



## **AltaGas Utilities Inc.**

**Compliance Filing to AUC Decision 2012-189 and  
Application for a Further Exemption from the Requirements of  
AUC Rule 028 Pursuant to AUC Decision 2011-346**

**March 13, 2013**

**The Alberta Utilities Commission**

Decision 2013-084: AltaGas Utilities Inc.

Compliance Filing to AUC Decision 2012-189 and Application for a Further  
Exemption from the Requirements of AUC Rule 028 Pursuant to AUC Decision 2011-346  
Application No. 1609176  
Proceeding ID No. 2335

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**1 Introduction**

1. On January 3, 2013, AltaGas Utilities Inc. (AltaGas) submitted an application to the Alberta Utilities Commission (AUC or Commission) requesting approval of a compliance filing pursuant to Commission directives 1 and 2 from Decision [2012-189](#).<sup>1</sup> AltaGas also requested approval of a further exemption from the requirements of [Rule 028: Natural Gas Settlement System Code Rules](#) (Rule 028) (NGSSC) pursuant to Decision [2011-346](#),<sup>2</sup> extending the original implementation date for phase two of the NGSSC system from March 15, 2013, to September 1, 2013.

2. On January 7, 2013, the Commission issued a notice of application. Any party who wished to intervene in this proceeding was required to submit a statement of intent to participate to the Commission by the participation closing deadline of January 17, 2013.

3. The Commission received a statement of intent to participate from Direct Energy Marketing Limited (DEML). DEML indicated that it intended to actively participate in the proceeding and expressed a specific concern regarding investment made in its own system based on an AltaGas system implementation date earlier than AltaGas' September 1, 2013, request.

4. By letter dated January 25, 2013, the Commission established the following process and timeline for the application:

<b>Process step</b>	<b>Schedule</b>
Information requests to AltaGas	2 p.m., February 1, 2013
Information responses from AltaGas	2 p.m., February 8, 2013
Written argument	2 p.m., February 15, 2013
Written reply argument	2 p.m., February 22, 2013

5. The Commission and DEML submitted information requests to AltaGas.

6. In a letter dated February 15, 2013, AltaGas explained that it required more time to file its argument due to unforeseen circumstances and requested the Commission extend the February 15, 2013, deadline to February 20, 2013. Given the short extension requested, the Commission granted AltaGas' request to extend the deadline by five days to February 20, 2013.

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<sup>1</sup> Decision 2012-189: AltaGas Utilities Inc., Application for a Further Exemption from the Requirements of, AUC Rule 028 Pursuant to Alberta Utilities Commission Decision 2011-346, Application No. 1608205, Proceeding ID No. 1746, July 18, 2012.

<sup>2</sup> Decision 2011-346: AltaGas Utilities Inc., Natural Gas Settlement System Code Rules Exemption Application, Application No. 1607324, Proceeding ID No. 1236, August 23, 2011.

The February 22 deadline date for written reply argument was also extended by five days to February 27, 2013 for both parties

7. AltaGas' reply argument was submitted on February 27, 2013. DEML indicated in a letter submitted February 28, 2013 that it would not be submitting reply argument. The Commission considers the record of the proceeding to have closed on February 28, 2013.

8. In reaching the determinations set out within this decision, the Commission has considered all relevant materials comprising the record of this proceeding. Accordingly, references in this decision to specific parts of the record are intended to assist the reader in understanding the Commission's reasoning relating to a particular matter and should not be taken as an indication that the Commission did not consider all relevant portions of the record with respect to that matter.

## 2 Background

9. In Decision 2010-260,<sup>3</sup> ATCO Gas Natural Gas Settlement System Code (NGSSC) revision dated June 8, 2010, the Commission approved ATCO Gas' settlement system code, updated to harmonize with AUC Rule 021: *Settlement System Code Rules* (Rule 021) for the electric market. At paragraph 13 of Decision 2010-260,<sup>4</sup> the Commission stated its intention to initiate a consultation on the development of a generic AUC rule "pertaining to natural gas settlement system code, with a view to simplifying the harmonization of Rule 021 and the NGSSC."

