



AUC

Alberta Utilities Commission

Alberta's independent utilities regulator

2019-2022 Strategic Plan

NEW
METHODS
EFFICIENT
ADAPTIVE
FORWARD-THINKING
CRISP CONSULTATION
LEARNING-BASED CULTURE
RECEPTIVE INSIGHTFUL
DECISIVE **IMPROVE**
DISCIPLINED **FOCUSED**
COLLABORATIVE STREAMLINE PROCESS
ACCOUNTABLE INNOVATIVE
MODERNIZE **TRANSPARENT** CONSISTENT
TRUSTED **ENGAGED** REDUCE
RESOURCE OVERLAP



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The AUC strategic plan

I am pleased to share with you the Alberta Utilities Commission Strategic Plan for 2019-2022.

We are setting out a far-reaching agenda that supports the AUC's longstanding regulatory and adjudicative roles, and also positions us well for future strategic challenges.

Our strategic plan will be published each year and will explain in straightforward terms what we are planning to do and why.

In conjunction with our strategic plan, we will publish an annual report card so you will know whether we have succeeded in meeting our commitments. Both this strategic plan and our annual report card will be made available on the AUC's website.

Certain project and regulatory activities may be described differently than in our previous business plans, or in our previous AUC internal operations plan due to this change in format.

This three-year strategic plan and our one-year operations plan enable us to move

forward with our responsibilities with an eye on multi-year tasks aimed at preparing the Commission for future challenges.

I am committed to providing effective and efficient regulation in a cost-effective manner, and only where necessary.

Whatever the time horizon, we act in the public interest and I am committed to communicating our plans and progress in a transparent way.



The glass door concept

The visual images serving as a backdrop throughout this strategic plan reflect a concept recently embraced by the AUC, which has been called the glass door. This approach, which invited everyone at the AUC to share their perspectives, provides transparency, builds a better understanding of issues and develops solutions by actively seeking, considering and weighing input from many quarters.

I am committed to a collaborative, accessible approach that engages both AUC staff and external constituencies during my tenure. We will ensure the AUC is adaptive and responsive to the many audiences and interests involved in the evolving regulatory framework, particularly those constituencies directly impacted by our regulatory oversight.

My commitment is, with the involvement of our staff and stakeholders, to see, understand and navigate in the public interest the challenges we face.

This approach will allow us to ensure that regulation, where necessary, is kept to an efficient and effective minimum, relies on competitive market forces where possible, and provides safe, reliable service for customers.

Mark Kolesar, Chair

Competition and markets



The challenge:

As new technologies, services and entrants are promising disruptive change, the fundamental question is, which of the new technologies and services should be competitive and open to new entrants and potentially incumbents alike, and which should be monopoly?





Competition and markets

Competition is generally accepted as the best manner in which to deliver low cost outcomes for consumers, so it will continue to be an important element of the AUC's economic regulatory framework.

Similar to debates that took place during the push to restructure the gas and electricity industries in Alberta in the '80s and '90s, a key question regarding the future of the sectors is framed as a choice between competition and regulation.

This is particularly the case in the regulated monopoly electricity grid, where new technologies, services and entrants are harbingers of disruptive change.

Conceptually, the idea of a greater degree of competition within the electricity grid to allow innovative investments and new entrants to flourish makes good economic sense. For example, restructured natural gas markets have, by all accounts, delivered social and economic benefits.

Experience in the wholesale and retail electricity markets, however, teaches us that finding the most efficient mix of competition and regulation is, perhaps, a more complex question.

Bridging the gap between concept and implementation, and the AUC's role in the transition are important AUC objectives for this planning cycle.

Given the functions that must be performed in any gas or electricity system, which of the new technologies and services should be competitive and open to new entrants, which should be provided by the incumbent utilities, and which should be provided on a monopoly basis? Where competitive activities, or potentially competitive activities (energy storage for example) are carried out by incumbent monopoly providers, there is the potential for competition to be distorted by deterring new entrants. Likewise, there is a risk of allowing uneconomic entry if the regulatory rules and rates charged to new entrants for the use of facilities are incorrect.



