manner.

### **RATE REGULATION**

The AUC regulates investor-owned natural gas, electric and water utilities, and certain municipally-owned electricity utilities to ensure customers receive safe and reliable service at just and reasonable rates.

### **REGULATORY POLICY**

The AUC develops and amends rules that support the orderly operation of the retail and natural gas markets, specifically rules related to energy load settlement and billing processes, service quality and standards for market participants, and technical standards related to the safe and efficient use of the utilities' physical facilities and equipment.

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# OBJECTIVES, STRATEGIES AND PERFORMANCE MEASURES

## OBJECTIVE 1 MARKETS

**Support competitive markets by ensuring that market rules and reliability standards are fairly and consistently developed and market contraventions are fairly adjudicated.**

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### Context

In Alberta, competition exists in the electric power and natural gas sectors. Regulation is not required where markets are competitive, market power is not abused and monopolies are not present. However, the benefits of competition will not necessarily be realized through the operation of competitive market forces. As long as monopoly remains in some portions of the industries (such as transmission and distribution) or market power is present regulatory action may be necessary to ensure overall operation of healthy markets. This regulatory action will be overseen by the AUC either through review of Independent System Operator (ISO) processes and rules or adjudication of complaints and cases brought by the Market Surveillance Administrator (MSA).

In the electric power sector, the AUC has regulatory authority in three main areas: wholesale power markets, ISO rules and retail electricity markets. In the wholesale power market, the AUC will determine whether market participants have contravened specific ISO rules or engaged in anti-competitive conduct in cases brought before it by the Market Surveillance Administrator (MSA). Principled and reasoned decisions will ensure that market participants understand their duties and responsibilities and the principles that guide those decisions so that the markets can function properly and that ISO rules properly reflect the objectives and policies embodied in the enactments governing the ISO rules.

The Alberta Electric System Operator (AESO) has been appointed Alberta's ISO. The AESO is a key institution in ensuring the wholesale market is functioning competitively and makes rules and reliability standards that govern and support the real time control of the Alberta electric system, the management of the wholesale energy market and the operations of the transmission grid. The AUC holds a hearing or other proceeding if market participants object to the introduction or amendment of an ISO rule or reliability standard. Market participants may also complain about the application or operation of an existing ISO rule. The AUC's role is to consider whether the complaint is justified, whether the rule supports a fair, efficient, and openly competitive market and whether the rule's effect is consistent with its intended purpose. After hearing an objection or complaint the AUC can confirm, disallow, or direct changes to be made to the rule.

If the rule objection or complaint relates to more technical operational matters, system reliability for example; the AUC's responsibility is to determine whether the rule is technically deficient.

Reliability standards primarily provide specific engineering and operational guidance about the electric system. System reliability is also critical to the success of a competitive wholesale market, so reliability standards must be symmetrically applied to all market participants. Reliability standards protect the integrity of the bulk power system and ensure that market participants can confidently complete the huge volumes of transactions that occur in well-functioning competitive markets. Meaningful oversight of these rule cases may require consideration of technical, operational, commercial and competitive matters, in the public interest.

In electricity and natural gas retail markets, competitive issues include the mechanics of the functioning market, such as ensuring retailers have access to information they need to perform their business and to ensure competition among retail suppliers, including relationships with their energy suppliers and offers to customers. The MSA is responsible for monitoring market activities and behaviours in this sector and for bringing cases for enforcement of anti-competitive breaches to the AUC for adjudication.

The AUC's work in this planning phase will be characterized by a continuing effort to more clearly define its regulatory objectives and expected regulatory outcomes including refining current practices and processes for new areas of responsibility such as Alberta reliability standards and preferential sharing of records.

### **Strategies**

- 1.1 Develop and enhance adjudicative processes for markets proceedings.
- 1.2 Develop rules and procedures for approving and enforcing reliability standards, including penalties.
- 1.3 Further develop economic and legal principles underlying markets proceedings.
- 1.4 Document and publish detailed external processes for markets proceedings.

### **Performance Measures**

- 1.a 100 per cent of decisions are issued within 90 days after the close of record.
- 1.b. 75 per cent of all participants in markets hearings indicate that they were satisfied with the opportunity to present their views and were treated fairly.
- 1.c 90 per cent of all market applications are processed within established timelines.
- 1.d 85 per cent of participants in market proceedings indicate they understand the hearing process.