10. In Bulletin 2010-22,<sup>5</sup> released on August 30, 2010, the Commission notified interested parties of the initiation of a rule development consultation process for the NGSSC. The ATCO Gas NGSSC (which was approved by the Commission in Decision 2010-260), served as the starting point. The Commission asked industry stakeholders for a "collaborative revision of the ATCO Gas NGSSC, making it applicable to the Alberta retail natural gas marketplace while ensuring consistency with Rule 021."<sup>6</sup> Interested parties worked with AUC staff to draft the new AUC rule.

11. During the course of the consultation, the Commission gathered feedback on the various provisions of the proposed NGSSC and posted the matrix of comments on the AUC's website. The matrix included comments from AltaGas regarding its ability to comply with the various sections of Rule 028 by its effective date.

12. Bulletin 2011-11<sup>7</sup> (bulletin), issued on April 1, 2011, announced the approval of Rule 028 which came into effect on April 4, 2011. All natural gas market participants operating in Alberta are required to comply with Rule 028. However, in the bulletin, the Commission temporarily delayed enforcement of AltaGas' compliance with certain sections of Rule 028 pending AltaGas'

<sup>3</sup> Decision 2010-260: ATCO Gas, Natural Gas Settlement System Code Revision, Application No. 1605983, Proceeding ID. 552, June 8, 2010.

<sup>4</sup> Decision 2010-260, paragraph 13.

<sup>5</sup> Bulletin 2010-22, Consultation Process for Establishing a Natural Gas Settlement System Code, August 30, 2010.

<sup>6</sup> Bulletin 2010-22.

<sup>7</sup> Bulletin 2011-11, Rule 028 (Version 1.0) *Natural Gas Settlement System Code Rules*, April 1, 2011.

application for exemption<sup>8</sup> and directed AltaGas to file an application for any required exemptions prior to May 6, 2011.

13. On May 13, 2011, AltaGas filed an application with the AUC requesting exemption from compliance with certain sections of Rule 028:

List of sections included in AltaGas' exemption request	Description
2.5(1)	Responsibility for estimating missing meter readings and consumption amounts
2.7	Disclosure and protection
2.9	Estimation and liability for settlement
3.1	Profile generation methods
4.1	Unaccounted-for gas
4.2	Settlement interval
4.3	Estimation and settlement timing
5.2	Pre-final error correction (PFEC)
5.3	Dispute resolution process
6	Functional requirements of the settlement calculation
7.1	Business transactions (specifically SPC, WSI, WSS, WSD and SPV)
8.6.2	Wholesale settlement data transfers
8.6.5.3	Site profile change transaction (SPC) – process rules and content
11	Settlement performance reporting
Appendix A	Table A-1 PFEC Application Form

14. In Decision 2011-346 the Commission approved a temporary exemption from the sections of Rule 028 listed above (with the exception of Section 5.3, dispute resolution process) and directed AltaGas to file an application within six months (by February 28, 2012) that included an evaluation of options, including supporting documentation, for implementing a settlement information system that would be compliant with Rule 028. The Commission made it clear that it considered that a two-year or shorter implementation period was important in order to not unduly hinder the development of a competitive market. AltaGas was invited to make a case to the Commission in the application to be filed by February 28, 2012, for a further exemption period required for its compliance with Rule 028.

15. In Decision 2012-189, the Commission approved a further exemption from compliance with certain sections of Rule 028 and directed AltaGas to implement phase one of its settlement system by December 14, 2012. Furthermore, the Commission directed AltaGas to file an application with the Commission by December 1, 2012, consisting of the phase two implementation plan, developed with industry.

16. On October 29, 2012, in response to a request from AltaGas, the Commission issued a letter extending the filing date for the phase two implementation plan to December 19, 2012.

