



AUC

Alberta Utilities Commission

2008 2009

2009 2010

2010 2011

2011 2012

2012 2013

2013 | annual review

2014 2015

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2017

effective, efficient, relevant

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The AUC completes its fifth full year of operations this past year.

This annual review not only documents the highlights of the 2012 - 2013 fiscal year but also reflects on the AUC's commitment since 2008 on delivering efficient and innovative regulatory solutions.

Willie Grieve

Regulation, by its nature, is imposed only when the market does not produce outcomes acceptable to society.

Legislators step in to change the unacceptable outcomes by creating conditions for outcomes that better reflect the public interest. Sometimes, legislators assign responsibility and authority for achieving those public interest outcomes to regulators such as the AUC.

Our 2012-2013 fiscal year marked the AUC's fifth year of operation and the 98th year for public utility regulation in Alberta. The AUC was formed in 2008 with some new mandates and some renewed mandates in response to changing circumstances in the utility environment. A wide range of matters has been assigned to the AUC and in order to carry out its responsibilities, the AUC must step in and out of a variety of roles. Some, like the traditional rate regulation and facility approval roles, require the AUC to consider applications brought by the regulated utilities. In these cases, we both test the applications and adjudicate whether the proposals are in the public interest and we may also specify outcomes not sought by the applicant. Other matters include adjudication of complaints, disputes and objections involving parties as diverse as municipalities, customers of cooperatives and rural electrification associations, the Alberta Electric System Operator, the Market Surveillance Administrator, private water utilities, municipal water and other utility services as well as dealing with concerns about service brought to us by Albertans across the province. In some of these roles we may act strictly as an adjudicator while in others we may take on the role of inquiring into the facts beyond what has been presented by parties and may even make inquiries without a party bringing the matter to the Commission. In still others we might start a matter in one role and transition into another.

The AUC's broad mandate not only requires that we act in different roles but also requires that we engage in different types of regulation. We may perform our regulatory functions either in advance to specify what is to be done or after the fact in order to enforce compliance with regulatory decisions or statutory requirements. In all cases though, the objective is to reach a decision that serves the public interest.

The concept of the public interest and how it is determined has been the subject of considerable debate for many years. Because of the different types of roles the AUC is called upon to fill and the breadth of matters that may come before us, we have been acutely aware of the importance of considering the public interest through the lens of the various pieces of legislation that define each of our roles. In each case, we determine our public interest mandate by asking why the legislative provisions were enacted and what they are seeking to achieve in order to determine what it is



we are called upon to do. The decisions we make reflect the public interest mandate we are called upon to exercise. The objectives set out in the legislation guide our decision making. But while the objectives of the legislation may remain constant for long periods of time, the way in which the various public interest mandates are achieved is ever-evolving.

We have summarized our public interest mandate broadly as follows: The Alberta Utilities Commission regulates the utilities sector, natural gas and electricity markets to protect social, economic and environmental interests of Alberta where competitive market forces do not. We recognize that we are not responsible for all of the social, economic and environmental interests of Albertans. Instead, we recognize that in each of the roles assigned to the AUC, our public interest mandate calls upon us to protect one or more parts of social, economic or environmental interests of Alberta. Within the context of the facts before us and the mandate assigned to us we are often called upon to balance competing interests and aspirations in order to determine an outcome consistent with the legislative objectives and, therefore in the public interest .

As we and the industries we regulate evolve, we must develop new regulatory approaches to both address incentives and opportunities created by changing circumstances as well as investigate and enforce compliance with regulatory requirements.

During our first five years we have embarked on a number of initiatives designed to improve regulatory efficiency and to create incentives for regulated companies to be more efficient and responsible. We have embarked on performance-based regulation for the utility distribution operations and have begun work on new ways to oversee utility transmission system costs. We have set a course for enhanced service quality oversight and better visibility of the asset management and planning of the utility companies. We have streamlined ongoing oversight of facility operating licences and adapted our application rules to deal with the unique circumstances of new types of electricity generation such as wind and are continuing to search for more ways to place the responsibility for ongoing management and oversight of the licensed facilities on the licensed companies with recourse through surveillance and enforcement where necessary to protect the public interest. We have engaged in reviews of rules and conduct in the competitive electricity market and have brought industrial organization theory economics and competition law principles to our review of all matters dealing with competitive markets.

We will continue to pursue new regulatory and oversight approaches and initiatives in order to respond to changes in the environment in which we operate and to set in place sound foundational principles to guide a regulatory system characterized by some traditional monopoly portions, some in transition to more competitive pressures and some operating now in competitive markets.

We are fortunate to have a group of Commission members and acting Commission members with a broad range of credentials and experience to tackle the full range of complex procedural and substantive matters that come before us and we are privileged to have the benefit of dedicated expert staff members to assist the Commission members in serving Albertans.

