



Community Generation Working Group and FortisAlberta Inc.

Decision on Preliminary Question
Application for Review of Decision 22942-D02-2019
Alberta Electric System Operator
2018 Independent System Operator Tariff

September 1, 2020

Alberta Utilities Commission

Decisions 25101-D01-2020 and 25102-D01-2020
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and 25102-D01-2020

Proceedings 25101 and 25102

1 Decision

1. In this decision, the Alberta Utilities Commission must determine whether to grant applications filed by the Community Generation Working Group (CGWG)¹ and FortisAlberta Inc. in which they requested a review and variance of specific findings in section 7.3 of Decision 22942-D02-2020 (Decision). The Decision addressed an application from the AESO for approval of a proposed adjusted metering practice as part of its 2018 ISO tariff application. The CGWG's and FortisAlberta's review applications pertain to the Commission's findings, in section 7.3 of the Decision, approving the AESO's proposed adjusted metering practice.

2. The Commission has decided to grant a review of the AESO's proposed adjusted metering practice for the reasons provided below. The process for the variance proceeding will be communicated in separate correspondence in Proceeding 25175: 2018 ISO Tariff Compliance Filing Pursuant to Decision 22942-D02-2019 and 2020 ISO Tariff Update Application.

2 Procedural background and AESO technical sessions

3. On November 21, 2019, the Commission received a review application from each of the CGWG and FortisAlberta requesting a review and variance of the Decision. The review applications were filed pursuant to Section 10 of the *Alberta Utilities Commission Act* and Rule 016: *Review of Commission Decisions*. The Commission designated the review applications of the CGWG and FortisAlberta as proceedings 250101 and 25102, respectively.

4. On November 26, 2019, the Commission issued a filing announcement for each of the review applications. By letter dated December 17, 2019, the Commission advised parties registered in either of the review proceedings that pursuant to Rule 016, consideration of the review applications would follow the two-step process provided for in the rule and as further described in Section 4 of this decision. In the same letter, the Commission advised parties that it would issue a single decision and that it would be processing the review applications concurrently.

5. On December 16, 2019, the AESO filed a submission in both proceedings proposing to commence and host one or more technical sessions for distribution connected generators (DCGs), distribution facility owners (DFOs), Commission staff and other interested stakeholders. The purpose of the sessions was to facilitate one or more technical meetings that sought to develop a joint proposal on a path forward to consider the need for potential changes to

¹ The Community Generation Working Group is comprised of the Canadian Solar Industries Association, First Nations Power Authority and the Alberta Community and Co-operative Association.

the substation fraction methodology as a result of the approved AESO adjusted metering practice. A joint proposal, if achieved, or individual proposals regarding the attribution and flow through of transmission costs to DCGs, would then be filed in the consolidated proceeding for consideration and determination by the Commission.

6. The Commission established a proceeding to receive comments from interested parties registered in both proceedings. Submissions were received from parties on January 7, 2020 and from the AESO on January 10, 2020. All parties supported the AESO's proposal to hold the technical sessions and were willing to actively engage with the AESO in this regard.

7. On January 15, 2020, the Commission issued a ruling in both proceedings approving the AESO's proposal to hold the proposed technical sessions. The review applications were suspended pending the completion of the technical sessions.

8. On July 13, 2020, the Commission issued a letter to participants registered in the review proceedings. In that letter, the Commission noted that the AESO held four technical meetings between February and June 2020. The Commission further noted that as a result of the technical meetings, the AESO was planning to file a report on the record of the suspended R&Vs to update the Commission on the outcomes of the technical meetings.

9. In anticipation of this report, the Commission issued correspondence that included a proposed approach on the further processing of the review applications.² The Commission sought comments from FortisAlberta, the CGWG and the AESO on the proposed approach. Comments were received from the AESO on July 22, 2020 and from FortisAlberta and the CGWG on August 4, 2020.

10. For the purposes of this decision, the Commission considers the record for proceedings 25101 and 25102 to be closed as of August 4, 2020.

11. In this decision, the members of the Commission panel who authored the Decision will be referred to as the "hearing panel" and the members of the Commission panel considering the review application will be referred to as the "review panel."

12. In reaching its determinations, the review panel has reviewed the pertinent portions of the Decision and relevant materials comprising the record of these review proceedings. Accordingly, references in this decision to specific parts of the record are intended to assist the reader in understanding the Commission's reasoning relating to a particular matter and should not be taken as an indication that the Commission did not consider all relevant portions of the several records with respect to the matter.

² The Commission also requested comments from Blu Earth Renewables Inc. who had filed a complaint related to FortisAlberta's conduct in its recovery of costs allocated to supply transmission service by the AESO's transmission cost allocation practice based on the substation fraction methodology. The complaint proceeding is registered as Proceeding 25058.

3 Background

13. The hearing panel issued the Decision on September 22, 2019. In the Decision, the hearing panel approved the AESO's proposed "adjusted metering practice" under which the AESO would separately meter supply transmission service (STS) and distribution transmission service (DTS) amounts at DFO substations on a "gross" basis rather than metering energy flowing on the Alberta Interconnected System on a "net" basis. Among other effects, the decision to allow the AESO to meter on a gross basis could have a significant effect on the economics of distribution connected generation, because it would cause AESO contribution amounts to include amounts arising from the substation fraction formula in accordance with the ISO tariff.

14. An overview of the key findings in Decision 22942-D022019 regarding the AESO adjusted metering practice is provided in Appendix 1.

4 The Commission's review process

15. The Commission's authority to review its own decisions is discretionary and is found in Section 10 of the *Alberta Utilities Commission Act*. That act authorizes the Commission to make rules governing its review process and the Commission established Rule 016 under that authority. Rule 016 sets out the process for considering an application for review. A person who is directly and adversely affected by a decision may file an application for review within 60 days of the issuance of the decision, pursuant to Section 3(3) of Rule 016. The CGWG and FortisAlberta each filed their respective review applications within the required period.