17. In the application, AltaGas indicated it had mistakenly diarized the December 19, 2012, submission for December 21, 2012, on which day it emailed an implementation plan to the Commission. On January 2, 2013, the Commission advised AltaGas that since the implementation plan was in response to a specific Commission directive, it is required to be filed as an application, which AltaGas did on January 3, 2013.

<sup>8</sup> NGSSC sections 2.5(1), 2.9, 3.1, 4.1, 4.2, 4.3, 5.2, 6, 7.1, 8.6.2, 8.6.5.3, 11, Appendix A.

18. In Proceeding ID No. 2130, for which the Commission recently issued Decision [2013-072](#),<sup>9</sup> AltaGas requested an increase in the NGSSC funding associated with its request to extend the implementation date of phase two of the NGSSC system from March 15, 2013, to September 1, 2013. AltaGas was directed to use the most recent forecast of the phase two capital costs in its determination of the 2013 Y factor adjustment related to phase two of the NGSSC project.<sup>10</sup>

### 3 Issues

19. The Commission required further understanding of AltaGas' basis for the requested change in timeline. AltaGas submitted in the application that prior to the meeting with industry participants on November 15, 2012, it expected the second phase to be completed by March 15, 2013. However, information obtained during that meeting from experienced industry participants with prior settlement system implementations indicated additional time would be required for system testing and user training. Accordingly, in an information request (IR),<sup>11</sup> the Commission asked for a summary of the meeting held on November 15, 2012, and an explanation of how the industry participants' input affected the implementation timeline. AltaGas submitted<sup>12</sup> that comments brought forth from industry participants were beneficial to the project. The following list identifies some of the issues brought forward by industry participants that were factored into AltaGas' planning process.

- The need to provide retailers adequate time and data over an adequate timespan to properly evaluate the settlement system's forecasts.
- The need to capture shoulder months in the testing phase.
- The significant amount of effort and time required for the ATCO Gas settlement system implementation.
- The need for retailers to organize their own resources for go-live.
- The need for end-to-end testing of settlement calculations and web portal functionality.
- The ability for retailers to perform current and historic analysis, full cycle testing and analyze retroactive data for comparative analysis.
- The need for a structured approach to facilitate communication with AltaGas throughout the testing effort.
- The need for training retailers on the web portal and associated business processes and supporting documentation (e.g. user guide) as a crucial component to the implementation.

As a result of the issues identified, AltaGas determined it would be necessary to expand the scope of the project to allow for a more comprehensive approach to market readiness.

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<sup>9</sup> Decision 2013-072: 2012 Performance-Based Regulation Compliance Filings, Application No. 1608826, Proceeding ID No. 2130, March 4, 2013.

<sup>10</sup> Decision 2013-072, paragraph 137.

<sup>11</sup> Exhibit 10.01, AUC-AUI-1.

<sup>12</sup> Exhibit 18.01, AltaGas reply argument.



20. In response to an IR<sup>13</sup> from DEML regarding any revised system implementation date provided by AltaGas to participants at the November 15, 2012, meeting, and any alternatives reviewed by AltaGas that would enable phase two implementation before September 1, 2013, AltaGas submitted that there was discussion by participants at the meeting of a July 1, 2013, revised implementation date for phase two of the settlement system. However, based on the amended scope resulting from comments provided at that meeting, AltaGas revised its estimated implementation date to September 1, 2013. AltaGas submitted that it was not aware of any viable alternatives that would enable it to implement a fully tested and operationally ready second phase of the system sooner than September 1, 2013.