It is our honour and privilege at the AUC to serve the Alberta public interest.

Top row left to right: Kay Holgate, Henry van Egteren, Mark Kolesar, Neil Jamieson, Bill Lyttle
Bottom row left to right: Anne Michaud, Willie Grieve, Tudor Beattie



Commission members 2013



The AUC's f

Chief executive Bob Heggie on a year of results and five years of improvement

This past year was a successful, even historic, year for the AUC. Our achievements were remarkable, even more so given the adjustments we made in response to resource constraints. This year was historically significant because it marked our fifth anniversary as Alberta's independent utility regulator.

The milestone is important as it provides an opportunity to reflect on our accomplishments and to look ahead at the challenges confronting us and our readiness to tackle them.

The state of the Commission, its decisions, and its objectives are critically important to Alberta and the public interest. The challenges we faced over the past five years were both significant and unique. Whether in decision writing, administration or communications, the pressures were, in many ways, unprecedented.

The journey has not been easy, but I'm pleased that the Commission and staff were equal to the task meeting each challenge with craftsmanship, diligence, innovation and resolve. We have made significant strides in realizing our vision of being a trusted leader that delivers innovative and efficient regulatory solutions for Alberta.

To that point, since our inaugural Commission meeting on January 2, 2008 attended by Willie Grieve, Carolyn Dahl Rees, Tom McGee and Arden Berg, the Commission has reviewed 5,053 applications, responded to 9,049 complaints and issued 2,744 decisions.

Since our inaugural hearing on April 14, 2008 to consider an application by the now federally regulated NOVA Gas Transmission Ltd., presided over by Willie Grieve, Carolyn Dahl Rees and the late and dearly missed Al Maydonik, we have held 101 oral hearings over a total of 412 hearing days and conducted 573 written hearings.

In 2008 we launched our Markets Division to assist the Commission with its new powers and responsibilities in regulating competitive markets. We enjoyed a number of successes including adjudicating ground-breaking and highly complex cases that were the first of their kind in Canada. Ensuring conditions for competition exist entails providing a fair, open and efficient foundation for competition. We were successful in bringing meaning to that objective through our public interest decision making. This success was attributable to a significant team effort including the integration of our technical and legal staffs and cultures.



Bob Heggie

Five-year journey

Authorization of energy facilities, whether gas or electric, was a traditional case workload activity for many of our staff and Commission members when we commenced operations. What was unique however was the volume of casework and that many of the cases raised new and difficult questions and generated greater public interest than ever before. Over our first years of operations we completed an extensive public hearing and approved the Heartland Transmission Project, the first of the province's critical transmission infrastructure. This case is one example of how we leverage our engineering, environmental and legal expertise in balancing vigorously competing interests in pursuit of the overall public interest. We also made significant strides in meeting expectations for increased efficiencies in regulatory review processes.

Another traditional area for the Commission focused on setting the rates and services of specific utility companies. In addition to this important work, the Rates Division made significant contributions to the development of our regulatory framework through an inquiry report looking at harmonizing rate-setting mechanisms for default electricity supply and default natural gas supply and laying the groundwork for performance based regulation for Alberta's distribution utilities.

Our Regulatory Policy team improved our regulatory framework through a number of key initiatives including inquiring into the potential benefits to Alberta of a smart grid, developing codes and rules for our gas and electric retail markets and spearheading an unprecedented review, consultation and implementation of

procedures on utility disconnection and reconnection practices designed to protect vulnerable customers.

All this couldn't have been done without the work of the Corporate Services Division, which carried out the enormous job of establishing and providing the organizational infrastructure required to support the AUC. This required us to develop our own business infrastructure and support capabilities, including financial services, human resources, procurement and corporate policies.

Over our initial five-year period we committed to using our resources efficiently. While there are many potential ways to measure the efficiency of our operations, I'm pleased to report that despite a challenging and unpredictable regulatory agenda, our operating costs per end-use customer have fallen from \$13.13 per customer in fiscal year 2008-2009 to \$12.31 per customer in fiscal year 2012-2013. This six per cent reduction was achieved during a period when our application workload increased 29 per cent and the total number of proceedings increased 47 per cent.

Fiscal year 2012-2013 continued our historic trend of being particularly active.

Every year the Commission reviews hundreds of applications. This year we reviewed a record 1,104 applications ranging from routine requests to complex applications requiring lengthy process, including public hearings.

This workload is, in part, reflective of the changes happening in Alberta's electricity sec-

"The cost of the AUC, per end-use consumer has declined by six per cent over our five year history, despite a 29 per cent increase in workload."

