

February 19, 2021

Distribution System Inquiry  
Proceeding 24116

## **Commission response to the Distribution System Inquiry Report**

The Alberta Utilities Commission invited views and submissions on the future of the electricity distribution system in December 2018. The inquiry was initially structured into three phases (which were later compressed into two) to lead the Commission and the sector through a discussion on distribution grid modernization.

The Commission strongly welcomed and appreciates the degree to which stakeholders across the sector, from industry, consumer representatives, service providers and the academic community, engaged in this and shared their expertise. The report, which you will find here, provides an excellent summary of stakeholder submissions.

The report identifies opportunities to enable the development of a smarter, more flexible distribution system that will provide benefits for consumers and industry and support the growth of new business.

The report equally emphasizes that to ensure opportunities afforded by advancements in technology can be realized, the existing system will need to evolve, including removing identified policy and regulatory barriers.

Achieving this ambition is a shared responsibility among the government of Alberta, the Alberta Electric System Operator (AESO), the Commission, transmission and distribution facility owners, generators, technology solution providers, and consumer groups, among others. As the report outlines, some of these organizations are already considering the challenges and opportunities technology brings. Any long-term plan requires a coordinated effort to ensure identified work streams are complementary and consistent with the government of Alberta's long-term strategic framework and policy goals.

The report identifies a number of broad themes, including driving efficiency and competition across all aspects of the Alberta Interconnected Electric System (AIES); the need to ensure a level playing field across different types of technology; the importance of consumers paying their fair share of costs related to grid usage; establishing a consistent and predictable policy framework for market certainty; and the ability of grid users to respond to price signals as the system and technology evolve. As the report emphasizes, these design elements are foundational to ensuring efficient outcomes of the integration of new technologies.

This suggests to the Commission that there is an important role for a stakeholder forum to contribute perspectives to the development of longer term approaches and associated reforms.

These efforts should include representation from the provincial government to ensure progress remains coordinated with longer term thinking, and to build on and leverage the wealth of thinking conducted to date.

The Commission will take a number of actions to address identified undue regulatory barriers to new technology adoption. In particular:

- Modernize the regulatory framework for electricity storage – Actions will be needed to address issues related to definition, connections, tariffs, valuation and competitive market issues for storage. Critical to this consultation will be working in partnership with the provincial government and the AESO.
- Transparent price signals – Broadly, this consultation would include energy, grid and contract pricing. This work will assess whether tariff pricing and wholesale arrangements are properly reflective of the costs and benefits that distributed resources create for the system. This will produce efficient investment decisions, including non-wire alternatives, across the distribution and transmission systems. As is the case with the storage work stream, we will work closely with the AESO and others, as needed, to identify the most efficient solutions.
- Distribution and transmission tariffs – The Commission agrees that tariff design should incent the efficient use of the system; however, the extent and pace of change across the distribution system are uncertain and the Commission sees merit in understanding, over the longer term, how distribution tariffs need to adapt in the future to deliver efficient outcomes. In the near term, by way of incremental change to address an identified issue, the Commission is reviewing the current system of distribution credits to assess whether they generally reflect system benefits.
- Distribution connection practices for distributed resources – As outlined above, the Commission will be evaluating potential improvements to connection practices for storage projects. The Commission will also be consulting more widely on connection practices generally to improve and reform the way regulated monopolies engage with system users.

These near-term actions are intended to remove regulatory barriers to allow new electricity technologies to develop, particularly electricity storage projects. Our approach is intended to be adaptive and collaborative due to the long-term uncertainties inherent in how our energy system will change.

In parallel with this work, the Commission will work in partnership with the provincial government, the AESO and all stakeholders to deliver further, longer-term changes at the required pace.

Again, the Commission thanks the significant efforts of stakeholders and its own staff in the development of the report. It is an excellent start in a long conversation about the transformation of the electricity distribution system in Alberta.

Yours truly,

Carolyn Dahl Rees  
Chair