Letting a monopoly control a new, inherently competitive function is as problematic as forcing competition in a natural monopoly function.

The key to modernizing the AUC's economic regulation framework to meet future challenges and objectives is to ensure that conditions for competition develop.

The AUC's work will include:

- 1. Assessing whether incumbent utilities, or their affiliate businesses, should engage in competitive activities in conjunction with new entrants.**
- 2. Evaluating existing rate structures to ensure a level playing field for new unregulated services.**
- 3. Evaluating existing connection practices to ensure equal access and treatment by the incumbent utility, where required.**
- 4. Evaluating financial settlement practices to ensure prices reflect the value of new services to the system.**
- 5. Reviewing existing legislative responsibilities to ensure the AUC's mandate includes the ability to ensure conditions for competition exist, where appropriate.**



Infrastructure



The challenge:

With rapidly evolving new infrastructure used to generate electricity, what are the implications for Alberta's gas and electric transmission and distribution system planning, reliability and rate design, and how will these require changes to the regulatory framework?



Infrastructure

The infrastructure used to generate electricity in Alberta is evolving rapidly as reliable means to store electricity emerge and as renewable and natural gas-fueled generation replace coal-fired generation. These developments are driving change in the use of our existing gas and electric transmission and distribution systems, and in how the transmission and distribution systems of the future will be planned, operated and regulated.

There has been a material increase in applications for renewable generation projects (solar and wind) located across the central and southern parts of Alberta. Many of these renewable projects seek to interconnect to the distribution system rather than to the transmission system. This shift has implications for system planning, reliability, rate design and customer cost.

Renewable generation projects have the potential for social, economic and environmental effects that differ materially from the effects of larger thermal plants. Further, impact assessment methodologies for large infrastructure projects, including power plants, transmission lines and

pipelines are continually evolving to address societal expectations and norms. To fulfil its public interest mandate, the AUC's assessment of new infrastructure projects must adapt to address these new circumstances.

Additions or improvements to Alberta's gas and electric transmission and distribution systems to accommodate new generation have implications for consumers. Over the next three years, the AUC will play an important role in determining which customers or market participants are responsible for paying the costs associated with transmission and distribution infrastructure. To meet this challenge, the AUC must consider utility rate designs that promote the economic and efficient use of that infrastructure while recognizing shifts in the use of generation, transmission and distribution resources.

The AUC's focus on the glass door concept set out earlier in this plan will include developing solutions by actively seeking, considering and weighing input from stakeholders in a collaborative, inclusive manner.



The AUC's work will include:

- 1. Updating impact assessment requirements and techniques, including revisions to AUC Rule 007, on utility facilities applications.**
- 2. Conducting a stakeholder-inclusive distribution inquiry to better understand the future of Alberta's electric and natural gas distribution systems.**
- 3. Evaluating and consulting with the Alberta Electric System Operator about the development of uniform distribution planning and reliability requirements and considering how to better coordinate distribution and transmission planning to ensure overall system optimization, and to control costs.**
- 4. An inclusive review of rate design around infrastructure-related expenses to promote efficient outcomes.**
- 5. Considering alternative approaches to ensure the prudence of transmission investments. Examples of alternative approaches used in the past included using approved cost estimates, cost oversight managers and competitive procurement for transmission projects.**





Efficiency and limiting regulatory burden



The challenge:

The \$30 billion-plus utilities industry will face new challenges. How can the AUC ensure its regulatory processes are clear, timely and minimal, so as not to impose unnecessary regulatory burden, while ensuring the public interest is protected?

Efficiency and limiting regulatory burden

The manner in which the AUC itself is organized and conducts its processes and regulatory proceedings is critical to ensure that industry is not unnecessarily burdened by regulatory time and cost, and that consumers bear the lowest prudent cost of regulation.