The AUC's five-year journey

tor. Through provincial policies and infrastructure renewal, new investments in transmission infrastructure are resulting in significant industrial development. Three major projects resulted this year, including the western and eastern Alberta transmission lines and the Foothills Area Transmission Development facility application. These projects required robust consultative processes, a depth of technical knowledge and a willingness to make difficult decisions. The Commission and the Facilities team approached this job successfully through a time-tested, transparent approach of fair process and case- by-case litigation.

This increasing workload was part of the reason the Commission moved to finalizing incentive rates for distribution utilities through its rate regulation initiative. This new approach to adjusting rates will improve efficiency, foster business innovation and eliminate the need for cost-of-service rate applications. This significant achievement for our Rates team resulted in utilities implementing performance-based rates in early 2013.

The Commission continued its consultation efforts with stakeholders this fiscal period. Through consultative efforts the Commission can advance issues that might otherwise require litigation as well as addressing other important regulatory concerns. Consultation and reviews included efforts in service quality, tariff billing code, wind masking for wind turbines, settlement system code, micro-generation, wind application process and our vulnerable customer disconnection initiative. This work is led by our Regulatory Policy team however these initiatives are cross-cutting and require

staff members whose specialties are gas or electric or legal or economic to work together, share knowledge and experience and make our work innovative, efficient and consistent.


The Commission continued its efforts in the Markets Division of ensuring conditions for competition exist in the electric power industry. Leadership in adjudicating electric competitive issues requires establishing and remaining true to basic principles so that the required market conditions can be realized. That work continued this cycle with a number of decisions that gave meaning to our statutory instructions. These cases included decisions on line losses, import-export available transfer capacity and transmission system congestion. These difficult and technical decisions will serve to eradicate uncertainty and provide market participants with the clear direction they require to compete in the market.

In addition to these initiatives, we also processed 1,104 applications, responded to 1,764 complaints, issued 769 decisions and held 15 public hearings and 159 written proceedings.

Fiscal management is vital to any public agency. This was particularly the case this year as Alberta experienced an enormous strain on government revenue streams. Operationally we continued to exercise leadership by running our operations below our budget target for the fifth consecutive year.

This discipline positioned us well to deal with the austerity measures introduced during the year. In addition, we continued to focus on being strategic in delivering our work, stream-

"The AUC's role is rated as critical by 100 per cent of those independently surveyed, from industry, government, law and academia."



lining operations where possible and increasing efficiency. We are confident this approach, though difficult at times, will allow us to weather economic turbulence while continuing to deliver outstanding results and maintaining a competitive rewards program for our staff.

Lastly, over the past year the government introduced new measures with respect to travel, hospitality and spending practices. The Commission reviewed its own procedures and controls and concluded we are in full compliance with the new standards.

Investing in people is a priority as we continue to face new challenges. We renewed our commitment to our human capital plan which ultimately will assist with identifying career path and growth opportunities for our staff and any gaps in our skill sets. Other innovations are noteworthy. In our annual employee survey, staff indicated that while leadership has improved, more work is required. We are committed to further developing our leadership team – particularly in direction setting. We also restructured the Rates team to allow for an increased focus on our rate regulation, transmission and retail responsibilities. This structure will enable us to have a deeper understanding of these areas with direct leadership by senior leaders.

In addition, the Commission is committed to becoming a learning organization. Our approach will create opportunities for all staff to broaden and deepen subject matter expertise.

Information technology continues to drive much of our efficiency change agenda. The

interconnectedness of information technology and the Commission's capacity to achieve its objectives is extremely important and we remain heavily invested in re-making the Commission's electronic filing system. Looking forward, the initiative has a targeted completion date of June 2014.

One of our key values is accountability. Central to this commitment is the measurement, and reporting of, our performance. As is our practice, we engaged an independent assessment of our performance to review how well we had performed in meeting our stated objectives. The assessment confirmed that the Commission achieved 90 per cent of our objectives as set out in our business plan – the best result since our first year of operations.

As part of our commitment to improve our operations we conducted our sixth annual employee survey. Participation in the survey remained high – 90 per cent. Employee satisfaction and work environment continue to be areas with strong results. During this past year senior leaders in the organization focused on sharing relevant information in a more timely manner. Results show that these efforts were effective with more staff feeling the communication process has improved, and staff understand how their work contributes to the overall achievement of AUC goals and objectives. Finally, our overall results once again stack up favourably with a comparable employer average.

As in previous years we also sought input from our external stakeholders. The results included high praise for our efforts and an overall high level of satisfaction with our performance. I'm

particularly gratified to note comments made by stakeholders commending the AUC and its staff on the critical role we play in Alberta, and the importance of our role moving forward.

