



## **AltaGas Utilities Inc.**

**Application for Extension to Exemption from  
Compliance with AUC Rule 028**

**September 10, 2013**



**The Alberta Utilities Commission**

Decision 2013-339: AltaGas Utilities Inc.

Application for Extension to Exemption from Compliance with AUC Rule 028

Application No. 1609741

Proceeding ID No. 2700

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## Contents

<b>1</b>	<b>Introduction</b> .....	<b>1</b>
<b>2</b>	<b>Background</b> .....	<b>2</b>
<b>3</b>	<b>Issues</b> .....	<b>4</b>
3.1	Impact on market participants of the revised implementation date .....	5
3.2	Availability of historical data.....	6
<b>4</b>	<b>Commission findings</b> .....	<b>6</b>
4.1	Apparent contraventions .....	7
<b>5</b>	<b>Order</b> .....	<b>8</b>
	<b>Appendix 1 – Proceeding participants</b> .....	<b>9</b>
	<b>Appendix 2 – Summary of Commission directions</b> .....	<b>10</b>



## 1 Introduction

1. AltaGas Utilities Inc. (AUI) filed an application with the Alberta Utilities Commission (the AUC or the Commission) on July 8, 2013, requesting approval for an extension to its exemption from compliance with certain sections of AUC [Rule 028: Natural Gas Settlement System Code Rules](#) (Rule 028), extending the implementation date for phase two of its natural gas settlement system (settlement system) from September 1, 2013, to November 1, 2013.

2. On July 10, 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 July 24, 2013.

3. The Commission received statements of intent to participate from Direct Energy Marketing Limited (DEML) and the Consumers' Coalition of Alberta (CCA). DEML stated that it intended to actively participate in the proceeding and noted AUI's inability to meet any deadlines set forth for the development of its settlement system since its original application in May 2011. The CCA indicated its desire to participate in the process but stated that it is not opposed to the application.

4. On August 1, 2013, AUI submitted a letter in which it provided an update to its extension request date. AUI stated in the letter that it expected implementation of the project to be completed by October 1, 2013, rather than November 1, 2013, based on a recent review of its phase two settlement system project timelines.

5. The Commission issued a letter on August 2, 2013, requesting parties to comment by August 8, 2013, on whether the revision to the extension date submitted by AUI on August 1, 2013, had changed their positions as expressed in their statements of intent to participate. The Commission also established the following process schedule:

Process step	Due date
Information requests to applicant	August 12, 2013
Information responses from applicant	August 22, 2013

6. Parties were also requested to file a letter with the Commission by August 28, 2013, indicating whether or not they expected to file argument and reply argument.

7. On August 6, 2013, DEML submitted its response to AUI's revised extension date and indicated that it did not oppose the extension date of October 1, 2013. Accordingly, it did not intend to submit information requests or file argument or reply argument in this application.
8. The Commission considers the record of the proceeding closed on August 22, 2013, with AUI's submission of responses to the Commission's information requests.
9. 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

10. In Decision 2010-260,<sup>1</sup> ATCO Gas Natural Gas Settlement System Code (NGSSC) Revision dated June 8, 2010, the Commission approved ATCO Gas's 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, the Commission stated its intention to initiate a consultation on the development of a generic AUC rule "pertaining to a natural gas settlement system code, with a view to simplifying the harmonization of Rule 021 and the NGSSC."
11. In Bulletin 2010-22,<sup>2</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>3</sup> Interested parties worked with AUC staff to draft the new AUC rule.
12. During the course of the consultation, the Commission gathered feedback on the various provisions of the proposed AUC Rule 028 and posted a table of stakeholder comments on the AUC website. The table included comments from AUI regarding its ability to comply with the various sections of AUC Rule 028 by its effective date.
13. In Bulletin 2011-11,<sup>4</sup> issued on April 1, 2011, the Commission announced the approval of AUC Rule 028 which came into effect on April 4, 2011. All natural gas market participants operating in Alberta are required to comply with AUC Rule 028. However, in Bulletin 2011-11, the Commission temporarily delayed enforcement of AUI's compliance with certain sections of

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<sup>1</sup> Decision 2010-260: ATCO Gas, Natural Gas Settlement System Code Revision, Application No. 1605983, Proceeding ID. 552, June 8, 2010.

