



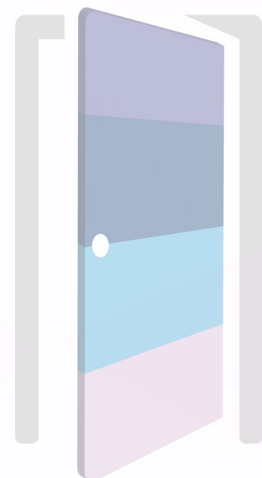
AUC

Alberta Utilities Commission

Alberta's independent utilities regulator

Operational Plan

2020-2021



Overview

Our operational plan sets out the work we intend to do during the 2020-2021 fiscal year in a straightforward way that links our planned work to the strategic themes set out in our AUC Strategic Plan 2019-2022 and to the outcomes we are intending to influence.

The operational plan also incorporates some of our efficiency and regulatory burden reduction initiatives, demonstrating how we intend to improve our workflow and enable innovation.

The operational plan additionally includes the performance measures against which we measure our work and achievements, and hold ourselves accountable.

Our operational plan and related work is organized around four strategic themes set out in our strategic plan. They are: competition and markets, infrastructure, efficiency and limiting regulatory burden, and people.

Our planned initiatives are described under one of those four key themes, although in some cases the planned work delivers results across two or more objectives.

It is important to recognize that our work is not limited to the initiatives supporting the four themes of our strategic plan. We have identified other initiatives that are either new or build on existing

priorities established in previous planning cycles. Those initiatives are included in the Additional Initiatives section of this document.

Supporting our strategic plan and this operational plan, as a foundation, are the core base-load responsibilities of our work as a regulator. While we pursue the commitments in this operational plan, we remain committed to our vision of delivering innovative and efficient regulatory solutions in all of our work.

Effect of COVID-19

This plan is currently the best representation of our planned projects. We have re-evaluated our work because of the impact of COVID-19. A top priority during the crisis is to work with government, industry and consumers to implement the province's Utility Payment Deferral Program to provide support to Albertans.

The AUC has also taken a hard look at what its priorities should be throughout this pandemic. We have adopted a flexible and pragmatic approach to regulation, and we have suspended or relaxed some activities so that resources can be most efficiently allocated, both for the AUC and our utility sector stakeholders. As a result, some of our planned work has been deferred to the next planning period.

- Mark Kolesar, Chair

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Who we are

The Alberta Utilities Commission is an independent, quasi-judicial agency that regulates investor-owned natural gas, electric and water utilities and certain municipally owned electric utilities.

The AUC is responsible to meet public interest considerations in the safe and reliable delivery of utility services and the rates charged to customers, and that utilities have the opportunity to earn reasonable returns.

The AUC ensures that electric facilities are built, operated and decommissioned efficiently and responsibly.

It has regulatory oversight of aspects of the wholesale electricity market in Alberta as well as the retail gas and electricity markets. It receives no government funding.

Competition and markets



The challenge:

The effects of advancing technologies on both the industry and on consumers have the potential to disrupt traditional utility business models and rate structures. There is a requirement to examine the role of incumbents and new entrants in the technology-driven market transition and to assess and adapt the regulatory framework, including the enablement of competition where barriers exist.

1. Evaluate financial settlement practices to ensure prices reflect the value of new services to the system; and advance market initiatives and enhancements in a timely way to make the energy-only wholesale market more price responsive and accommodating to technological innovation and competition (**Market Oversight and Enforcement**).

Outcome: An efficiently operated electricity market, with rules that enable new energy products, services and pricing.

2. Collaborate with the Alberta Electric System Operator (AESO) and the Department of Energy (DOE) to design and implement a robust regulatory framework for electrical energy storage in Alberta (**Rates**).

Outcome: The regulatory framework is modernized to accommodate the benefits of new technology.

3. Review and update interconnection practices to create a standard and transparent process which provides for consistent and nondiscriminatory access and treatment by the incumbent utilities (**Market Oversight and Enforcement**).