One area identified for improvement was improving regulatory efficiency and clearly communicating those improvements to stakeholders. This year we undertook a number of initiatives to address this issue including an enhanced adjudicative process for market proceedings, changing our rules to provide exemptions for small power plants and transmission facilities and revising our winter disconnection and reconnection practices.

Our survey confirmed that 95 per cent of stakeholders were aware of these and other like initiatives to improve processes and 80 per cent have experienced improvement as a result.

As we turn the page on our first five years of operations, looking forward, 2015 will mark the 100th anniversary of the AUC and its predecessor organizations. While the scope, scale and complexity of our work has changed over the years, a consistent challenge has been assessing our success against the long-term, complex nature of the issues we face. Whether we are getting it right will be judged, in many ways, by our successors. Ultimately our strength and success depends on the recognition of the quality of our people and their commitment to the public interest and to our vision.

My thanks to our staff and Commission members for their outstanding work.

Five-year performance

	Fiscal 2008-2009	Fiscal 2012-2013	Five year total	Change
Applications	856	1,104	5,053	29%
Complaints	1,312	1,764	9,049	34%
Information requests	951	1,002	6,214	5%
Decisions issued	157	769	2,744	390%
Total costs awarded	\$2,075,000	\$8,807,000	\$38,879,000	324%
Written proceedings	100	159	573	59%
Oral proceedings	18	15	101	-17%
Total proceedings	118	174	674	47%
Hearing days	42	101	412	140%

	Fiscal 2008-2009	Fiscal 2012-2013	Five year total	Change
Work load (applications)	856	1,104	5,053	29%
Value of sector we regulate	\$10,660,000,000	\$11,640,000,000	-	9%
Consumers (site count)	2,430,009	2,802,849	-	15%
Total cost (admin fee/site count)	\$13.13	\$12.31	-	-6.2%

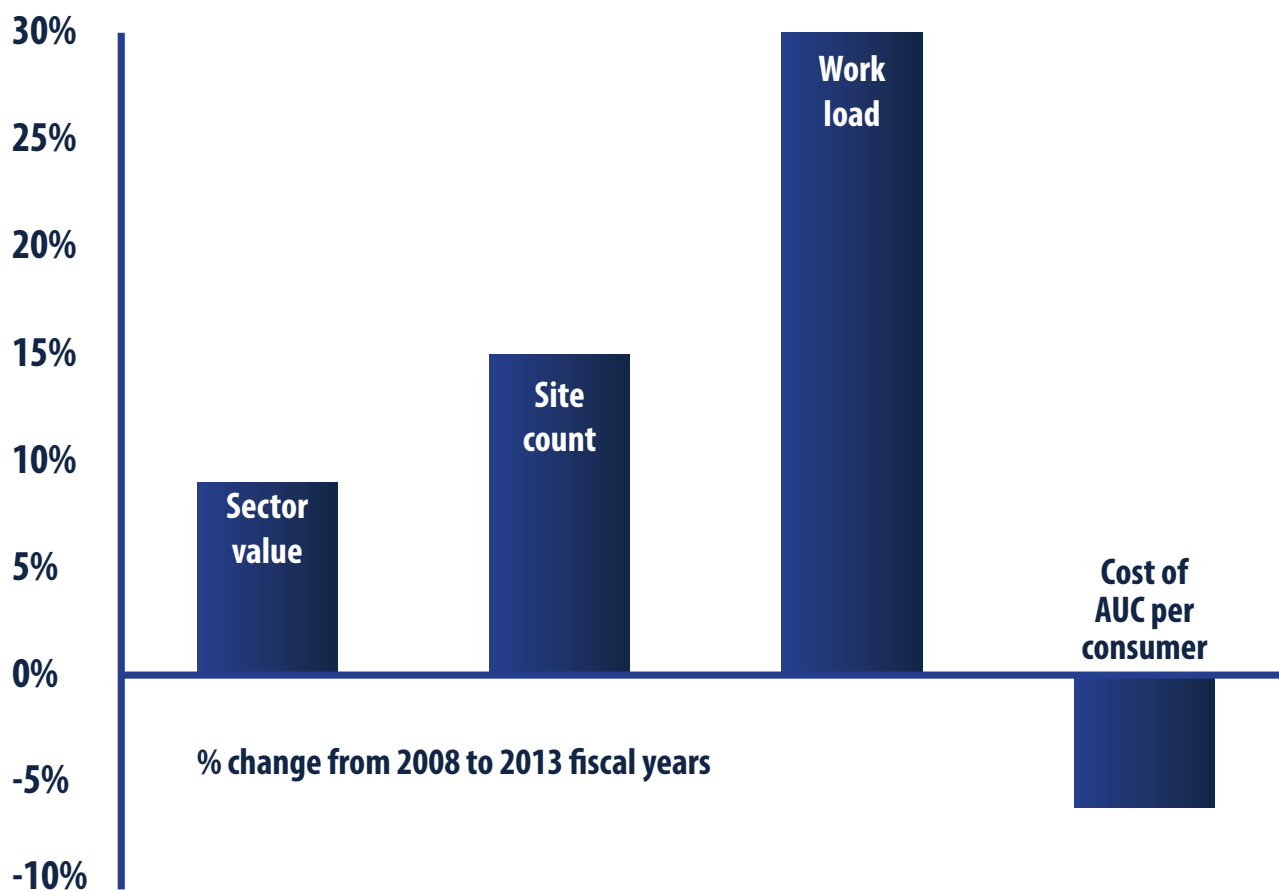
After five years of operation, the cost of the AUC has declined by six per cent on a per-consumer basis.