16. The review process has two stages. In the first stage, a review panel must decide whether there are grounds to review the original decision. This is sometimes referred to as the "preliminary question." If the review panel decides that there are grounds to review the decision, it moves to the second stage of the review process where the Commission holds a hearing or other proceeding to decide whether to confirm, vary, or rescind the original decision.

17. In this decision, the review panel has decided the preliminary question.

18. Section 4(d) of Rule 016 requires an applicant to set out in its application the grounds it is relying on which may include the following:

- (i) The Commission made an error of fact, law or jurisdiction;
- (ii) Previously unavailable facts material to the decision, which existed prior to the issuance of the decision in the original proceeding but were not previously placed in evidence or identified in the proceeding and could not have been discovered at the time by the review applicant by exercising reasonable diligence;
- (iii) Changed circumstances material to the decision, which occurred since its issuance.

19. Section 6(3) describes the circumstances in which the Commission may grant a review as follows:

6(3) The Commission may grant an application for review of a decision, in whole or in part, where it determines, for an application for review pursuant to subsections 4(d)(i), (ii) or (iii), that the review applicant has demonstrated:

- (a) In the case of an application under subsection 4(d)(i), the existence of an error of fact, law or jurisdiction is either apparent on the face of the decision or otherwise exists on a balance of probabilities that could lead the Commission to materially vary or rescind the decision.
- (b) In the case of an application under subsections 4(d)(ii) or 4(d)(iii), respectively, the existence of:
 - (i) Previously unavailable facts material to the decision, which existed prior to the issuance of the decision in the original proceeding but were not previously placed in evidence or identified in the proceeding and could not have been discovered at the time by the review applicant by exercising reasonable diligence; or
 - (ii) Changed circumstances material to the decision, which occurred since its issuance

that could lead the Commission to materially vary or rescind the decision,

(...)

20. In its review application, the CGWG is relying on sections 4(d)(i) and (ii) and 6 of Rule 016. FortisAlberta is relying on sections 4(d)(i) and (iii) and 6 of Rule 016.

21. The Supreme Court of Canada in *Housen v Nikolaisen*,³ as recently reaffirmed in *Canada (Minister of Citizenship and Immigration) v. Vavilov*,⁴ determined that the applicable appellate review standard concerning an alleged error of fact, or mixed fact and law is a “palpable and overriding error.” This guidance was incorporated by the Commission in Decision 2012-124,⁵ as reflected in the following paragraph:

30. ... [F]indings of fact or inferences of fact made by the hearing panel are entitled to considerable deference, absent an obvious or palpable error. In the Commission’s view, this approach is consistent with that prescribed by the Supreme Court in *Housen v. Nikolaisen* [2002 SCC 33] and by the Court of Appeal in *Ball v. Imperial Oil* [2010 ABCA 111]. It is also consistent with the general principle that the trier of fact is better situated than a subsequent review authority to make factual findings or draw inferences of fact given the trier of fact’s exposure to the evidence and familiarity with the case as a whole.

³ *Housen v Nikolaisen*, 2002 SCC 33.

⁴ *Canada (Minister of Citizenship and Immigration) v. Vavilov*, 2019 SCC 65 paragraph 37.

⁵ Decision 2012-124: AltaLink Management Ltd. and EPCOR Distribution & Transmission Inc., Decision on Request for Review and Variance of Decision 2011-436 Heartland Transmission Project, Proceeding 1592, Applications 1607924-1, 1607942-1, 1607994-1, 1608030-1, 1608033-1, May 14, 2012.

22. In light of this guidance, the Commission addressed the role of a review panel and concluded that it should apply the following principles to its consideration of the review applications before it:

- First, decisions of the Commission are intended to be final; the Commission's rules recognize that a review should only be granted in those limited circumstances described in Rule 016.
- Second, the review process is not intended to provide a second opportunity for parties with notice of the application to express concerns about the application that they chose not to raise in the original proceeding.
- Third, the review panel's task is not to retry the ... application based upon its own interpretation of the evidence nor is it to second guess the weight assigned by the hearing panel to various pieces of evidence. Findings of fact and inferences of fact made by the hearing panel are entitled to considerable deference, absent an obvious or palpable error.⁶

23. In Decision 22166-D01-2016⁷, the Commission also provided guidance on the purpose of a review application:

30. The review process is not intended to provide a second opportunity for parties to reargue the issues in a proceeding, nor is it an opportunity to express concerns about a decision determining issues in a related proceeding.

24. Further, in Decision 22797-D01-2017,⁸ the Commission stated:

42. ... The review applicants repeated many of those same arguments in their respective review applications. A review application is not an opportunity to reargue or seek to bolster arguments previously made and rejected. In the absence of an error of fact, law or jurisdiction that could lead the Commission to materially vary or rescind the original decision, disagreement or dissatisfaction with the Commission's interpretation or agreeing with a dissenting view are not grounds for granting a review.

25. These principles have been endorsed by the Commission in subsequent decisions and have been applied by the review panel in its consideration of the relevant evidence and argument.

⁶ Decision 2012-124, at paragraph 31.

⁷ Decision 22166-D01-2016: Request for Review and Variance of Decision 21515-D01-2016, ATCO Pipelines' 2015-2016 Revenue Requirements Compliance Filing to Decision 3577-D01-2016, Proceeding 22166, April 5, 2017.

⁸ Decision 22797-D01-2017: Applications to Review and Vary Decision 21115-D01-2017, Proceeding 22797, December 11, 2017.

5 Grounds for review and hearing panel findings

CGWG review application

26. In its review application, the CGWG requested a review of the Commission's approval of the AESO's transmission cost allocation substation fraction formula methodology. The substation fraction is the calculation of the substation split between generation and load at each POD (point of delivery). The Commission's findings begin at paragraph 740 of Decision 22942-D02-2019.

