International Paper Canada Pulp Holdings ULC

Request for Permanent Connection for 48-Megawatt Power Plant

June 6, 2019
Alberta Utilities Commission
Decision 24393-D01-2019
International Paper Canada Pulp Holdings ULC
Request for Permanent Connection for 48-Megawatt Power Plant
Proceeding 24393
Application 24393-A001

June 6, 2019

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Decision summary

1. In this decision, the Alberta Utilities Commission considers whether to approve an application from International Paper Canada Pulp Holdings ULC for the permanent connection of a 48-megawatt power plant to ATCO Electric Ltd.’s Proctor & Gamble A808S Substation. In the alternative, International Paper proposed that the Commission grant an extension to its existing temporary connection order to allow sufficient time for it to file an application for industrial system designation.

2. Having regard to the circumstances, the Commission finds that approval of alternative relief consistent with that proposed by International Paper is in the public interest. Specifically, the Commission is prepared to extend International Paper’s temporary connection order to December 16, 2019. The Commission expects that International Paper will file its industrial system designation application with the Commission by no later than September 16, 2019, to ensure that the Commission has sufficient time to consider the application prior to the expiry of the temporary connection order.

Introduction

3. On March 6, 2019, International Paper filed Application 24393-A001 with the Commission seeking approval of a permanent connection order to connect its 48-megawatt (MW) power plant (the power plant), to ATCO Electric Ltd.’s Proctor & Gamble A808S Substation in the Grande Prairie area.

4. The power plant, approved in 1995, provides a portion of the energy it produces to the on-site Grande Prairie Kraft Pulp Mill and exports excess energy to the Alberta Interconnected Electric System (AIES).

5. Pursuant to Order 21970-D03-2016, International Paper holds a temporary connection order for the power plant that expires on June 30, 2019.

6. Consistent with the Commission’s authority under Section 9 of the Alberta Utilities Commission Act, neither a notice of application nor a hearing was required in this proceeding as the Commission considered that its decision or order would not directly and adversely affect the rights of a person.

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1 Temporary Connection Order 21970-D03-2016, Proceeding 21970, Application 21970-A001, November 25, 2016.
3 Statutory scheme

7. Whether a market participant can generate electricity for the purposes of self-supply and export to the AIES is informed by sections 101, 18 and 2 of the Electric Utilities Act and Section 2(f) of the Fair, Efficient and Open Competition Regulation.

8. In summary,

- Section 101(1) of the Electric Utilities Act requires a person wishing to obtain electricity for use on a property to make arrangements for the purchase of electric distribution service from the owner of the electric distribution system in whose service area the property is located.

- Section 18(2) of the Electric Utilities Act and Subsection 2(f)(i) of the Fair, Efficient and Open Competition Regulation provide direction on how electricity generated in Alberta can be transacted (exported) through the AIES and the power pool. Section 18(2) states that all electric energy entering or leaving the AIES must be exchanged through the power pool of Alberta unless otherwise provided by regulation.

- Section 2(f) of the Fair, Efficient and Open Competition Regulation complements Section 18(2) and provides that subject to certain exceptions, not offering to the power pool all electric energy from a generating unit that is capable of operating is conduct that does not support the fair, efficient and openly competitive operation of the electricity market. One of the exceptions to Section 2(f) is electric energy used on property for the market participant’s own use.

9. Section 2(1) of the Electric Utilities Act exempts self-supply from the operation of the act, including sections 18 and 101. Section 2(1)(b), which sets out the “self-supply exemption,” states:

2(1) This Act does not apply to

(b) electric energy produced on property of which a person is the owner or a tenant, and consumed solely by that person and solely on that property;

10. In Decision 23418-D01-2019, the Commission considered whether the statutory scheme allows a market participant to generate electricity for the purposes of self-supply and export to the AIES. The Commission found, for the reasons set out in paragraphs 75 to 102 of that decision, that the legislation does not allow such conduct except in the case of micro-generation units and generating units that are part of an industrial system designation. The Commission stated:

…the Commission is satisfied that the statutory scheme expressly authorizes the owners of industrial systems and micro-generators to self-supply and transact any electric energy that is in excess of their own use through the interconnected electric system. Absent from the statutory scheme, however, is any express authorization for a party that relies upon the exemption in subsection 2(1)(b) to export electric energy that is in excess of the

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person’s own use on the property. Given that such express authorization exists for the other two self-supply mechanisms, the Commission considers its omission for subsection 2(1)(b) operations to be intentional and reflective of the drafter’s intent to require that all the electricity produced on site be consumed on site.3

4 Discussion

11. International Paper’s power plant is located within its Grande Prairie Kraft Pulp Mill. International Paper stated that the power plant is fully integrated with the pulp mill’s manufacturing process, providing both electricity and steam used in the plant process. The power plant is connected to the AIES at a transmission level through ATCO’s Proctor & Gamble A808S Substation.