As a regulator, the AUC is aware that its decisions with respect to the \$30 billion-plus utility sector have effects on investment and competitiveness. The AUC is committed to ensuring cycle time and duplication are minimized. Decision-making processes should be clear and designed to eliminate unnecessary applications, procedures and delays. Information required should be limited to what the regulator requires to carry out its legislated responsibilities.

The Alberta legislature recently passed a new law, the *Red Tape Reduction Act*, with the objective of reducing the administrative burden on industry of unnecessary regulation.

The AUC understands the importance of cost-effective, timely and proportionate regulation and has undertaken several initiatives since our inception to improve efficiency. The AUC believes that within the policy framework set by government, its approach to efficient regulation is more crucial than ever and the Commission's work in this area will continue to focus on reducing red tape.

The AUC's work will include:

- 1. Following up on findings from the AUC's October 4, 2019, stakeholder roundtable on regulatory burden reduction. The AUC will consider where regulation could be more principled, risk-based and less prescriptive, including introducing greater flexibility, timeliness and certainty in its adjudicative processes.**
- 2. Identifying and reducing regulatory overlap across different regulatory bodies and jurisdictions, and targeting regulations that could be removed and administered at lower cost and with more flexibility, and more quickly, through the AUC's rule-making process.**
- 3. Examining the potential for more negotiated settlements and advance rulings, the introduction of alternative dispute resolution and the use of round-table discussions and technical meetings to improve time and cost efficiency of AUC processes, relative to traditional court-like hearings.**
- 4. Conducting an annual industry impact assessment to evaluate the effectiveness of our processes and to ensure alignment with the principles outlined in the *Red Tape Reduction Act*.**
- 5. Conducting regular application workshops for new entrants with generation projects who have little or no experience with AUC processes, to reduce the time required to complete the record development phase of proceedings.**
- 6. Developing a framework to govern and provide greater certainty on intervener costs, while encouraging better intervention.**




People



The challenge:

The AUC will continue to play a central role as competitive forces and technological advancements begin to dramatically reshape the utilities industry. The Commission's most important challenge will be to develop, attract and retain people with the skills, experience and education required to meet these demands.
But how?





People


Alberta's energy and utility sectors are entering an era of transition. As competitive forces and technological advancements begin to dramatically reshape this industry, this transition has implications for all stakeholders, including the regulator.

Throughout this transition, the AUC will continue to play a central role. Delivering on its mandate in an industry on the cusp of a technological transformation will require the AUC to broaden its core competency areas beyond traditional expertise in engineering, accounting and law.

As it looks ahead, the Commission's most important challenge will be to develop, attract and retain people with the skills, experience and education required to understand and analyze how emerging technologies will affect the energy grids, consumer behaviour, the operation of emerging competitive markets, the financial assessment of investments in new technology and the analysis of data generated by advanced information technology. The AUC's enforcement role in the changing utility sector as well as its evolving role in consultation with First Nations and Métis groups will also require specialists in these areas.

To meet these demands, the Commission must transform its workforce by hiring staff with the necessary technology and rate design backgrounds while maintaining and enhancing our existing specialist skills and technical capabilities. It must also instill and support a culture of continuous learning to give staff the opportunity to acquire new skills to tackle the challenges created by industry and consumer adoption of new technology.

Learning and innovation are top priorities at the AUC. The Commission recognizes that innovation must come from all quarters in an organization, and that we must value ideas and intellectual curiosity from junior staff to senior executives. The Commission's commitment to an open "glass door" approach will invite and encourage employees to share their perspectives.



Attraction and retention of skilled staff, both for core work and the current and future work brought on by technological change and shifting societal expectations will be essential if the AUC is to meet its statutory responsibility of regulating the utility sector in the public interest. This is especially true at a time when new and existing skills and competencies are in high demand in the energy and utility sectors. As the AUC adapts its workforce to the changing environment, it is acutely aware that failure to attract and retain a skilled and motivated workforce could lead to a talent or skills gap between the regulator and the regulated at the expense of the public.