27. The CGWG objects primarily to paragraph 742 of the Decision which states:

742. The substation fraction formula is a long-established mechanism used by the AESO to allocate the costs of local interconnection facilities that may have joint use. Further, while the Commission considers that use of a ratio of the respective STS and DTS contract capacities as a percentage of the combined DTS and STS contract capacities of customers using the local interconnection facilities is a relatively simple mechanism, it is not unreasonable in the absence of any other information. The Commission notes that no parties in the current proceeding have provided any evidence suggesting that a mechanism other than the substation fraction formula would be an improvement for this purpose. [footnotes omitted]

28. The CGWG raised two grounds in support of its review request: (1) errors of fact, law or jurisdiction, which are either apparent on the face of the Decision or have been established to exist on a balance of probabilities and (2) previously unavailable facts material to the particular aspect of the Decision that is the subject of this application, that existed prior to the issuance of the Decision but were not previously placed in evidence or identified in the proceeding, and could not reasonably have been discovered during the course of the 2018 ISO Tariff proceeding.

29. It argued that the substation fraction formula proposed by the AESO was not a "long established mechanism" and that there were other options available to the Commission, suggested in its evidence and that of other parties in Proceeding 22942. With respect to the second ground, it argued that the formula changes embedded in ID# 2019-016T⁹ could not have been discovered at the time of Proceeding 22942 by the CGWG exercising reasonable diligence.

⁹ On May 3, 2018, the AESO released ID 2018-019T in response to its developing concern that the significant increase in the amount and size of distribution connected generation (DCG), including a substantial volume of intermittent DCG attributable to wind and solar, was eroding DTS load billing determinants and creating an uneven playing field between DCGs and transmission connected generation. The AESO prepared ID 2018-019T to provide additional clarity regarding the point of supply and point of delivery at which it applies Rate STS and Rate DTS respectively, and the appropriate contract capacity for Rate STS and Rate DTS for a DFO at a substation. The AESO included an implementation plan within ID 2018-019T that set May 15, 2018 as the date on which the changes would take effect. On October 2, 2018, the Commission issued a ruling confirming that the content of ID 2018-019T was captured within the scope of the AESO's amended tariff application and it was suspending the operation of ID 2018-019T. Decision 22942-D02-2019 at paragraphs 609 and 615.

FortisAlberta review application

30. In its review application, FortisAlberta also sought a review of the hearing panel's findings on the AESO's adjusted metering practice. It raised the following grounds in support of its application:

- (a) The presiding Commission panel (the "Hearing Panel") erred in law by reaching a conclusion that is contrary to section 47(a) of the *Transmission Regulation*.
- (b) The Hearing Panel erred in fact and law when it failed to appreciate that it was not the AESO's adjusted metering practice that results in distribution connected generators ("DCG") facing unexpected costs, but the AESO's substation fraction.
- (c) There has been a change in circumstances material to the Decision, which occurred since its issuance, namely the filing of a complaint by BluEarth Renewables Inc. in Proceeding 25058.
- (d) The Hearing Panel erred in law when it took into consideration the Company's Performance-based Regulation ("PBR") regime in the context of making determinations regarding the adjusted metering practice and costs attributable to DCGs.¹⁰

6 Review panel findings

31. As set out in section 2 of this decision, interested parties, including the CGWG and FortisAlberta, have been participating in technical sessions with the AESO to examine the AESO's transmission cost allocation substation fraction methodology, which is connected to the AESO's adjusted metering practice, the primary issue of contention raised by the applicants in this review proceeding.

32. In view of the comments filed following the completion of the technical sessions, it is apparent to the review panel that there are changed circumstances that could lead the Commission to materially vary or rescind the substantive findings in section 7.3 of the Decision concerning Distributed Connected Generation and the AESO's adjusted metering practice, pursuant to sections 4(d)(iii) and 6(3)(b)(ii) of Rule 016. Accordingly, a review of these substantive findings in section 7.3 is allowed on this ground.

33. There are, however, some findings in section 7.3 of the Decision that will not be the subject of the variance proceeding. Appendix 2 to this decision sets out the specific findings in section 7.3 that will and will not be subject to a variance proceeding.

34. The review panel makes no findings in response to the specific grounds raised by each of the CGWG and FortisAlberta in their respective review applications. Because the review panel has directed a review of the hearing panel's findings in section 7.3 of the Decision, including consideration of a new proposal for the substation fraction methodology that could resolve issues

¹⁰ Exhibit 25102-X0002, paragraph 2.

raised by these parties, a determination of whether the grounds raised by these parties has been demonstrated and further, whether the errors alleged by each of these parties are both obvious on the face of the Decision and material, is not required.

7 Decision

35. In answering the preliminary question, the review panel finds that there are changed circumstances that could lead the Commission to materially vary or rescind its findings in section 7.3 of the Decision. Having met the first stage of the review and variance application, the Commission will issue process and scope directions for a new proceeding to consider the second stage of the review process, the variance proceeding, in Proceeding 25175: 2018 ISO Tariff Compliance Filing Pursuant to Decision 22942-D02-2019 and 2020 ISO Tariff Update Application.

Dated on September 1, 2020.