Despite an nine per cent increase in the size of the sector we regulate, a six per cent increase in the consumer base and a 29 per cent increase in work load, the regulatory cost per consumer is down.

An independently administered survey also provides a fifth-year snapshot that rates the AUC as being critical to regulation of Alberta's electric and natural gas utility sectors, and as having established fair, effective and rational processes that meet stakeholder needs.

"For those aspects of the industry that remain regulated, stakeholders and expert organizations strongly agreed that the Alberta Utilities Commission is best positioned to represent consumer interests in approving costs, associated rates and quality of service levels. The Retail Market Review Committee concurs with this view."

-Power for the People: Retail Market Review Committee Report, released January 29, 2013.



Accomplishments in 2012-20

| Regulatory Policy

The AUC's continuous efforts to ensure it is efficient, effective and relevant are very evident in the day-to-day effect of our established rules and procedures, which set out how we do business. They are scrutinized, reviewed and updated regularly and as the manner and nature of the AUC's regulatory oversight evolves and improves, so must our rules. Much of this work falls to the AUC's Regulatory Policy Division, which had a very active year in 2012-2013 with regulatory policy matters across the spectrum of the AUC's mandate.

Perhaps most prominent in the division's achievements was its re-development and rewriting of our rule on service quality monitoring and reporting for owners of electric distribution systems and gas distributors. This followed directly from the AUC's decision on distribution performance-based regulation in September 2012 and spoke to the AUC's determination that strict standards would be developed and applied to ensure service quality would not deteriorate as market-like pressures are brought to bear on distribution rate setting. This was the No. 1 concern of interveners in the performance-based regulation proceeding.

Other rule reviews included the framework for electricity billing (AUC Rule 004: *Alberta Tariff Billing Code*) and settlement system codes for each of electricity (AUC Rule 021: *Settlement System Code Rules*) and natural gas (AUC Rule 028: *Natural Gas Settlement System Code*). These changes were designed in large part to improve the experience of consumers when they choose to switch retailers. In addition, considerable work was done on reviewing the application process for wind power generation projects, with a view to acknowledging the unique nature and attributes of these facilities. Regulatory Policy was also front and centre in the AUC's work in two other critical areas:

small-scale power generation and noise control, and led the staff involvement on two key applications: the competitive transmission procurement program applied for by the Alberta Electric System Operator and an application by Central Alberta Rural Electrification Association Ltd. in which the long-simmering issue of the obligation and right to serve customers between investor-owned utilities and rural electrification associations was the central question.

Regulatory Policy is where the AUC exerts its expertise, moral suasion and mandate in protecting vulnerable utility customers. In the most recent fiscal year this work was focused on improving communication with potentially endangered vulnerable customers, breaking down barriers that existed for vulnerable customers to receive assistance and facilitating referrals to social assistance and payment schedule arrangements. In addition, identification and tracking of disconnected consumers was improved. The division also delivered or contributed to information and briefings to aid in government policy development, such as the Retail Market Review Committee and in AUC special proceedings, such as the one currently underway into electric transmission cost recovery alternatives. This is a significant AUC priority in 2013-2014.

| Facilities

The AUC's Facilities Division deals with applications on need, and applications to construct generation and transmission facilities for each of electricity and natural gas, and related matters as well as dealing with applications related to water matters. Staff of the division are experts in engineering, environmental, generation, pipeline and transmission matters. Work volume continued to grow in 2012-2013 as it





has each year since the AUC's inception in 2008. Based on the number of applications, Facilities' workload has risen 40 per cent in five years.

However, the simple application numbers themselves do not tell the whole story, as the 2012 proceedings managed by Facilities included the two largest electricity transmission facility projects in the history of Alberta: the Eastern Alberta Transmission Line and the Western Alberta Transmission Line. These were both critical transmission infrastructure projects in which the need was specified by the Alberta government. Enhanced hearing processes (pioneered by the AUC in 2011) maximized the opportunity for affected landowners to have their concerns brought forward, heard and understood, and in both decisions, the AUC incorporated landowner-generated and environmentally favourable route selections.