The AUC's work will include:

- 1. Establishing a re-tooled competency framework and a framework for assessing new roles.**
 - 2. Creating a director of learning role accountable for evaluating, overseeing and delivering our education program.**
 - 3. Creating an innovation committee to encourage, track and reward staff innovation.**
 - 4. Formalizing our succession and leadership plan.**
 - 5. Maintaining and improving the AUC value proposition for staff, which includes fair compensation, benefits, pension and the ability to achieve work-life balance.**
 - 6. Have a First Nations consultation expert assist the Commission in its important role in Crown consultations with First Nations and Métis groups.**
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Commission Members

The Commission is made up of not more than nine members appointed by the Lieutenant-Governor-in-Council, one of whom is designated as chair and not more than two of whom may be designated as vice-chairs.

The AUC is consciously a Commission made up entirely of experts with senior decision-making experience in various disciplines, rather than generalists. Unlike almost all other provincial agencies, much of the AUC's duties are adjudicative. Most of AUC regulation deals with investor-owned utility companies and market participants, and the issues are increasingly complex and often contentious.

The AUC also has eight acting Commission members, who are also appointed by order-in-council. They can be called upon by the chair to adjudicate on matters before the Commission.

The Commission's work is highly complex and is supported by a team of 135 expert staff with varying disciplines in law, economics, finance, engineering, environmental science and accounting, located at offices in Calgary and Edmonton.



Mark Kolesar, Chair

Appointed to the AUC on July 9, 2008, Mark Kolesar was appointed chair on July 23, 2018. Mr. Kolesar previously served as vice-chair of the AUC. Prior to that, Mr. Kolesar served as a member of the senior executive team at TELUS. He holds an MBA in finance. Mr. Kolesar's term expires on July 22, 2023.



**Anne Michaud,
Vice-chair**

Anne Michaud was appointed to the AUC in 2008 and named vice-chair in July, 2018. Prior to joining the AUC, Ms. Michaud was a tax partner with Deloitte & Touche, after a career in international tax with a focus on energy, oil and gas and energy marketing. Ms. Michaud is a former federal Crown counsel. Ms. Michaud is a lawyer with a master's degree in international law, and degrees in law and arts. Her term expires on July 22, 2021.



**Henry van Egteren,
Vice-chair**

Henry van Egteren was appointed to the AUC on December 19, 2012, and appointed as vice-chair on August 8, 2019. Mr. van Egteren holds a doctorate in economics and had 25 years of research and teaching experience in microeconomics, regulation, environmental economics, law and economics before joining the AUC. Mr. van Egteren's term expires on May 7, 2023.



Tracee Collins

Tracee Collins was appointed to the AUC on February 15, 2017. Ms. Collins joined the AUC after senior roles in the power, natural gas, finance, investment banking and audit management industries. She held posts at Calpine Energy, Credit Suisse and the U.S. Federal Reserve. Ms. Collins has an international MBA, a degree in economics and is accredited as a project manager. Ms. Collins' term expires on February 14, 2022.



Carolyn Hutniak

Carolyn Hutniak was appointed to the AUC on February 15, 2017, after more than 12 years as hearing chair and appeals commissioner on the Appeals Commission for the Alberta Workers' Compensation Board. Ms. Hutniak has also worked as an administrative law expert and tribunal management consultant to disciplinary, regulatory and rights tribunals throughout Alberta. Ms. Hutniak holds degrees in law and arts and has a background in labour, employment and administrative law. Ms. Hutniak's term expires on February 14, 2022.



Neil Jamieson

Neil Jamieson was appointed to the AUC on January 1, 2011. Prior to joining the AUC, Mr. Jamieson worked as a senior professional engineer and manager in infrastructure, public works, environment and public utilities for nearly 30 years, across three provinces and territories. He joined the AUC from the City of St. Albert, where he was general manager of planning and engineering. Mr. Jamieson is a civil engineer and certified local government manager. Mr. Jamieson's term expires on June 15, 2022.



