March 19, 2024

Laura Johnson
Alberta Utilities Commission
Eau Claire Tower
1400, 600 Third Avenue SW
Calgary, AB T2P 0G5

Dear Ms. Johnson:

Re: **Alberta Electric System Operator (AESO)**
AUC Engagement – Emergency Billing Relief Program (EBRP)
AESO's stakeholder feedback re Bulletin 2024-01

The AESO writes in response to the Alberta Utilities Commission's (Commission) request for stakeholder feedback on the EBRP as announced in Bulletin 2024-01. The AESO appreciates the opportunity to provide a response to the EBRP and submits the following comments for the Commission's consideration.

What costs should be eligible for recovery as part of an emergency billing relief program?

The AESO does not have a position on this specific question. The AESO's role under the EBRP is to provide funding (offset credits) to retailers and recover the costs associated with such offset credits through the energy market trading charge.[1] Retailers and distribution facility owners manage the relationship with end-use customers and are responsible for providing the offset credits to the end-use customers. As such, they are better positioned to comment on the eligibility for recovery of specific costs.

What costs should be excluded?

Refer to the AESO's response above.

What is the best resource of information regarding evacuations?

The AESO submits that the information must be provided from an official government source. The AESO agrees with the Commission that the Alberta Emergency Management Agency (and their emergency alerts

[1] Alberta Utilities Commission Emergency Billing Relief Program Manual dated August 14, 2023 [EBRP], s. 4.3.

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website, as listed in the EBRP)[2] is the appropriate source of information regarding evacuations, provided it continues to contain sufficient detail for parties to administer the process set forth in the EBRP.

What considerations exist to extend the 2023 EBRP to emergency events beyond wildfires (e.g. floods or other natural disasters)?

The AESO submits that relief should generally be available on the same terms for all mandatory evacuations, regardless of the type of emergency event. This approach would align with the overarching principle of fairness.

The AESO notes, however, that expanding the EBRP will further compound the issues identified below. In particular, the expansion of the EBRP will result in the allocation of more risk to pool participants through the energy market trading charge. Depending on the frequency and magnitude of the emergency events, the AESO may have to increase the energy market trading charge mid-year, resulting in greater cost uncertainty for pool participants.

Other feedback

The AESO recognizes that the EBRP is based on practices that were initially established in response to a specific, urgent need (specifically, the evacuations caused by the Fort McMurray Wildfires). At the time, the AESO believed this would be a one-time event. However, wildfires and related evacuations are now a regular occurrence in Alberta. To date, the AESO has provided energy credits for four emergency events totaling approximately $2.13 million, which includes:

- 2016 Fort McMurray - $594,090.31 Credit including 40,860 sites and 43 affected retailers;
- 2017 Waterton - $13,221.88 Credit including 1099 sites and 28 affected retailers;
- 2019 High Level - $533,735.39 Credit including 14,773 sites and 37 affected retailers; and
- 2023 Alberta - $986, 969.10I including19,098 sites and 61 affected retailers.

The AESO submits that the Commission should consider the long-term sustainability of the EBRP as a mechanism for allocating losses and providing compensation to those affected by evacuations. Specifically, the AESO submits:

(1) Consider mechanisms other than the energy market trading charge

Under the EBRP, the Commission directs the AESO to "provide credits to off-set the charges it issues to retailers and recover the cost of the credit through the AESO energy market trading charge, following the practice utilized for previous evacuation events".[3] The AESO submits that the Commission should consider methods other than the energy market trading charge for the following reasons:

[2] EBRP, s. 3(1).

[3] EBRP, s. 4.3.

(a) **The cost of the evacuation credits is borne by <u>all</u> pool participants during the year following the year in which credits are provided and they may not be the appropriate parties to bear such cost.** The energy market trading charge is calculated and posted once per year based on estimates of total cost (see (b) below). Any costs not forecasted, and therefore not recovered, are incorporated into future trading charges and borne by pool participants in those periods. The AESO questions if these are the appropriate parties to bear the costs, considering the indirect relationship they have to the cause of the cost and the concepts of equity and fairness.

Should the credits become material, the AESO has the ability to modify the energy market trading charge during a year, however, this impacts the ability of pool participants to reliably estimate their costs for the year and may raise additional questions and scrutiny regarding the equitable nature of the charge.

The AESO also notes that there is currently no cap or limit on the amount of offset credits (and the associated costs) provided under the EBRP. It may be prudent to consider a cap or limit to avoid unexpected increases to the energy market trading charge.

(b) **The energy market trading charge may not provide sufficient transparency to pool participants if it includes additional costs under the EBRP.** Currently, the energy market trading charge is calculated based on the formula set forth in Section 103.6 of the ISO Rules, *ISO Fees and Charges*. The energy market trading charge includes the energy market related costs and expenses of the AESO and the Commission, and the costs and expenses of the Market Surveillance Administrator. The formula currently does not include costs associated with emergency events since these costs are included pursuant to separate directions from the Commission.

(c) **There is an administrative cost associated with the energy market trading charge.** The AESO, retailers, and distribution facility owners invest significant time in administering the offset credits and recovering the cost of the offset credits through the energy market trading charge. The AESO understands that the administrative burden on retailers and distribution facility owners is higher because they administer the offset credit to the end-use customers.

In some cases, the costs may outweigh the benefits, if the amount of the offset credit is relatively low. The AESO also understands that the offset credits are not provided to end-use customers until several months after the emergency evacuation has ended, which may lessen the effectiveness of the offset credits. Consequently, the AESO submits that there may be more efficient mechanisms that could reduce the administrative burden on parties.

The AESO notes that the EBRP only places a threshold on the length of the mandatory evacuation order (96 consecutive hours or more).[4] There is no threshold regarding the amount of costs. Even if costs are relatively low for end-use customers during the mandatory evacuation order, parties would still have to follow the process outlined in the

[4] EBRP, s. 3(2).

EBRP. As such, the AESO supports changes to the EBRP to make the process more efficient, such as extending the length of the mandatory evacuation (or introducing other reasonable thresholds) and introducing a daily flat rate to create a more streamlined process for parties.

As an alternative to the energy market trading charge, the AESO recommends that the Commission consider whether the funding should come from another source (specifically, a government program established to provide such funding). To be clear, the AESO can continue to administer the offset credits to retailers but would prefer not to fund the offset credits through the energy market trading charge for the reasons set forth above.

(2) Incorporating the EBRP into an AUC Rule

Because the Commission has directed the AESO to use the energy market trading charge to recover the costs associated with the offset credits, the AESO understands it has the authority to use the energy market trading charge pursuant to Section 21(1)(c) of the *Electric Utilities Act* (Alberta).

If the Commission maintains the EBRP, the AESO supports the Commission's objective of incorporating the EBRP into an AUC Rule to ensure that the EBRP is grounded in a legal requirement and provides predictability and transparency to stakeholders.

Please contact the undersigned with any questions.

Yours truly,

<*electronically submitted*>

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