12. International Paper submitted that the Alberta Electric System Operator (AESO) had previously not supported a permanent connection order because the necessary transmission and telecommunication developments required to address identified system issues were not in place.4 However, in response to International Paper’s most recent request, the AESO stated that previously-identified system performance issues had been addressed through increased transmission line thermal ratings and teleprotection upgrades and that remaining issues could be addressed using real time operational practices. The AESO stated that it could “now support an application by International Paper to the Alberta Utilities Commission to obtain a permanent connection order for the [International Paper] Power Plant”.5

13. The Commission issued information requests to International Paper to determine whether energy from the power plant was limited to self-supply. In doing so, the Commission referenced Decision 23418-D01-2019,6 in which it ruled that EPCOR Water Services Inc.’s proposal to connect a new solar power plant that would provide a portion of its energy to an adjacent water treatment plant and export the excess energy to the AIES did not comply with the statutory scheme. In response to information requests, International Paper confirmed that energy from the power plant is supplied to its pulp mill and excess energy is exported to the AIES.

14. International Paper stated that the power plant was originally approved by the Alberta Energy and Utilities Board in 1995 and that it has been operating in the current manner since that time, predating the legislative scheme. International Paper stated that should its operations not be grandfathered, it would examine alternatives to achieve compliance with the legislative scheme, including submitting an industrial system designation application and entering into power purchase agreements with itself.

15. International Paper subsequently requested, as alternative relief to approving the permanent connection order, that the Commission grant a one-year extension to its temporary connection order to allow it time to prepare and submit an application for an industrial system designation.

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4 Exhibit 24393-X0002, AESO Support Letter.
5 Exhibit 24393-X0002, AESO Support Letter.
5  Findings

16. In Decision 23418-D01-2019, and again in Decision 23756-D01-2019, the Commission ruled that the statutory scheme does not allow a power plant to self-supply a portion of its energy to a co-located facility and export the remaining energy to the AIES, except in specific circumstances. The Commission found that the statutory scheme establishes that a person wishing to obtain electric service must take that service from the distribution facility owner, and that a power plant must provide all of the energy it generates to the power pool. There are limited exceptions to these requirements, including for micro-generation and industrial system designations. A further exception to these requirements exists under Section 2(1)(b) of the Electric Utilities Act, if all energy produced by the power plant is consumed solely by the owner of the power plant and solely on the owner of the power plant’s property.

17. International Paper stated that its power plant predates the legislation considered by the Commission in Decision 23418-D01-2019 and that it has been operating in the same manner since it was approved in 1995. However, it did not provide any evidence to suggest that the applicable legislation contemplates a grandfathering process for facilities that predate it, nor did it provide any precedent for a facility being grandfathered in the manner proposed. Accordingly, the Commission finds that International Paper has not established that it is entitled to have its operations grandfathered.

18. The Commission finds that the manner in which International Paper has been operating its power plant (i.e., using the electric energy it generates on-site while exporting any excess to the AIES) and in which it proposes to continue to operate under the permanent connection order, is inconsistent with the legislation. The Commission also finds that International Paper has not demonstrated that it qualifies for any of the exemptions that would allow it to operate in the manner described.

19. In Decision 23418-D01-2019, the Commission recognized that its decision represents a departure from previous decisions and that its interpretation of the legislative provisions pertaining to self-supply and export may have ramifications for existing approval holders.

20. The Commission does not consider that International Paper engaged in any form of intentional misconduct or non-compliance by operating the plant as it has.

21. The Commission recognizes that International Paper may at some future date qualify for an exemption as an industrial system designation and understands that it is International Paper’s intention to make such an application forthwith. Given the circumstances in which the issues with the proposed connection order came to light, the Commission finds that it is in the public interest to extend International Paper’s temporary connection order to provide it with sufficient time to pursue industrial system designation. In the Commission’s view, the 12 month extension requested by International Paper could result in unnecessary delay to the resolution of this issue. The Commission will accordingly extend the temporary extension order to December 16, 2019. Further, the Commission expects that International Paper will file its industrial system designation application by no later than September 16, 2019 to ensure that the Commission has sufficient time to consider the application prior to the expiry of the temporary connection order.

7 Decision 23756-D01-2019: Advantage Oil and Gas Ltd. – Alter and Operate the Glacier Power Plant, Proceeding 23756, Application 23756-A001, April 26, 2019.
6 Decision

22. Pursuant to Section 18 of the *Hydro and Electric Energy Act*, the Commission approves the connection with an expiry date of December 16, 2019 and grants International Paper the approval set out in Appendix 1 – Temporary Connection Order 24393-D02-2019 – June 6, 2019 (Appendix 1 will be distributed separately).

Dated on June 6, 2019.

**Alberta Utilities Commission**

*(original signed by)*

Anne Michaud  
Vice-Chair

*(original signed by)*

Carolyn Hutniak  
Commission Member

*(original signed by)*

Kristi Sebalj  
Commission Member