Alberta Utilities Commission

(original signed by)

Anne Michaud
Vice-Chair

(original signed by)

Douglas A. Larder, Q.C.
Acting Commission Member

Appendix 1 – Key findings in Decision 22942-D02-2019 related to DCG

1. On May 18, 2018, the AESO released ID 2018-019T in response to the concern that the increasing participation of DCGs was eroding Rate DTS billing determinants, resulting in an uneven playing field between DCGs and TCG. This information document described an adjusted metering practice that sought to clarify the determination of Rate STS and Rate DTS contract capacities for a DFO at a substation.¹¹

2. On August 17, 2018, the AESO filed an amendment to its 2018 tariff application. The AESO proposed to revise subsections in the terms and conditions of the tariff to clarify how system access service for Rate STS and Rate DTS and metering levels should be calculated and measured.¹²

3. On October 2, 2018, the Commission issued a ruling confirming that the content of ID 2018-019T was within the scope of the 2018 tariff proceeding because the proposed changes in the amended 2018 ISO tariff application are consistent with the content of the information document. The Commission suspended the application of ID 2018-019T, stating that the adjusted metering practice may have a material effect on some parties and should be tested in the proceeding.¹³

4. The AESO explained that maintaining current metering practice would create inaccurate assessments of contract capacities and metering levels, which influences generating unit owners' contribution payments, DTS billing determinants, and the substation fraction calculation used to determine the allocation of connection costs, investment levels, and point of delivery charges in the tariff.¹⁴ The AESO stated that the increased amount and size of DCG creates a risk of significant DTS load billing determinant erosion, ultimately resulting in higher DTS rates. Specifically, the AESO was concerned that this upward pressure on DTS rates may result in inconsistent treatment between TCGs and DCGs, which is contrary to the AESO's view that no economic advantages should be achieved by a generator connecting to the transmission system versus the distribution system, or vice versa.¹⁵

5. In Decision 22942-D02-2019, the Commission agreed with the AESO that, in the absence of the adjusted metering practice, the preference to avoid the local interconnection costs required from TCG developers would influence the decision to connect at distribution or transmission voltages, and the proliferation of DCGs could cause significant billing determinant erosion. The Commission also agreed that there should be a level playing field between DCG and TCG.¹⁶

6. In the original proceeding, the CGWG raised the concern that the substation fraction methodology exposes DCGs to the risk of additional transmission interconnection charges years

¹¹ Proceeding 22942, Exhibit 22942-X0201.

¹² Proceeding 22942, Exhibit 22942-X0163.

¹³ Proceeding 22942, Exhibit 22942-X0207.

¹⁴ Proceeding 22942, Exhibit 22942-X0558, paragraph 54.

¹⁵ Proceeding 22942, Exhibit 22942-X0163, paragraph 213.

¹⁶ Decision 22942-D02-2019, paragraphs 640-641.

after their initial connection. The AESO submitted that the DFO is responsible for determining the allocation of ISO tariff charges to DCGs and other customers.¹⁷ In contrast, Fortis submitted that it is required by the *Transmission Regulation* to flow through to the DCG customer any amount deemed as supply-related through the substation fractioning and so it cannot mitigate this risk for DCGs.¹⁸ However, in the context of Section 47(a) of the *Transmission Regulation* which applies when the market participant at the point of interconnection is a DFO, the Commission concluded that DFOs are not required to flow through substation fraction amounts resulting from application of the adjusted metering practice.¹⁹

7. The AESO reasoned that the effect of the adjusted metering practice on the substation fraction methodology is consistent with cost causation as DCGs, along with directly requiring some facilities to connect, accrue benefits from the transmission system, and thus should contribute to system costs.²⁰ While there was contention regarding the impact of the substation fraction approach on the share of interconnection costs allocated to DCGs, the Commission notes that the AESO did not propose changes to sections 8 or 9 of the terms and conditions of the ISO tariff, which govern the substation fraction methodology. Further, the Commission stated that “no parties in the current proceeding have provided any evidence suggesting that a mechanism other than the substation fraction formula would be an improvement” for the purpose of allocating local interconnection facilities costs. The Commission did not direct any changes to the substation fraction formula that was applied for in Proceeding 22942, and approved it as filed.

¹⁷ Proceeding 22942, Exhibit 22942-X0558, paragraph 90.

¹⁸ Proceeding 22942, Exhibit 22942-X0559, paragraphs 37-38.

¹⁹ Decision 22942-D02-2019, paragraph 824.

²⁰ Proceeding 22942, Exhibit 22942-X0558, paragraphs 93-94.

Appendix 2 – Scope

AESO 2018 ISO Tariff Compliance Filing Proceeding 25175

1. The variance proceeding is intended to consider the AESO's adjusted metering practice and its application to the AESO's substation fraction methodology. As this is a variance proceeding, all parties should understand that the Commission may not ultimately modify its approval of its findings in Section 7.3 of Decision 22942-D02-2019. The Commission is upholding its original approval in Section 7.3, and its application to the AESO's substation fraction methodology may be an outcome of this variance proceeding.
2. The variance proceeding will also include consideration of alternatives to the AESO substation fraction methodology, which address the underlying principles, identified by the AESO, for why a change from the status quo is necessary.
3. The rationale for the need for a change is not in scope in this proceeding and parties should not present submissions advocating for a continuation of the status quo on a go-forward basis.
4. The timing of the application of the approved adjusted metering practice and its application to the current substation fraction methodology or to an alternative is within the scope of this variance proceeding.
5. To provide further clarity, the Commission has set out, in the table below, the findings from Section 7.3 of Decision 22942-D02-2019 and has indicated the extent to which these matters will be in the variance proceeding.

Section of Decision 22942-D02-2019	Decision 22942-D02-2019 findings	Scope finding
<p>Section 7.3.1 AESO rationale for proposed adjusted metering practice</p>	<p>Findings</p> <p>639. Although the penetration of DCG has been comparatively limited to date, the Commission is persuaded that the evidence in this proceeding suggests that DCG is growing and is expected to make up a much larger share of Alberta’s generation mix.</p> <p>640. The Commission agrees with the AESO’s assessment that, in the absence of the adjusted metering practice, generation developers considering whether to connect their projects at distribution or transmission voltages would be influenced by a preference to avoid the local interconnection costs required from the developers of transmission connected generation. The Commission considers that there should be a level playing field between DCG and transmission connected generators. If costs that are reasonably attributable to DCG are not charged to DCG, there would not be a level playing field between DCG and transmission connected generators with respect to transmission tariff costs.</p> <p>641. The Commission also agrees with the assessments of the AESO and AltaLink that it would be reasonable to conclude that increased DCG proliferation under the AESO’s current metering practice caused by the preferential treatment afforded to DCGs under the net metering of DCGs, combined with the fact that net metering reduces DTS billing determinants as compared to the separate gross metering of DTS and STS [Supply Transmission Service], can cause a significant erosion of billing determinants.</p> <p>642. The Commission also agrees with the AESO and AltaLink that the continuation of the current metering practices would result in an increasing cross-subsidy of DCG by DTS load customers.</p>	<p>The findings in this subsection are not subject to review in the variance proceeding.</p> <p>The findings below are not subject to review in the variance proceeding:</p> <ul style="list-style-type: none"> • DCG is growing. • Costs need to be reasonably attributed to and charged to DCG to level the playing field between DCG and transmission-connected generators. • Net metering reduces DTS billing determinants as compared to separate gross metering of DTS and STS, and causes erosion of billing determinants. • The cross-subsidy of DCG by DTS load customers must be addressed.