Outcome: Processes set out roles and responsibilities which are clearly defined and understood.

4. Review AUC Rule 017: *Procedures and Process for Development of ISO Rules and Filing of ISO Rules with the Alberta Utilities Commission* to consider streamlining the AESO's filing requirements regarding its consultation process (**Market Oversight and Enforcement**).

Outcome: A more proportionate and efficient approach to regulation.

5. Obtain and summarize stakeholder feedback on the power plant self-supply export issues on behalf of the DOE (**Facilities**).

Outcome: A clear, concise response to the DOE summarizing the background to the self-supply and export issue and stakeholders views on the options to address those issues and the market and tariff implications of each option.

Spotlight initiative

Electric vehicles and the Distribution System Inquiry (Rates)

Outcome: Electric vehicle charging is one example of how new technologies, changing societal values and expectations, and more consumer-choice options are driving the need for a smarter, more flexible system.

Infrastructure

The challenge:

A strong and efficiently operating energy infrastructure is important to the health of Alberta's economy.

AUC decisions on new projects and related pricing influence the level of investment, while its processes ensure public interest and participation responsibilities are met. Our objective is to develop policies and decisions in pricing, cost allocation, cost recovery, social and environmental considerations and safety that both support the certainty, confidence and independent expertise necessary for investor confidence and maintain a safe, reliable and efficient infrastructure.

1. Revise and rewrite AUC Rule 007 (**Facilities**).
 - A more effective and efficient process to: (i) address new and evolving facility projects such as battery storage, wind and solar; (ii) consolidate and streamline relevant information requirements and eliminate outdated requirements; implement a trusted-traveller approach to low-risk applications whereby applications meeting prescribed information requirements will be approved subject to compliance audits; and (iii) update

the AUC's Indigenous consultation requirements so that they are better coordinated with the consultation requirements of other government agencies.

Outcome: Regulatory burden is reduced by eliminating unnecessary information requirements and improving application-processing efficiency.

2. Evaluate and explore the use of non-market valuation in the Commission's legal requirement to assess the economic effects of a facility project in its review process, by applying established principles to specific AUC circumstances (**Facilities**).

Outcome: Non-market valuation techniques may allow the Commission to better understand the economic costs or benefits of projects that are not currently assigned a market value (e.g., habitat loss, airshed impacts, etc.).

3. Consider alternative rate-setting frameworks for transmission utilities (e.g., longer test periods, revenue requirement incentives or PBR-type structures) (**Rates**).

Outcome: The ratemaking framework reduces regulatory burden and improves incentives for transmission utilities to operate efficiently. Improved incentives should result in lower costs for customers than they otherwise would have been over time.

4. Conclude the Commission-initiated Distribution System Inquiry with the purpose of mapping out the key issues related to the future of the electric distribution grid (**Rates**).

Outcome: Support the broader development of a regulatory framework adapted to match the evolution of the electric system.

5. Initiate follow-up proceedings required to address the observations or principles identified in the Distribution System Inquiry. Possible topics include: enabling of, and customer access to,