The Facilities group also worked on a number of other substantial projects with somewhat lower profiles. On that list was Hanna-area regional transmission development, Foothills-area transmission development and on the consumer natural gas pipeline side, the Urban Pipeline Replacement project, which centres around a major proposal to replace large-diameter gas transmission pipelines in and around Alberta's two largest cities.

Amid these applications were a myriad of smaller applications, and in total 451 facility decisions were issued in the 2012-2013 year, up about 15 per cent from the prior year. More than 35 of these decisions were related to need applications and nearly 60 were for permits to construct and licences to operate power plants. More than 100 were related to gas utility pipeline applications.

As well, Facilities staff were deeply involved in stakeholder consultations and the March 2013 amendment of AUC Rule 12: *Noise Control*, fo-

cused in part on properly accounting for and measuring the effects of wind masking in the measurement of noise from generation and transmission facilities. Similarly, Facilities staff took the lead in the AUC's wind power generation regulatory process review. This is aimed at "right-sizing" how wind power generation applications are administered, assessed and adjudicated - exactly in keeping with the AUC's commitment to efficiency, effectiveness and relevance.

Rates

Utility rates determination goes to the very heart of the AUC's regulatory role in ensuring consumers receive safe and reliable utility service at just and reasonable rates, while utility owners have a reasonable opportunity to earn a fair return on their investment. It impacts industrial, commercial and residential consumer costs and directly affects the cash flows and financial health of regulated utilities.

The AUC's staff work in this area is accomplished by our Rates Division, with personnel located in both our Calgary and Edmonton offices. Although the number of applications and decisions moderated slightly from the previous year, in part due to a rate freeze put in place following a request by the government of Alberta, the magnitude of those applications and the importance of the resulting decisions was clear. There is no better example of this than the AUC's September 12, 2012 decision on performance-based regulation for distribution utilities. This was a recasting of the rate regime in Alberta and marked the culmination of years of work, tens of thousands of pages of evidence, more than three weeks of oral hearings and a goal of delivering innovative and efficient regulatory solutions for Alberta. Four more related decisions were completed over the remainder of the fiscal year.

Accomplishments

The intent of the AUC's performance-based regulation is to introduce competition-like pressures to encourage efficiency among utilities, ensure consumers automatically share in efficiency gains and produce rates that should be lower than they might otherwise be. In addition, performance-based regulation is designed to give utilities greater flexibility and, importantly, reduce the burden of regulation by shifting the regulatory focus to results rather than process.

While critically important, the performance-based regulation decision was just one of many initiatives within the Rates Division, which also underwent a reorganization to better structure and focus personnel to address workflows and priorities. For example, work began on an examination of utility long-term debt issues, and the division set up a system to track complaints on utility service quality. In addition, it spent the closing portion of the year working diligently to carefully ensure that the lifting of the rate freeze would not have an undue impact on consumers. Some other key proceedings that were worked on in 2012-2013 were general rate application and general tariff applications. In aggregate these complex proceedings determine billions of dollars in rates applied to nearly 2.9 million utility sites in Alberta. In addition, Rates was at the centre of a Commission-initiated review of quarterly transmission rider applications that streamlined and standardized the treatment of 16 applications each year.

As the year ended, Rates Division ramped up a key proceeding to investigate electric transmission cost recovery alternatives. This will be a major division priority in 2013-2014.

Corporate Services

The job of ensuring our organization has the structural resources, the people, the systems,

the technology and the policies to operate efficiently and effectively falls to our Corporate Services Division.

Corporate Services marked a number of significant milestones in 2012-2013, most prominent among them being considerable progress in the redesign of the AUC's electronic filing system, with which we manage our applications and proceedings processes; receive, compile and manage submissions and evidence and generally administratively manage all of the documents related to our adjudicative functions. Scoping and planning of the new system was completed in 2012-2013 and design and construction is now underway. The importance of this initiative shouldn't be understated; for many people, the system represents what will be their central operational interface with the AUC.

The AUC considers systemic electronic filing improvements to be critical to being efficient and accessible in the 21st century, but like any progressive organization it knows its true strength is in its people, and the skills, experience and attitude those people bring to the table. In 2012-2013, the AUC continued the development of its human capital plan – a corporate-level program to ensure we have the skills to meet our objectives now and in the future – and completed further steps in its on-boarding and orientation program development, aimed at ensuring new employees have the tools they need to flourish. In addition, through Corporate Services, the AUC has now embedded a risk management program into its annual operations that has impacts across the organization in terms of understanding and managing the risks the AUC faces.