<sup>2</sup> Bulletin 2010-22, Consultation Process for Establishing a Natural Gas Settlement System Code, August 30, 2010.

<sup>3</sup> Bulletin 2010-22.

<sup>4</sup> Bulletin 2011-11, Rule 028 (Version 1.0) *Natural Gas Settlement System Code Rules*, April 1, 2011.

AUC Rule 028 pending its application for exemption<sup>5</sup> and directed AUI to file an application for any required exemptions prior to May 6, 2011.

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

List of sections included in AUI's 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

15. In Decision [2011-346](#),<sup>6</sup> the Commission approved a temporary exemption from the sections of AUC Rule 028 listed above (with the exception of Section 5.3, dispute resolution process) and directed AUI to file an application within six months (by February 28, 2012) that included an evaluation of options, including supporting documentation, for implementing a settlement system that would be compliant with AUC Rule 028. The Commission found that a two-year or shorter implementation period was important in order to not unduly hinder the development of a competitive market. AUI 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 AUC Rule 028.

16. In Decision [2012-189](#),<sup>7</sup> the Commission approved a further exemption from compliance with certain sections of AUC Rule 028 and directed AUI to implement phase one of its settlement system by December 14, 2012. Furthermore, the Commission directed AUI to consult with industry to jointly develop an implementation plan for phase two by October 31, 2012. AUI was directed to file an application consisting of its phase two implementation plan with the Commission by December 1, 2012.

<sup>5</sup> AUC Rule 028, 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.

<sup>6</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.

<sup>7</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.

17. On October 29, 2012, in response to an October 24, 2012, letter from AUI, the Commission issued a letter extending the filing date for the phase two implementation plan from December 1, 2012, to December 19, 2012.<sup>8</sup>

18. AUI indicated it had mistakenly diarized the December 19, 2012, deadline as December 21, 2012, on which day it emailed the implementation plan to the Commission.

19. On January 2, 2013, the Commission advised AUI that, since the implementation plan was in response to a specific Commission directive, it was required to be filed as an application, which AUI did on January 3, 2013.

20. In Decision 2013-072,<sup>9</sup> the Commission approved an increase in the settlement system funding associated with AUI's request to extend the implementation date of phase two of the settlement system from March 15, 2013 to September 1, 2013.<sup>10</sup>

21. In Decision 2013-084,<sup>11</sup> the Commission approved the implementation plan filed by AUI on January 3, 2013, and the phase two implementation date of September 1, 2013. The Commission directed AUI to provide monthly updates on project implementation via email to the Regulatory Policy Division of the Commission until completion of phase two of its settlement system and to add the Commission to its distribution list for its "market outreach" communications.<sup>12</sup>

### 3 Issues

22. AUI submitted in its application that programming for its web portal is complete but it requires more time to complete the following:<sup>13</sup>

- product and integration testing
- project-related regulatory applications
- internal operational readiness
- market testing of settlement data
- market training and testing in relation to AUI's web portal (NPortal)
- cutover activities

23. AUI submitted that, in its previous timeline for implementation of phase two, it had "underestimated the amount of analysis and reiterative functional design reviews needed to

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<sup>8</sup> Application No. 1608940, Proceeding ID No. 1746.

<sup>9</sup> Decision 2013-072: 2012 Performance-Based Regulation Compliance Filings, AltaGas Utilities Inc., ATCO Electric Ltd., ATCO Gas and Pipelines Ltd., EPCOR Distribution & Transmission Inc. and FortisAlberta Inc., Application No. 1608826, Proceeding ID No. 2130, March 4, 2013.

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

<sup>11</sup> 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, March 13, 2013.

<sup>12</sup> Decision 2013-084, paragraph 25.

<sup>13</sup> Exhibit 3, application, paragraph 5.



establish the comprehensive functional requirements for AUI's web portal"<sup>14</sup> and is therefore requesting an extension to November 1, 2013.