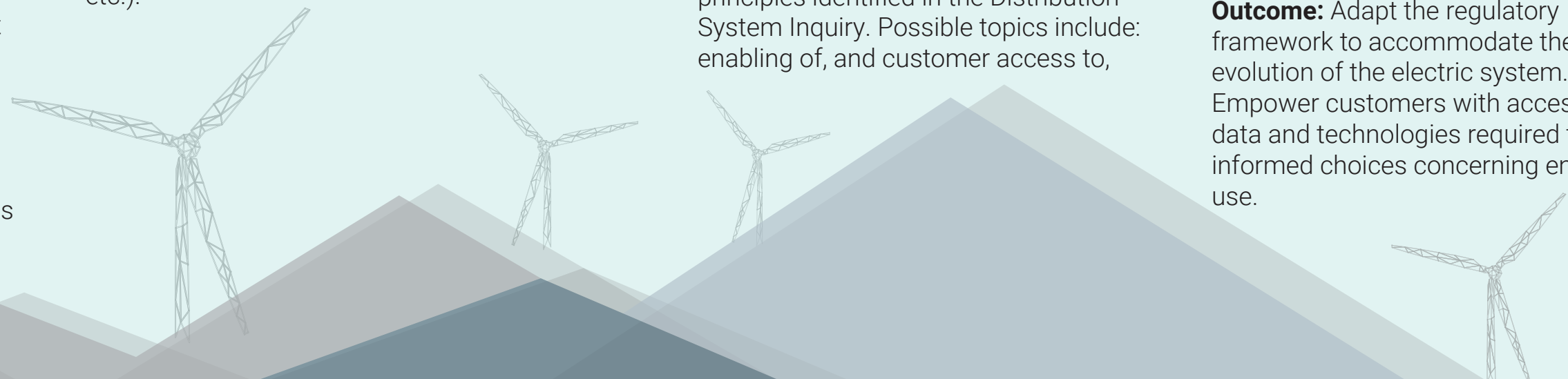
Spotlight initiative

Revision of Rule 007: Applications for Power Plants, Substations, Transmission Lines, Industrial System Designations and Hydro Developments (Facilities).

Outcome: Revised rule to reflect the evolution of electricity infrastructure to take into account advancing renewable technology including improvements in wind and solar technology as well as battery storage.

more granular metering data; re-design of utility rates to send more effective price signals; examine distribution and transmission system planning and reliability to ensure overall system optimization, control costs, address issues (e.g., tariffs) surrounding distributed energy resources and electric vehicle charging; accommodate other consumer choice technologies (**Rates**).

Outcome: Adapt the regulatory framework to accommodate the evolution of the electric system. Empower customers with access to the data and technologies required to make informed choices concerning energy use.



Efficiency and limiting regulatory burden



The challenge:

How can the AUC improve its workflow to deliver more cost-effective, timely and proportionate regulation, minimizing burden to industry and ensuring consumers bear only the lowest prudent cost of regulation?

1. The AUC's strategic plan objective to improve efficiency and limit regulatory burden includes: stakeholder roundtables to identify and implement streamlining measures; a dedicated AUC Regulatory Burden Reduction Task Force to reduce bottlenecks; Project Green Light, to facilitate staff-led development of new ways of doing business; and the government's red tape reduction initiative (**Chief Executive**).

Outcome: Improved effectiveness and efficiency in the AUC's operational performance and decision making processes.

2. A four-person AUC group will manage the AUC's efficiency and regulatory burden reduction efforts and work plan, and report monthly. It will track

and monitor every individual efficiency project from approval through implementation, specific AUC files and be assessed for effectiveness (**Chief Executive**).

Outcome: Improved effectiveness and efficiency in the AUC's operational performance and decision making processes.

3. Review AUC Rule 022: *Rules on Costs in Utility Rate Proceedings* governing costs that regulated entities are ordered to pay by the AUC to interveners in AUC applicant-driven proceedings (**Rates**).

Outcome: Improved efficiency in the AUC's decision making processes through improved practices and procedures as they relate to the participation of interveners and associated cost awards in rate proceedings.

4. Develop an assessment tool that measures the impact of AUC regulatory activities and incorporate results into a comprehensive annual report card (**Chief Executive**).

Outcome: Quantified or monetized benefits realized from our efficiency initiatives to better understand the value of the improvements for both our internal costs and the costs of utilities and stakeholders.

5. Enhance information sharing on AUC application processes by conducting an application workshop to guide applicants through requirements. Further, the AUC Facilities Division will meet with prospective applicants prior to application filing to answer questions about the application process (**Facilities**).

Outcome: Improve understanding of AUC application requirements and reduction of processing timelines for information requests and applications.

6. The AUC will work with the Aboriginal Consultation Office and other government of Alberta offices that address Indigenous consultation to coordinate requirements and explore shared training opportunities (**Facilities**).

Outcome: Indigenous consultation practices will be consistent with those for similar projects regulated by other agencies and government departments to promote consistency and predictability for applicants and stakeholders.