Our Corporate Services group was also at the centre of the work around the AUC's repeat independent selection as one of Alberta's Top Employers, which we believe reflects our ef-

forts to be a progress employer of choice and positions the AUC in a positive light in Alberta's highly competitive hiring environment.

Law

As a quasi-judicial regulator, the AUC by its very nature is involved in legal processes and the determination of legal and regulatory questions and issues. And so the AUC's Law Division delivers our general in-house legal and regulatory interpretation expertise as well as a major dimension of each of the hundreds of decisions we issue each year. The lawyers and other personnel of our Law Division are involved in almost every facet of the AUC's operations, including serving as Commission counsel in our proceedings, delivering expert insight into laws, regulations and legal precedent, assisting with careful legal drafting of decisions, managing our interactions with legal counsel of applicants and interveners and providing legal expertise related to the administration and management of the organization.

The 2012-2013 fiscal year was extraordinarily active for Law, its busiest year since the AUC was founded. In part this was driven by the volume of important proceedings, along with our ambitious program of rule review. It also speaks to the increasing complexity of the applications we receive and the sheer size of applications. The AUC also faced a record volume of appeals to the Court of Appeal of Alberta on decisions we had issued. Nonetheless, our record before that court is positive in that few AUC decisions have been successfully appealed since the AUC started operations in 2008. In the five years ended March 31, 2013, AUC decisions have been the subject of 69 leaves to appeal. Of the 17 instances where leave was granted and the matter proceeded to appeal and to a judgment, appeal has been granted in only four cases. That is against a background of more than 2,740 AUC decisions issued.

s this year in 2012-2013



Applicants or interveners unhappy with a decision may also ask the AUC to review and vary the decisions in which the parties are involved and often pursue both a review and variance. In its five years of operations the AUC has received 74 requests for review and variance. Of those, 59 were denied and 15 were granted.

Markets

Also very active in 2012-2013 was our oversight of Alberta's \$8 billion-a-year wholesale electricity market. Our Markets Division focused on a number of initiatives aimed at ensuring the AUC's regulation of markets remains effective, efficient and relevant. This is an extraordinarily technically specialized aspect of the AUC's purview that attracts significant attention due to its focus on market participants' behaviour.

Given that markets oversight is a relatively new area of regulatory scrutiny for the AUC (and utility regulators generally), it is an area where the Commission continues to develop

and establish the economic and legal principles underlying markets proceedings.

Some major Markets proceedings in 2012-2013 included a decision issued in July 2012, in which the AUC approved with some reservations a settlement application filed by the Market Surveillance Administrator on actions taken by TransAlta Energy Marketing Corp. and a February 2013 decision on objections to an independent system operator rule. This upheld a rule dealing with the allocation of transmission capacity on interties to other jurisdictions. Another complaint-based proceeding determined that the Alberta Electric System Operator's transmission constraint management rule is technically deficient, does not support the fair, efficient and openly competitive operation of the electricity market in Alberta, and is not in the public interest.

A significant focus of Markets in fiscal 2012-2013 was on updating and fine-tuning our Rule 019: *Specified Penalties for Contravention*


of ISO Rules (ISO refers to the Alberta independent transmission system operator, a role fulfilled by the Alberta Electric System Operator). Among the improvements was a streamlined rule review process, in part around the removal of ISO rules from the application of specified penalties. Markets also updated Rule 027: *Specified Penalties for Contravention of Reliability Standards*, Rule 013: *Rules on Criteria Relating to the Imposition of Administrative Penalties*.


Numerically, the volume of Markets applications and proceedings was higher than ever before in 2012-2013, with ISO applications rising 10 per cent, and reliability standards applications climbing to a record 21, which was 62-per-cent higher than the prior year. The ability of Markets to meet both internal and external deadlines given the increased workload related to, and gravity of, its files in 2012-2013 reflects ongoing efforts by the AUC to ensure it and the work it does is effective, efficient and relevant.


Performance measures


Organization


Provide the organizational infrastructure to support the AUC in achieving its objectives and sustaining its values.


 The employee satisfaction index as measured in the AUC corporate employee survey is at least five per cent greater than the index of similar organizations participating in the government of Alberta annual employee survey.


 The work environment index as measured in the AUC corporate employee survey is at least five per cent greater than the index of similar organizations participating in the government of Alberta annual employee survey.

 The organizational leadership/direction index as measured in the AUC corporate employee survey is at least five per cent greater than the index of similar organizations participating in the government of Alberta annual employee survey.

 Ninety per cent of employees meet or exceed professional development expectations as defined in their annual performance plan.

 The AUC's satisfaction index, as measured in the stakeholders satisfaction survey is greater than 75 per cent.


 Ninety-three per cent of stakeholder requests for information not requiring redaction are completed within one working day.