Section of Decision 22942-D02-2019	Decision 22942-D02-2019 findings	Scope finding
	<p>644. The Commission disagrees with the submission of the CGWG that the Commission should rely on tariff measures other than those arising from the application of the AESO's adjusted metering practice to address billing determinant erosion concerns or that the matter should be deferred until it can be addressed in the AESO's 2021 tariff.</p>	
<p>Section 7.3.2 Procedural Fairness Issues</p>	<p>666. Regarding the first issue, the Commission dismisses parties arguments that it should not consider the AESO's metering proposal on the basis that the AESO did not engage in sufficient consultation prior to filing its tariff amendment.</p> <p>...</p> <p>668. Regardless of whether consultation was conducted by the AESO on this matter, the Commission has provided all parties who consider themselves to be affected by the AESO's metering proposal with an adequate forum to present their positions, evidence and argument on this matter. Similarly, the Commission has not dismissed the evidence presented on the Bull Creek project because the AESO was provided an opportunity to address this evidence during the oral hearing.</p> <p>669. Regarding the nature of the evidence presented, the Commission has considered the evidence of all parties on the merits of the evidence presented and has not rejected the evidence of any party filing evidence on the basis of the expertise of the person preparing and defending the evidence....</p>	<p>The issues raised by parties concerning procedural fairness issues arising in the AESO tariff proceeding are not subject to review in the variance proceeding.</p>
<p>Section 7.3.3 Metering point for DCG</p>	<p>686. The Commission considers that the AESO's proposal to specify that meters installed on distribution voltage feeder lines that are located within a substation as transmission facilities is compliant with the provisions in the [<i>Electric Utilities Act</i>].</p> <p>687. Regarding the allegations that the AESO's position is discriminatory, the Commission accepts the AESO's view that industrial complexes are</p>	<p>The finding that the AESO has the discretion to define metering point is not subject to review in the variance proceeding.</p> <p>The findings below are not subject to review in the variance proceeding:</p> <ul style="list-style-type: none"> • Meters installed on the distribution voltage feeder lines located within a substation fenced area are transmission facilities.

Section of Decision 22942-D02-2019	Decision 22942-D02-2019 findings	Scope finding
	<p>different from DCG's; therefore, to the extent that an industrial complex has obtained an industrial system designation under Section 4 of the Hydro and Electric Energy Act, the AESO's proposed revisions to subsections 3.2(2)(f) and 3.6(4) of the proposed 2018 ISO tariff are approved.</p> <p>688. The Commission further accepts the AESO's proposal to revise subsections 3.2(2)(f) and 3.6(4) of the proposed 2018 ISO tariff to provide that an industrial site will only be able to "choose" totalized metering at a substation if an approval from the Commission has been obtained that permits the export of electric energy to the AIES. [under Section 4 of <i>HHEA</i>]</p>	<ul style="list-style-type: none"> • The point of supply for Rate STS for DCG is the point at which the electricity from generation enters the transmission system. <p>The findings on the treatment of ISDs are not subject to review in the variance proceeding.</p>
<p>Section 7.3.4 Public interest considerations</p>	<p>714. Parties opposed to the AESO's proposed change to its metering practice argued that this change will stifle growth in renewable DCG contrary to public policy targets and that the AESO has failed to consider the societal and grid system benefits that DCG provides, justifying a continuation of the current metering practice.</p> <p>718. In view of the government direction [to cancel the renewable energy program] noted above, the Commission is not persuaded that the AESO's proposal should not be implemented on the basis that it may affect renewable DCG public policy targets. Further, the Commission considers that the ISO tariff should reflect cost causation principles (discussed in Section 7.3.5 below) related to the transmission system, and that if DCG requires economic support to ensure economic viability then this is a matter for government policy to address, and not the ISO tariff</p> <p>719. The CGWG argued that the cost of connecting renewable generation at distribution voltage is less than the cost of connecting generation at transmission voltage and, because of this cost advantage and because it</p>	<p>The findings concerning the public interest considerations are not subject to review in the variance proceeding.</p> <p>These findings were:</p> <ul style="list-style-type: none"> • The potential that growth in renewable DCG may be stifled with the adoption of the adjusted metering practice does not justify continuation of the current metering practice. • The ISO tariff should reflect cost causation principles • Economic incentives to promote DCG should be addressed through government policy or programs and not through the ISO tariff • There is no clear evidence that DCG has a connection cost advantage or disadvantage over transmission connection generation.