7. Assess the effectiveness of the new performance standards and other process changes for facilities applications implemented in Bulletin 2019-15 (**Facilities**).

Outcome: Improvement and refinement of the facilities application review process.

8. Implement internal procedural changes allowable under the existing Rule 011: *Rate Application Process for Water Utilities*. These procedural changes may include the use of more negotiated settlements, the introduction of round-table discussions and technical meetings to improve the time and cost-efficiency of water utility rate application processes (**Rates**).

Outcome: A more efficient, productive and timely process, proportionate to small-scale utilities.

9. Implement a process that reviews the 36-month application forecast with utilities and intervener groups with the goal of spacing important applications out to utilize resources more effectively (**Rates**).

Outcome: Optimizes the use of resources required from the AUC, customer groups and the utilities.

Efficiency and limiting regulatory burden

10. Consider alternative methods for testing and reviewing electric transmission capital projects or additions, including Implementing process improvements and considering alternatives for reviewing capital additions that could be made to the direct-assigned capital deferral account process in the future (**Rates**).

Outcome: Focused record development results in timely approvals.

11. Establish new performance metrics for the development of the record for intervenor costs applications and Stage 1 review and variance proceedings. Currently, both processes are guided by internal standards that do not have external record development metrics (**Facilities and Rates**).

Outcome: Measurable, external facing performance standards to promote accountability and consistency in the development of the record for costs and review and variance applications will ensure timely decisions.

12. Improved coordination with Alberta Environment and Parks (AEP) on industrial approvals for thermal plants and referral reports for renewable projects to better align the AUC and AEP processes and approvals (**Facilities**).

Outcome: Reduced regulatory burden, smarter, more coordinated and efficient processes.

13. Analyze best practices of comparable regulatory agencies in Canada and the U.S. to gain information about common responsibilities and regulatory processes in order to continue to develop benchmark performance measures (**Chief Executive**).

Outcome: Identify opportunities to apply different processes at the AUC with the objective of improved efficiency and reduced regulatory burden.



From left to right: Joan Yu, Josephine Yau, Kloria Wen, Heidi Ritchie, JP Mousseau, Allan Anderson

Spotlight initiative

Power plant application workshop (Facilities)

Outcome: Power plant application workshop for renewable applicants streamlines both preparation and processing of wind and solar applications. Applicants, AUC and other government agencies such as Alberta Environment and Parks provide clarity about how to prepare facilities applications and better understand regulatory requirements.

People

The challenge:

As competitive forces and technological advancements create new demands and begin to dramatically reshape the utilities sector, how can the Commission meet the challenge of attracting, developing and retaining people with the skills, experience and education required to meet these demands?

1. Expand on experiential learning, project leadership and external learning and development opportunities for our emerging leaders (**Corporate Services**).

Outcome: A roster of recognized industry technical experts with established leadership skills.

financial assessment of investments in new technology and the analysis of data generated by advanced information technology (**Corporate Services**).

Outcome: Professional, savvy and capable regulator.

2. Develop educational material with an emphasis on internal competency development including evolving rate design expertise, how emerging technologies will affect energy grids, consumer behaviour, the operation of emerging competitive markets, the

3. Develop a more decentralized, multi-disciplinary and team-based approach to our work (**Chief Executive**).

Outcome: A more agile and innovative regulator.

Spotlight initiative

Conduct an environment scan to identify the skillset required to keep pace with an evolving utilities industry (**Corporate Services**).

Outcome: Modernize the AUC's personnel competency requirements to evolve core and technical competency areas beyond traditional expertise.

4. Enhance the AUC's leadership development program with a focus on preparing a diverse group of emerging leaders to meet the technical and leadership demands required in a changing environment (**Corporate Services**).

Outcome: Identification and development of a diverse group of future leaders that possess the required technical and leadership skills to succeed the current leadership team and face the challenges ahead.

