REGULATORY LAW CHAMBERS

ENERGY REGULATORY REPORT

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ALBERTA UTILITIES COMMISSION

***Alberta Electric System Operator Application for Revised Adjusted Metering Practice Implementation Plan and Related Amendments to Independent System Operator Tariff and Rules*, AUC Decision 28441-D02-2024**

Electricity – Rules

Application

The Alberta Electric System Operator ("AESO") applied for approval of a revised adjusted metering practice ("AMP") implementation plan for metering i.e. measuring electric energy that enters and exits the transmission system, including contracting and billing practices for transmission system access service ("SAS") at transmission substations that serve distribution facility load. The AESO also applied for approval of associated amendments to the Independent System Operator ("ISO") tariff and the ISO rules.

Decision

The AUC found the proposed implementation plan provided a reasonable way to implement the AMP that meets the requirements of the *Electric Utilities Act* ("*EUA*") and approved the application from the AESO. The AUC also found that the AESO complied with the AUC direction issued in paragraph 23 of Decision 27047-D01-2022, which required the AESO to provide certain cost information.

Pertinent Issues

Under the previous net metering practice, a distribution facility owner ("DFO") substation was treated as a single point of delivery and supply, which aggregated and netted electric energy flowing out of and into the transmission system on each feeder. SAS at each DFO substation was then contracted and billed under a single agreement for demand transmission service ("DTS") and a single agreement for STS.

In Decision 22942-D02-2019, the AUC found that the net metering practice could cause significant erosion of billing determinants because of increased distribution connected generation ("DCG") proliferation. According to the AUC, the netting of reverse flows (electric energy flowing into the transmission system) caused by DCGs against existing DTS load caused billing determinant erosion, as net metering reduced DTS billing determinants compared to the separate gross metering of DTS and STS. Consequently, the AUC determined that the continuation of the net metering practice would increase the cross-subsidy of DCG by DTS load customers.

In Decision 27047-D01-2022, the AUC denied the original AMP implementation plan, finding that the AESO did not provide sufficient information for the AUC to determine whether approval of the application was in the public interest or supported the fair, efficient and openly competitive operation of the electricity market. Specifically, the AUC was not satisfied by the level of accuracy and completeness

of the cost estimates provided by the AESO in that proceeding.

The AESO submitted that, under the proposed AMP, each individual feeder at a DFO substation is recognized as a single point of delivery and supply, and electric energy flowing out of and into the transmission system is measured separately at each feeder. For SAS contracting and billing purposes at DFO substations, DTS agreements would be based on the total sum of the electric energy flowing out of the transmission system, and STS agreements would be based on the total sum of the electric energy flowing into the transmission system, as measured at each individual feeder.

The proposed AMP implementation plan includes the following primary features:

- Updates to the existing SAS agreements at DFO substations that have feeder-level metering in place. For new and existing DFO substations where feeder-level metering or the metering infrastructure is in place, the plan will require all system access service requests ("SASRs") submitted after the AMP is effective to be compliant with the AMP.

- For DFO substations that do not have feeder-level metering or metering infrastructure in place but have reverse flows, compliance with the AMP will not be immediately required. Instead, transmission facility owners ("TFOs") will be required to install the feeder-level metering and to update SAS agreements to comply with the AMP when the switchgear lineup for the substation will be replaced in the future.

- The cost allocations (between participant and system) for AMP implementation will be consistent with the cost-causation principle, and the way in which the costs of meters and metering infrastructure are allocated for all AESO-directed transmission facility projects or TFO-initiated lifecycle replacement projects.

The AUC found that the updated ISO rules support the fair, efficient and openly competitive operation of the electricity market because they are correcting differential treatment that exists under the previous AMP between DFO substations with and without reverse flows and, transmission-connected generators and DCGs.

The AUC was further satisfied that the updated AMP implementation plan and related amendments to the ISO rules are not unjustly discriminatory and that the proposed cost allocation method to implement the AMP supports the fair, efficient and openly competitive operation of the electricity market.

The AUC determined that the proposed AMP implementation plan was in the public interest since it was the most cost-efficient option that was proposed on the record of the proceeding to implement the AMP. Further, the plan reduced the associated billing determinant erosion at an overwhelming majority of DFO substations and implemented the AMP in a timely manner.

The AUC was satisfied that the AESO, in developing the rule amendments, complied with the informational and consultation requirements established by AUC *Rule 017: Procedures and Process for Development of ISO Rules and Filing of ISO Rules with the Alberta Utilities Commission* ("*Rule 017*").

In response to AUC direction in paragraph 23 of Decision 27047-D01-2022, the AESO proposed that the capital costs incurred to implement the AMP should follow the existing capital cost review and oversight mechanism at the time the cost is incurred. The AESO also provided the total theoretical maximum cost of implementing the AMP for each implementation plan alternative and a quantification and analysis of the costs and benefits of AMP implementation. The AUC found that the AESO complied with its direction issued in paragraph 23 of Decision 27047-D01-2022.