Section of Decision 22942-D02-2019	Decision 22942-D02-2019 findings	Scope finding
	<p>considered that competition in the generation market will result in cost savings to end-use electricity customers, it is of benefit to customers to promote distribution connected generation. However, Solar Krafte, a party with similar interests, suggests in its argument that ISO tariff treatment that promotes DCG is needed in order to counteract the relative connection cost disadvantage on a \$/MW basis of DCG relative to transmission connected generation. Given the apparent inconsistency between the CGWG and Solar Krafte, there is no clear evidence that DCG has a connection cost advantage or disadvantage over transmission connected generation.</p> <p>720. The Commission is also persuaded by the evidence of the AESO that other asserted benefits are unsupported and that these assertions do not consider the benefits provided from the transmission system. - No clear evidence that DCG has a connection cost advantage or disadvantage over TCG.</p>	
<p>Section 7.3.5 Cost causation and cost allocation issues</p>	<p>740. The Commission agrees with the submission of the AESO that the principle of cost causation requires an evaluation of both the costs caused by a party and the benefits accruing to that party....</p> <p>741. The Commission is persuaded that there are significant benefits accruing to DCG that are provided from the transmission system. Specifically, considering the ERPI report filed by the AESO in conjunction with its rebuttal evidence, the Commission understands that both DCG and transmission connected generators benefit from the services that the transmission system provides including system reliability, the availability of start-up power, voltage quality, efficiency and the facilitation of energy market transactions.</p> <p>742. The substation fraction formula is a long-established mechanism used by the AESO to allocate the costs of local interconnection facilities</p>	<p>The variance proceeding will consider alternatives that arose from the technical meetings.</p> <p>The variance proceeding will include the following issues:</p> <ul style="list-style-type: none"> • Application of cost causation principals to consideration of how to resolve the issues accepted as needing to be addressed in Section 7.3.1. • Consistency of adjusted metering practice with cost causation. Particularly, whether the substation fraction methodology allocates costs in a manner consistent with cost causation in light of benefits received by DCGs from the transmission system. • Consideration of whether the substation fraction is inconsistent with Section 28 of the <i>Transmission Regulation</i> or whether costs that have been deemed to be supply-related costs in relation to system access service provided to a DFO are properly considered

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	<p>that may have joint use. Further, while the Commission considers that use of a ratio of the respective STS and DTS contract capacities as a percentage of the combined DTS and STS contract capacities of customers using the local interconnection facilities is a relatively simple mechanism, it is not unreasonable in the absence of any other information. The Commission notes that no parties in the current proceeding have provided any evidence suggesting that a mechanism other than the substation fraction formula would be an improvement for this purpose.</p> <p>743. The Commission is not persuaded by Fortis’s argument that the AESO’s substation fraction is inconsistent with section 28 of the <i>Transmission Regulation</i> because costs paid by DCG may be driven entirely by costs related to serving load. Section 28 of the <i>Transmission Regulation</i> authorizes the AESO to define local interconnection costs in its tariff and states:</p> <p>...</p> <p>744. The Commission further considers that a DFO substation that connects both load and generation serves both load and generation, irrespective of whether the initial impetus behind the DFO’s decision to make a SASR [system access service request] was to serve incremental load. Similarly, where a DFO has connected both load and generation to one of its substations, the DFO is responsible to ensure that requirements of both are reflected in the transmission connection facilities that it requests. Where a SASR is received from a DFO, the market participant is not the owner of a generating unit, and the request does not involve the connection of a generating unit directly to the transmission system. Consequently, the Commission agrees with the AESO’s interpretation that costs that have been deemed to be supply-related costs in relation to system access service provided to a DFO are properly considered not as “local interconnection costs”, but as “costs of the transmission system”</p>	<p>not as “local interconnection costs,” but as “costs of the transmission system” that must be wholly charged to the DFO in accordance with Section 47(a) of the <i>Transmission Regulation</i>.</p> <p>Notwithstanding the issues included above, the findings bulleted below will not be re-argued:</p> <ul style="list-style-type: none"> • The principle of cost causation must consider both costs caused by a party and benefits accruing to that party. • There are benefits accruing to DCG and transmission connected generations from the transmission system such as those listed in paragraph 741. • A DFO substation that connects both load and generation serves both load and generation, irrespective of whether the initial impetus behind the DFO’s decision to make a SASR was to serve incremental load. • Even after the revised substation fraction formula and other aspects of the ISO tariff contribution policy are brought into effect through the application of the adjusted metering practice, DCG proponents will generally pay less than transmission connected generators for the benefits of accessing the AIES. • The manner and quantum of the costs that the DFO flows through to the DCGs connected to specific DFO substations is a matter best addressed in the DFOs’ tariff

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	<p>that must be wholly charged to the DFO in accordance with Section 47(a) of the <i>Transmission Regulation</i>.</p> <p>746. The Commission notes that it is also a long-standing feature of ISO tariffs that market participants that have been required to pay for the participant-related costs of local connection facilities are eligible to receive refunds over the remaining term of their system access contracts when other customers come along and use the local connection facilities. In instances where local connection facilities have been constructed or augmented by a DTS-related system access request, the refund of the contribution to the DTS market participant making the initial system access request will reflect the principle that STS customers do not access the benefit of investment allowances to offset participant costs, and the principle that the mix of DTS and STS contribution policies will be determined through the substation fraction formula.</p> <p>747. However, a transmission connected generator is typically required to pay, in full and in advance, for the local interconnection facilities it requires to access the AIES and participate in the energy market. A transmission connected generator rarely, if ever, receives a refund of any portion of its contribution towards such facilities. This is in contrast to a DCG who connects to a DFO substation through distribution voltage feeders who will never be required to pay the full cost of local interconnection facilities that it requires to access the transmission system. Instead, a DCG proponent will only be required to pay an amount determined after consideration of both the STS portion of the substation fraction formula and the remaining term of the DFO's initial DTS contract.</p> <p>748. Given the above, the Commission disagrees with the suggestion of DCG proponents in this proceeding that transmission connected</p>	