Additional initiatives

The challenge:

In approaching our work for this operational planning period we have aligned our efforts with the strategic objectives identified in our strategic plan. Of course, our work is not limited to the initiatives tied to our strategic objectives. We are also focused on how we can improve and evolve our approach in other areas of our work.

1. Initiate a process to consider inter-temporal issues related to depreciation including net salvage and other agreed-to matters (**Rates**).

Outcome: One-time consideration of issues affecting multiple utilities will provide certainty, consistency between the utilities and efficiency for all parties going forward as issues will not need to be reconsidered in multiple proceedings.

2. Proactively engage stakeholders to enable better understanding of our compliance and enforcement activities (**Market Oversight and Enforcement**).

Outcome: Market participants understand and comply with their regulatory obligations under the AUC's rules, decisions and orders to ensure consumers are protected.

3. Pursue reforms to AUC Rule 027: *Specified Penalties for Contravention of Reliability Standards* relating to the lag time between the approval of new or revised reliability standards or the removal of obsolete reliability standards and the inclusion of the new or revised reliability standards. Review AUC Rule 019: *Specified Penalties for Contravention of ISO Rules* to consider the Market Surveillance Administrator's request to amend the penalty table (**Market Oversight and Enforcement**).

Outcome: A flexible, proportionate approach to enforcement and market rules.

4. Revision of AUC rules (e.g., Rule 032: *Specified penalties*) (**Market Oversight and Enforcement**).

Outcome: Timely and proportionate consumer protection.



From left to right: Stephen Bruce, Dan Woodland, Darren Scholz

Spotlight initiative

Formalize the AUC information technology cloud-computing strategy and timeline (**Corporate Services**).

Outcome: Application of efficient and emerging information technologies.

5. Review of policy changes brought forward by Measurement Canada (**Market Oversight and Enforcement**).

Outcome: Market participants understand and comply with Measurement Canada's metering requirements.

6. Upgrade current information technology with a view to extend the life of the AUC's regulatory recording-keeping system (eFiling System) and support Project Green Light initiatives requiring information technology system investment (**Corporate Services**).

Outcome: Identification and maximization of current investment in the AUC eFiling System to allow for prolonged use and more efficient processes.

7. Performance-based regulation:
 - Develop a plan for rebasing of the subsequent generation of performance-based regulation (PBR) that will occur after the current 2018-2022 term (**Rates**).
 - AUC Rule 002: *Service Quality and Reliability Performance Monitoring and Reporting for Owners of Electric Distribution Systems and for Gas Distributors* will also be reviewed to include the distribution utilities' asset-management program (**Market Oversight and Enforcement**).

Outcome: Continue providing strong incentives for distribution utilities to operate efficiently, provide lower rates for customers than they otherwise would have been.

Measuring success

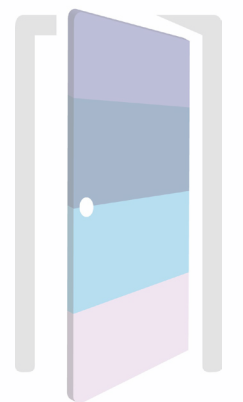
The AUC is committed to being a performance-based organization.

We will report the progress we have made in delivering on our commitments in our AUC Annual Report Card to our stakeholders that will be published on our website.

Those commitments arise from three aspects of our work:

- Our established legacy performance measures formerly housed in our rolling three year business plans.
- The planned initiatives set out in our strategic plan and this Operational Plan.
- The progress we have made on improving efficiency and limiting regulatory burden, including our progress in reducing regulatory requirements as required by the Alberta government's red tape reduction plan.

The published AUC Annual Report Card will provide clear, transparent and comprehensive information that will allow stakeholders to better understand and assess our progress in delivering on our commitments and meeting our organizational objectives.





AUC

Alberta Utilities Commission

Vision:

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

AUC 2019-2022 Strategic Plan:

<http://www.auc.ab.ca/Shared%20Documents/2019-2022StrategicPlan.pdf>

AUC Annual Report Card:

Inaugural report to be issued in June 2020

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