## OBJECTIVE **2** FACILITIES

**Ensure understanding of, and confidence in, the impartiality, transparency and competence of the AUC in its timely review and oversight of energy projects and of the opportunities for meaningful participation.**

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### **Context**

In Alberta, the coming years will see an increased focus on the development of additional energy infrastructure, aimed at maximizing the potential for the addition of greener, renewable energy sources such as wind power and hydroelectric generation, replacing aging infrastructure, and meeting the needs of Alberta's growth. Legislation and policy is also emerging to address greenhouse gas emissions from Alberta's coal and gas-fired plants, and to deploy new or advanced technologies such as carbon capture and sequestration. Clear, effective communication and interaction with stakeholders is important if we are to be an effective and trusted regulator.

The AUC reviews proposed facility applications to ensure they are in the public interest, considering the environmental, social and economic impacts. The AUC anticipates a significant number of complex applications for the 2010 - 2011 to 2012 - 2013 period and will make practical improvements to process applications in a timely and efficient manner. These will never compromise participant expectations of a fair and transparent process.

The importance of public confidence in the AUC and its review of applications will be reflected by enhancement of our public notification process and communications. The objective is to maximize public awareness of, and trust in, their opportunity for meaningful participation.

### **Strategies**

- 2.1 Review, update, and implement rules that add clarity and certainty to the requirements and responsibilities of applicants and interveners in the following areas:
  - Notification and consultation;
  - Quality of the application and submissions;
  - Procedures and conduct in the hearing room.
- 2.2 Revise processes to fulfill the AUC's responsibilities arising from the Provincial Energy Strategy and any related regulations subsequently enacted.
- 2.3 Evaluate the AUC's needs regarding field-monitoring, and implement a solution as required.
- 2.4 Enhance communication tools, such as stakeholder and landowner information sessions and the AUC website, to explain and enable participation in AUC proceedings.
- 2.5 Improve processes for transmission needs and facility applications to ensure they are conducted in a timely manner and provide appropriate opportunities for public input.

## Performance Measures

- 2.a 100 per cent of decisions are issued within 90 days after the close of record.
- 2.b The AUC will determine 100 per cent of needs and facility applications within 180 days of the application being deemed complete.
- 2.c 100 per cent of application response letters are sent within 15 working days of the application being filed.
- 2.d The AUC will conduct a minimum of one information session for each major facility application.
- 2.e 80 per cent of facility applications are processed within established timelines.

	<b>Target 2010/11</b>	<b>Target 2011/12</b>	<b>Target 2012/13</b>
2.f Hearing participants indicate they understand the needs and facility application process.	75%	80%	85%
2.g Participants indicate they were treated fairly.	70%	70%	75%

# OBJECTIVE **3** RATE REGULATION

**Rate-making related responsibilities will be carried out in a principled, effective and efficient manner.**

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## **Context**

While Alberta's energy delivery services (electric and gas) have undergone significant changes in recent years, one thing that has remained constant is our obligation to regulate the monopoly functions of distribution and transmission with respect to price and service quality levels. This kind of regulation will remain important for as long as the monopoly conditions exist in the market for these services.

Our approach to regulating these monopoly functions, called cost of service or rate-of-return regulation, focuses on input costs (the revenue requirement) and specific rate design (rate structure) that will generate the revenue requirement. In 2009; however, the AUC approved its first long-term incentive-based regulatory approach for ENMAX. This approach places a limit on the maximum prices for services and can have various forms of sharing between consumers and a regulated firm.

During this plan period, a significant amount of AUC effort will be focused on investigating new ways of regulating these monopoly services so that the regulated firms are incented to behave more like competitive companies, while still subject to appropriate safeguards for service quality.

## **Strategies**

- 3.1 Research and assess possible forms of incentive regulation used in regulated industries in other jurisdictions.
- 3.2 Improve regulatory efficiency, certainty and consistency by establishing principles through generic proceedings.
- 3.3 Improve regulatory efficiency, certainty and consistency by consulting and employing rule making as an alternative to litigation where appropriate.
- 3.4 Continually assess processes and implement changes in order to promote consistency and continuous improvement.

## **Performance Measures**

- 3.a Notices or response letters will be issued for all applications within established target timelines.
- 3.b 80 per cent of the proceedings for each proceeding type will have the record completed within established target timelines.
- 3.c 100 per cent of Decision reports or approval letters for each proceeding type will be issued within 90 days after the close of record.
- 3.d 80 per cent of audit work will be completed within established target timelines and budgets.
- 3.e 97 per cent of email and phone complaints will be responded to within one working day.
- 3.f 90 per cent of all written complaints will be responded to within three working days.