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	<p>generators have an advantage arising from the ability to pay only their incremental costs. The Commission understands that even after the revised substation fraction formula and other aspects of the ISO tariff contribution policy is brought into effect through the application of the adjusted metering practice, DCG proponents will generally pay less than transmission connected generators for the benefits of accessing the AIES.</p> <p>749. Given this, the Commission considers that it is reasonable that the DFO that has both generation and load will, on a go-forward basis (i.e., only go-forward due to grandfathering) be provided a signal through a re-calculation of contribution amounts reflecting the application of the substation fraction.</p> <p>750. As further discussed in Section 7.3.10, the Commission considers that the manner and quantum of the costs that the DFO flows through to the DCG's connected to specific DFO substations is a matter best addressed in the DFOs tariff and may reflect considerations such as the AESO's proposal to grandfather the application of the adjusted metering practice to substation fraction determination for DCGs that have received a permit and licence prior to the effective date of this tariff, and funding for AESO contribution amounts that the DFO has obtained under the performance-based regulation regime in effect for distribution utilities.</p>	
Section 7.3.6 Benefits of offsetting load	<p>763. The Commission is not persuaded by the evidence that there is a one-to-one offset between energy dispatched by DCG and load served by the same distribution substation. This finding primarily reflects two observations.</p> <p>764. First, the Commission notes the evidence discussed in this proceeding indicates that the capacity of some DFO substations may be well in excess of requirements for load growth for the foreseeable future,</p>	<p>The finding that there is not automatically a one-to-one offset between energy and load is not subject to review in the variance proceeding. It is accepted that:</p> <ul style="list-style-type: none"> • There is not always a one-to-one offset between energy dispatched by DCG and load served by the same distribution station.

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	<p>which is contrary to the expectation that DCG would cause DFO's to limit the transmission capacity they would request in SASRs.</p> <p>765. Second, much of the recent interest in DCG is in respect of renewable forms of generation for which the timing of generation peaks may not correspond to the timing of load peaks that drive transmission expansions.</p> <p>766. The Commission recognizes that the belief that distribution-connected generation provides an offset to load growth and, thereby, avoids transmission expansion costs that would otherwise be required was central to the historical decision of the Commission's predecessor to find that credits for distribution connected generation should be provided by DFOs. However, the Commission considers that the decision on whether or not there should be DFO funded credits for distribution-connected generation is a separate matter. This is discussed in Section 7.3.7 below</p>	
<p>Section 7.3.7 Distribution connected generation credits</p>	<p>786. The Commission accepts the AESO's position that the AESO was motivated primarily by its concern that DCG receives a preferable non-allocation of local interconnection costs that could lead to substantial billing determinant erosion (as discussed in Section 7.3.1). Although the AESO noted that DCG credits provide additional advantages to DCG over transmission connected generation beyond that provided by the avoidance of the allocation of local interconnection costs through the substation fraction, the Commission is satisfied that the elimination of DCG credits was not the AESO's primary motivation for advancing its adjusted metering proposal.</p> <p>787. The Commission observes that there is evidence on the record of this proceeding on the cross subsidy created by DCG credits and the resulting transfer of transmission costs to load customers without a corresponding reduction in the actual cost of the transmission grid, requiring recovery in</p>	<p>The findings concerning DCG credits are not subject to review in the variance proceeding.</p> <p>It is accepted that:</p> <ul style="list-style-type: none"> • the elimination of DCG credits was not the AESO's primary motivation for advancing its adjusted metering proposal • the continuation of DCG credits is a distribution tariff matter <p>Recognition of the receipt of DCG credits as it affects the consideration of alternative proposals is within the scope of the variance proceeding because consideration of DCG credits is a matter that could have an impact on the objective to not provide an advantage to incent DCG or transmission connected generation over the other.</p>

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	<p>the ISO tariff. Nevertheless, the Commission agrees with parties that the continuation of DCG credits is a distribution tariff matter. Further, an examination of the claim by the DGWG that there are significant differences in the characteristics of “dispatchable” and “non-dispatchable” forms of DCG warranting the continuation of DCG credits for certain types of generation should be included in any future examination of the continued availability of DCG credits.</p>	
<p>Section 7.3.8 Grandfathering proposal</p>	<p>796. As with any change in practice, prior parties will receive different treatment than future entities. Consequently it is reasonable for the AESO to propose a transition period for the implementation of its adjusted metering practice. The Commission finds the AESO’s implementation and grandfathering proposal to be a reasonable approach. It allows existing DCG proponents to continue to operate under the regime under which these proponents initially brought forward their generation projects. Further, it is not unjust or unreasonable to treat new DCG proponents who have yet to receive a permit and licence and begin construction in the same way as an existing DCG proponent who is seeking to substantially change its SASR. In both circumstances, the DCG proponent is aware of the costs it would be subject to, prior to proceeding with its project. or is required to submit a new SASR, the generator would be subject to the adjusted metering practice on a go-forward basis.</p>	<p>This matter relates to the implementation of the solution and is within the scope of the variance proceeding. The timing and the application of grandfathering, including the “hybrid” grandfathering option proposed by the AESO in Proceeding 25175 is within the scope of the variance proceeding.</p> <p>The findings on the need for a transition period for implementation of the adjusted metering practice are not subject to review in the variance proceeding.</p> <p>It is accepted that:</p> <ul style="list-style-type: none"> • a transition period is necessary • the change to the adjusted metering practice (gross metering) will result in different treatment for parties who are grandfathered and those who are subject to the change.