Joanne Phillips

Joanne Phillips was appointed to the AUC on February 15, 2017. Prior to joining the AUC, Ms. Phillips worked in a senior role with the Northwest Territories Power Corporation and provided consulting services to Alberta utilities, associations and councils through her engineering consulting company. Ms. Phillips is a professional engineer and holds bachelor's (electrical), master's (civil) and doctoral (mechanical) degrees in engineering. Ms. Phillips' term expires on February 14, 2022.



Kristi Sebalj

Kristi Sebalj was appointed to the AUC on July 9, 2018. Prior to joining the AUC, Ms. Sebalj was the registrar for the Ontario Energy Board, an organization she joined in 2005. Prior to the OEB, Ms. Sebalj was the co-chair of McMillan Binch LLP's energy group. Ms. Sebalj is a lawyer with bachelor's degrees in law and science, and holds a master's degree in science, as well as certificates in adjudication and marine environmental law. Ms. Sebalj's term expires on July 8, 2023.



Acting Commission Members

- j'Amey Bevan
- Patrick Brennan
- Merete Heggelund
- Koren Lightning-Earle
- Bill Lyttle
- Rick Robinson
- Bohdan (Don) Romaniuk
- John Whaley

2018-2019 highlights

50 HEARING DAYS

AUC COST PER CONSUMER SITE DOWN 20 PER CENT FROM 2008

AUC BUDGET LESS TODAY THAN IN 2008

\$30 BILLION-PLUS UTILITIES SECTOR VALUE

DBRS: BUSINESS RISK PROFILE SUPPORTED BY REASONABLE REGULATION

\$5 BILLION-PLUS ANNUAL REVENUE REQUIREMENT
(RATES) FOR TRANSMISSION AND DISTRIBUTION

**S&P: PROVIDES A TRANSPARENT, CONSISTENT AND INDEPENDENT REGULATORY
FRAMEWORK – ALLOWS RECOVERY OF PRUDENTLY INCURRED OPERATING
AND CAPITAL COSTS IN A TIMELY MANNER**

MET OR EXCEEDED 87.5 PER CENT OF PERFORMANCE MEASURES

558 DECISIONS

86 PER CENT OF TRANSMISSION RATE DECISIONS WITHIN 90 CALENDAR DAYS

MORE THAN THREE MILLION SITES RECEIVING SAFE,
RELIABLE ELECTRICITY AND NATURAL GAS SERVICE

60 PER CENT OF DISTRIBUTION AND RATE SETTING DECISIONS WITHIN 55 CALENDAR DAYS

99.3 PER CENT OF DECISIONS WITHIN 90 DAYS OF CLOSE OF HEARING

S&P: PBR MECHANISMS ENABLE RECOVERY OF
UNEXPECTED OPERATING AND CAPITAL COSTS

83.1 PER CENT OF DECISIONS WITHIN 60 DAYS OF CLOSE OF HEARING

951 APPLICATIONS

Measuring success



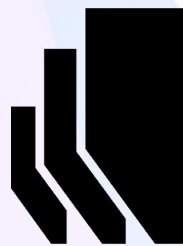
Since our inception the AUC has been a focused, performance-based organization. Key to this culture was our business plan that established objectives and performance measures by which we held ourselves accountable. In each year of our operations we measured and summarized our success in achieving our business plan objectives.

I'm pleased to note that over our initial ten years of operations, 89 per cent of our work was completed as planned and on schedule.

This strategic plan adopts a different approach than we took in our previous business plan to communicating our work, however our commitment to being a performance-based organization remains.

In addition to the performance measures that are now housed in our operational plan, we will report our progress in meeting the priorities identified in this strategic plan in an annual report card to our stakeholders that will be published on our website. This annual report card will also make a statement on what we have done to reduce regulatory burden. That information will be gleaned, in part, from the industry impact assessment report, described earlier in this document, that will solicit feedback on how our work has affected the sector we regulate, as well as our own progress in making AUC processes more efficient.

Bob Heggie
Chief Executive



AUC

Alberta Utilities Commission

Vision:

To be a trusted leader that delivers innovative and efficient regulatory solutions for Alberta.

AUC annual review (annual report card):

www.auc.ab.ca/pages/annual-review.aspx

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