## OBJECTIVE **4** REGULATORY POLICY

**Facilitate the fair, efficient and transparent operation of the retail natural gas and electricity markets through the use of technical regulation.**

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### **Context**

The competitive gas and electric retail sectors require a number of codes and rules to operate efficiently. The codes are multilateral arrangements that establish detailed obligations of industry participants. Each code may be modified and proposals to do so require AUC approval. Our authority in this area deals with reviewing and establishing complicated technical rules that, for example, will standardize the mechanics of commercial relationships between a wire owner and retailer. This is called technical regulation as compared to our more traditional economic or social regulatory responsibilities.

Our role is to enact rules or modifications to rules and in so doing consider whether the rule will support a competitive market and whether the proposed changes are consistent with the rule's objective.

Our work is to ensure a standardized set of business processes and transaction rules are implemented for all industry participants; to ensure the exchange of accurate and complete information between industry participants occurs in an efficient manner; and to set out the performance requirements of the various participants. Technical regulation will also be used to resolve the numerous issues associated with the installation and deployment of new technologies such as advanced metering infrastructure, net metering and smart grid.

The AUC has adopted a more flexible process to develop and amend its rules. Rather than using the traditional adversarial hearing approach, a collaborative, consultative technique has proven effective.

A party to the rule may seek a rule modification by putting forward a proposal for consideration by a committee of industry stakeholders, led by AUC staff. The committee then meets regularly to consider, explore and build understanding about the proposal. The AUC remains the final decision maker. However, the industry stakeholder consultative approach is an efficient way to regulate these complex technical areas of the industry.

In this planning period our work will include evaluating those areas of the codes and rules that are less material in nature, in order to identify areas that could be dealt with in subsidiary documents outside the rule. This would lead to increased regulatory efficiency by allowing these clerical matters to be dealt with by amendments outside of the formal rule-making process. In addition we will review our rules to identify and segregate those which involve information technology (IT) process and infrastructure changes by market participants, which by nature require more time for implementation than those rules which can be dealt with and implemented more expediently.

## **Strategies**

- 4.1 Develop and implement rules that support and enhance the effectiveness of competitive retail competition, through the use of a consultative process with stakeholders.
- 4.2 Implement rules regarding the deployment of advanced-metering infrastructure technologies consistent with the Government of Alberta's Provincial Energy Strategy.
- 4.3 Identify and research emerging issues pertaining to the retail electric and natural gas markets.
- 4.4 Review opportunities for the harmonization of regulatory requirements within the electricity and natural gas retail markets and apply a consistent set of rules to both.
- 4.5 Implement an enforcement program that is well understood by industry participants and promotes compliance with relevant law, AUC rules, decisions and orders.

## **Performance Measures**

- 4.a No disputes between the market participants are being brought to the AUC for adjudication under Rules 002,003,004,010,021 and 024.
- 4.b Eligible micro-generation projects are approved and connected to the grid in a timely manner.
- 4.c Harmonization of regulatory requirements result in demonstrated cost savings to regulated entities.
- 4.d Technical rules related to competitive retail energy markets are adopted or amended according to the timelines agreed upon by the industry stakeholders as part of the consultative process.

# OBJECTIVE **5** ORGANIZATION

**Provide a foundation to support our core business consistent with our core values.**

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## **Context**

The delivery of the AUC's core business is founded on the expertise of its people and its information technology. The AUC takes into account economic, technical, environmental and social issues in carrying out its mandate. We must ensure we have the people and the technology to address the changing nature of our regulation. The focus for this planning period is to enhance our capability and expand our capacity in an efficient and effective manner.

## **Strategies**

- 5.1 Enhance internal and external communications.
- 5.2 Develop a human capital plan to address the current and evolving nature of skill sets and expertise required for AUC regulation.
- 5.3 Ensure effective and efficient governance within the AUC through regular review of internal controls.
- 5.4 Enhance information systems to support core business operations and provide timely service and reliable information to stakeholders.
- 5.5 Implement controls for handling personal information associated with facility applications and prepare similar controls for other processes.
- 5.6 Conduct internal operations in a manner that reflects best environmental practices and establish and follow an environmental management system with a view to gaining independent certification for our internal operations.

## **Performance Measures**

- 5.a The employee engagement index as measured in the Corporate Employee Survey is greater than 75 per cent.
- 5.b The quality of work environment index as measured in the Corporate Employee Survey is greater than 78 per cent.
- 5.c The internal communications effectiveness index as measured in the Corporate Employee Survey is greater than 75 per cent.
- 5.d 75 per cent of all AUC employees invest 12 hours, or more, per year on professional development.
- 5.e The AUC's satisfaction index, as measured in the stakeholders satisfaction survey is greater than 75 per cent.
- 5.f 90 per cent of stakeholder requests for information are responded to within one working day.
- 5.g AUC stakeholders are able to access AUC business systems 95 per cent of the time on business days between 7:00 a.m. and 7:00 p.m.