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Section 7.3.9 Retroactive ratemaking	804. In the present circumstance, as noted in Section 7.3.8 above (grandfathering), it is not unfair for DCG proponents to be subject to the changes resulting from the application of the AESO’s adjusted metering practice and substation fractioning on future DFO substation projects. Further, parties have had knowledge of this proposed change for many months. As such, the Commission considers that the fact that DCG proponents may be subject to costs caused by the application of the AESO’s adjusted metering practice and substation fractioning to future DFO substation projects does not constitute impermissible retroactive ratemaking.	The findings concerning permissible retroactive ratemaking are not subject to review in the variance proceeding.
Section 7.3.10 DFO discretion to flow-through substation fraction amounts	821. The Commission understands that the concern expressed in this proceeding that DCG developers would be subject to ongoing risk that costs of future DFO substation upgrades will be flowed to them via substation fractioning relate, in part, to the interpretation of a Fortis letter dated September 28, 2018, that was introduced onto the record of Proceeding 22942 by CGWG witness Ms. Runge. ... 823. The Commission considers that expectation that the costs of the upgrade projects described in Fortis’s September 28, 2018, letter reflect Fortis’s interpretation that it is required by the <i>Transmission Regulation</i> to flow through local interconnection costs. The Commission does not agree. 824. As noted in Section 7.3.10 above, the Commission agrees with the AESO’s view that where the market participant is a DFO rather than a generator at the point of connection to the transmission system,	The issue of unknown future liability also referred to by parties as the “unlimited liability issue” concerns the ongoing risk to DCGs for future DFO substation upgrade costs passed on to them from DFOs through the substation fraction formula, because DCGs cannot control whether the substation is going to be upgraded, nor the cost of the upgrades. Submissions from Fortis, CGWG and BluEarth suggested that the unlimited liability issue can be dealt with through adjustments to the substation fraction. The above matter is within the scope of the variance proceeding. Findings regarding (1) the Commission permitting consideration of the evidence on the Hayter substation; and (2) the Commission’s indication

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	<p>Section 47(a) rather than sections 28(1)(a) and 47(b) of the <i>Transmission Regulation</i> apply, with the result that the DFO is not legislatively required to flow through substation fraction amounts arising from application of the adjusted metering practice to DCG connected to the DFO's substation. Accordingly, the Commission considers that DFOs have discretion to limit the amount of AESO contributions flowed through to DCGs through the application of the substation fraction to future DFO substation upgrade projects by retaining some or all of this cost.</p> <p>825. The Commission notes that as part of the packages of CCDs filed in response to an undertaking, Fortis provided CCDs in respect of a contribution in the amount of \$4,998,427 for upgrades at the Hayter 477S substation. While Fortis's response to FAI-AUC-2019APR12001(b) in this proceeding appears to indicate that Fortis determined STS substation fraction amounts arising from the STS contract capacity increases requested by BluEarth, the Commission does not have sufficient evidence on the record of this proceeding to confirm that the STS amounts shown in FAI-AUC-2019APR12-001(b) were flowed through to BluEarth. The Commission notes that the \$4,998,427 AESO contribution amount is part of the reconciliation of AESO contributions currently under consideration in Proceeding 24281.</p> <p>826. Given this, if the Commission determines that Fortis did not flow through STS amounts arising from the application of the substation fraction to STS contract capacity updates, to BluEarth and, instead, included all or a significant portion of the \$4,998,427 amount within the AESO contribution amounts included in the 2016-2017 true-up, this could mean that Fortis could have K-bar revenue associated with AESO contribution amounts during the second generation of PBR that could, in whole or in part, be used to offset the cost of substation fraction amounts that may arise from future upgrades at Fortis substations. If so, the</p>	<p>that it will consider the flow-through issue as it affects FortisAlberta's K-bar revenue, are not subject to review in the variance proceeding.</p>

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	<p>Commission may take this into account when considering the reasonableness of Fortis’s proposals to flow through the STS portion of AESO contributions on future Fortis substation upgrade projects to connected DCGs when this matter is considered in the context of future Fortis tariff proceedings.</p> <p>827. In light of the concern articulated by Ms. Runge that uncertainty with respect to the flow through of substation fraction amounts arising from future DFO substation upgrades may affect future DCG developments, the Commission considers that it is the responsibility of the DFOs to ensure that DCG developers are made aware of the DFO’s plans in respect of the flow through of future substation upgrade costs in light of the Commission’s determinations in this decision.</p>	
<p>Section 7.3.11 Other matters</p> <ul style="list-style-type: none"> - DFO metering costs & complexity of implementation - Concerns of the University of Alberta 	<p>831. The Commission notes that ENMAX filed a letter suggesting that there could be additional metering-related costs to implement the AESO’s proposed adjusted metering practice. However, the Commission agrees with the AESO’s observation that there is no evidence on the record of Proceeding 22942 to suggest that costs incurred by either DFOs or TFOs would be substantial, nor that such costs would outweigh benefits of implementing the AESO’s proposed adjusted metering practice.</p> <p>832. In the absence of evidence to support these claims, the Commission is not persuaded that these unsupported claims warrant a finding to defer consideration of the AESO’s adjusted metering proposal in this tariff.</p> <p>...</p> <p>840. To the extent that the U of A is not served exclusively by a distribution facility owner, and instead utilizes a unique electrical system that includes services provided by both EDTI and the AESO, the U of A</p>	<p>The issue of additional metering costs is subject to review in the variance proceeding.</p> <p>Concerning the finding permitting the U of A to file a submission in the re-filing, the Commission notes that the U of A filed a submission on the grandfathering provision advanced by the AESO in the compliance application. As the grandfathering issue is considered within the scope of the variance proceeding, the U of A can also provide its filing in the variance proceeding.</p>

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	<p>has a responsibility to be aware of changes in authoritative documents, including proposed changes in the ISO tariff.</p> <p>841. Because the concerns identified by the U of A were not raised until argument and were only addressed on a limited basis by the AESO in reply argument, it is unclear to the Commission whether, or to what extent, the AESO’s proposed adjusted metering proposal affects the U of A.</p> <p>...</p> <p>843. The Commission, as an expert tribunal, employs a rigorous procedural process in its determination of applications before it. In doing so, it also recognizes that tribunals are created to increase the efficiency of the administration of justice. Therefore, in order to consider this matter expeditiously, notwithstanding the usual scope associated with a compliance filing, the Commission directs the AESO to provide a complete explanation of its understanding of the effect on the U of A of its adjusted metering practice at the time of its refiling application. The U of A will be permitted to file evidence in this refiling application in response to the AESO’s filing.</p>	