21. DEML argued that many changes to the updated second phase implementation plan were not necessarily required for a fully compliant system but were instead “nice to have” improvements. DEML commented that it has incurred over \$60,000 in operational expenses in 2012, based on the originally agreed-upon implementation dates and that it now has to accommodate for unanticipated additional operational costs in 2013. DEML recommended that AltaGas provide regular updates to the Commission and stakeholders to confirm that AltaGas’ phase two project plan is on schedule, and that considering the lengthy delays to date the AUC should continue to closely monitor AltaGas’ progress in completion of the system.<sup>14</sup>

22. AltaGas replied that the changes to the phase two implementation plan are a result of the needs identified and comments provided by the participants at the November 15, 2012, meeting. AltaGas also stated that it has included a “market outreach” portion within its project plan that includes updates on testing and the status of the project.

### **Commission findings**

23. The Commission has reviewed the changes proposed by AltaGas to its implementation plan and finds that the revised implementation plan appears to be a reasonable approach to ensuring AltaGas’ completion of phase two of its settlement system and compliance with AUC Rule 028. While the Commission therefore does not agree with DEML’s characterization of many of the proposed changes as “nice to have,” the Commission also notes that the capital costs associated with AltaGas’ compliance with Rule 028 will be subject to a prudence review in AltaGas’ annual PBR rates adjustment filing with a subsequent true-up between the provision included in rates for the Y factor and the final approved amounts.<sup>15</sup>

24. The Commission considers that in order to implement the suggestions of industry participants described in paragraph 20 above, and to adequately test the system prior to implementation, an extension of the exemption to Rule 028 is required. The Commission, therefore approves AltaGas’ request for further exemption from the requirements of Rule 028 to September 1, 2013.

25. Further to DEML’s recommendation that AltaGas provide regular updates to the Commission and stakeholders regarding its implementation of the phase two project plan, the Commission directs AltaGas to provide to the Commission monthly updates on project implementation via email to the Regulatory Policy Division until completion of phase two of its

<sup>13</sup> Exhibit 13.01, AUI response to DEML-AUI-1.

<sup>14</sup> Exhibit 14.01, DEML argument.

<sup>15</sup> Decision 2012-237, paragraph 718.

settlement system, and to add the Commission to its distribution list for its “market outreach” communications. The provision of updates to the Commission does not relieve AltaGas of its responsibility to comply with Rule 028.

#### **4 Order**

26. It is hereby ordered that:

- (1) AltaGas Utilities Inc. is granted the requested further exemption from compliance with certain sections of Rule 028: *Natural Gas Settlement System Code Rules* as provided for in this decision. AltaGas Utilities Inc. shall implement, by September 1, 2013, phase two of its settlement system.
- (2) AltaGas Utilities Inc. is directed to provide to the Commission monthly updates on project implementation via email to the Regulatory Policy Division until completion of phase two of its settlement system, and to add the Commission to its distribution list for its “market outreach” communications.

Dated on March 13, 2013.

#### **The Alberta Utilities Commission**

*(original signed by)*

Kay Holgate  
Commission Member

## Appendix 1 – Proceeding participants

Name of organization (abbreviation) counsel or representative
AltaGas Utilities Inc. (AltaGas) R. Koizumi N. J. McKenzie C. Martin J. Coleman
Direct Energy Marketing Ltd. (DEML) S. Puddicombe N. Black M. Maciel
The Alberta Utilities Commission  Commission Panel K. Holgate, Commission Member  Commission Staff V. Slawinski (Commission counsel) J. Rooprai P. Howard A. Glass

## **Appendix 2 – Summary of Commission directions**

This section is provided for the convenience of readers. In the event of any difference between the directions in this section and those in the main body of the decision, the wording in the main body of the decision shall prevail.

1. Further to DEML’s recommendation that AltaGas provide regular updates to the Commission and stakeholders regarding its implementation of the phase two project plan, the Commission directs AltaGas to provide to the Commission monthly updates on project implementation via email to the Regulatory Policy Division until completion of phase two of its settlement system, and to add the Commission to its distribution list for its “market outreach” communications. The provision of updates to the Commission does not relieve AltaGas of its responsibility to comply with Rule 028. .... Paragraph 25