 AUC stakeholders are able to access AUC business systems ninety per cent of the time on business days between 7 a.m. and 7 p.m.

Rate regulation


Rate making-related responsibilities will be carried out in a principled, effective and efficient manner.

 Notices or response letters will be issued for all applications within established target timelines.

 Eighty per cent of the proceedings for each proceeding type will have the record completed within established target timelines including those outlined in Bulletin 2010-16 and AUC Rule 011.

 After the close of record on a proceeding, 100 per cent of decision reports for each proceeding type will be issued within 90 days or other existing target timelines including those outlined in Bulletin 2010-16 and AUC Rule 011.

 Eighty per cent of audit work will be completed within established target timelines and budgets. (No audits were performed.)

 Ninety-seven per cent of complaints and inquiries will be responded to and 80 per cent closed with the following target timelines:


- Response - Email and phone complaints; one working day. Letter complaints; five working days.
- Closed - All types; five working days.

Regulatory Policy

Facilitate the fair, efficient and transparent operation of the retail natural gas and electricity markets through the use of technical regulation.

 No disputes between the market participants are being brought to the AUC for adjudication under rules 002, 003, 004, 010, 021 and 028.

 Decisions regarding micro-generation disputes are issued within 30 days after the close of the record. (No disputes were received.)

 Regulatory requirements developed result in demonstrated benefits to market participants.









 Technical rules related to competitive retail energy markets are adopted or amended according to the timelines agreed upon by the industry stakeholders as part of the consultative process.

 One hundred per cent of decisions are issued within 90 days after the close of record.

 Met performance measures  Not measurable  Did not meet performance measures








Markets

Support competitive markets by ensuring that market rules and reliability standards are fairly and consistently developed and market contraventions are fairly adjudicated. Ensure effective regulation through understanding markets and their operations.

-  One hundred per cent of decisions are issued within 90 days after the close of record.
-  Seventy-five per cent of all participants in markets hearings indicate that they were satisfied with the opportunity to present their views and were treated fairly.
-  Ninety per cent of all ISO (independent system operator) rule notices are issued within five calendar days, as legislated.
-  Ninety per cent of all reliability standards notices are issued within 10 business days.
-  Ninety per cent of all settlement agreement notices are issued within 15 business days. (No settlement agreements were filed.)
-  Ninety per cent of all preferential sharing of records notices are issued within 10 business days.
-  Ninety per cent of all objection and complaint notices are issued within 15 business days.
-  Eighty-five per cent of participants in market proceedings brought before the Commission indicate they understand the hearing process.

Facilities

Ensure understanding of, and confidence in, the impartiality, transparency and competence of the AUC in its timely and efficient review and oversight of energy projects and of the opportunities for meaningful participation.

-  One hundred per cent of decisions are issued within 90 days after the close of record, in accordance with Bulletin 2009-25. (Three decisions were issued after 90 days of the close of record.)
-  One hundred per cent of need and facility decisions are issued within 180 days of the application being deemed complete, in accordance with Bulletin 2009-25. (Six decisions were issued after 180 days of the applications being deemed complete.)
-  One hundred per cent of application response letters are sent within 15 working days of the application being filed in accordance with Bulletin 2009-25.
-  The AUC will conduct a minimum of one information session for each major facility application, and those applications proceeding to an oral hearing.
-  Eighty per cent of facility applications are processed within established timelines in accordance with Bulletin 2009-25. (Sixty-seven per cent of facility applications were processed within established timelines.)
-  Seventy-five per cent of hearing participants indicate they understand the needs and facility application process.
-  Seventy per cent of hearing participants indicate they were treated fairly.



In December 2012 the Alberta Utilities Commission was flattered and privileged to be selected as one of Alberta's Top 60 Employers. The selection, by the Canada's Top Employers organization (www.canadastop100.com) was based on our performance management; our training and skills development; our working and social atmosphere; our health, financial and family benefits; our physical workplace; our vacation and leave policies; our employee communications; and our community involvement. Employers are compared to other organizations in their field to determine which offers the most progressive and forward-thinking programs, with research on best practices led by Canada's Top Employers research partner, the Human Resources Institute of Alberta.

Vision

The Alberta Utilities Commission is a trusted leader that delivers innovative and efficient regulatory solutions for Alberta.

What we do

The Alberta Utilities Commission regulates the utilities sector, natural gas and electricity markets to protect social, economic and environmental interests of Alberta where competitive market forces do not.

How we do it

The Alberta Utilities Commission is fair, open and transparent in its regulatory processes and delivers sound principled decisions.

Values

We are impartial and objective.
We are accountable and strive for excellence in everything we do.
We treat everyone with dignity and respect.
We maintain and promote a positive work environment.

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Are you interested in learning more about the AUC?

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