24. As previously noted, in a letter submitted on August 1, 2013, AUI revised its extension date from November 1, 2013, to October 1, 2013. It explained that based on a recent review of phase two of its settlement system project timelines, AUI now expects implementation of the project to be completed by October 1, 2013, rather than November 1, 2013.<sup>15</sup>

### **3.1 Impact on market participants of the revised implementation date**

25. In its August 2, 2013, weekly update<sup>16</sup> to market participants, AUI summarized its discussion with the market participants on its new proposed phase two implementation date of October 1, 2013, and its impact on the project plan.

26. In particular, AUI discussed the impact on market training and market testing. AUI explained that training would occur as scheduled; however, it had removed the testing workshop component. Due to the expedited schedule, AUI had also removed the structured testing component. Instead, AUI explained that it would have the system available for retailer access and unstructured testing for approximately a two-week period in September, which would allow retailers to login to the web portal, access their accounts, check forecasts and complete nominations. During that period, forecast and settlement data would continue to be accessible via the Secure File Transfer Protocol (STFP) site for any data validation requirements. AUI expressed its view that this would provide retailers with the necessary tools to ensure readiness for its revised implementation date of October 1, 2013.

27. In its August 8, 2013, weekly update<sup>17</sup> to market participants, AUI included a summary of market participants' comments with respect to the revised implementation date of October 1, 2013, and the consequent changes to the project plan in the meeting minutes. The participants did not raise any concerns with regards to the structured testing being removed from the schedule; however concerns were raised in regards to the validity of the data.

28. ENMAX Energy and Cogenera Corporation explained that, without a shoulder period, the data provided by AUI would not be representative of the full settlement process. They further explained that ATCO Gas had experienced issues with its estimations during shoulder periods, which resulted in retailers having to make large purchases or sales of gas. They expressed concerns that a similar occurrence would happen with AUI and that, ideally, they would like to have one year of forecast and settlement data to review and assess the accuracy of the forecasting. Direct Energy concurred with the views expressed by ENMAX Energy and Cogenera Corporation.

29. AUI advised the participants that the original implementation date of November 1, 2013, would have provided participants with settlement data for one settlement cycle, backcast (B1) to final settlement (S3). However, with the revised implementation date of October 1, 2013, only the B1 to interim settlement (S2) would be available for review. AUI indicated that B1 to S2 would still give market participants sufficient data to review.

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<sup>14</sup> Exhibit 3, application, paragraph 4.

<sup>15</sup> Exhibit 8, AUI letter – Updated extension date for natural gas settlement system code exemption.

<sup>16</sup> Exhibit 13.02, AUC-AUI-1, Attachment 1, PDF page 46 of 171.

<sup>17</sup> Exhibit 13.02, AUC-AUI-1, Attachment 1, PDF page 51 of 171.

30. In response to AUI's request for input about the parties' desired implementation date, ENMAX Energy indicated a preference for November 1, 2013. In addition to the reasons discussed above it stated that it had planned its resources to align with the November 1, 2013, implementation date.<sup>18</sup>

### **3.2 Availability of historical data**

31. In AUC-AUI-2,<sup>19</sup> AUI confirmed that the natural gas settlement system was fully compliant with AUC Rule 028 on December 14, 2012. AUI submitted that it provided all historical forecast and settlement data from January 1, 2013, to July 31, 2013.<sup>20</sup> AUI added that it has been providing all daily forecast data and monthly settlement information for each retailer via the SFTP site since August 1, 2013, and will continue to do so until the web portal implementation date of October 1, 2013.

32. AUI noted that the January 2013 to April 2013 data had been used for its initial data review, which had led to some data cleanup and some system enhancements.<sup>21</sup>

33. AUI also explained that data is not available earlier than its system availability of December 14, 2012. As a result, AUI is not able to provide historical data back to January 2012 (or one year).<sup>22</sup>

## **4 Commission findings**

34. AUC Rule 028 came into effect on April 4, 2011. In Bulletin 2011-11 announcing the rule, the Commission temporarily delayed enforcement of AUI's compliance pending AUI's application for exemption which was to be filed by May 6, 2011.

35. As previously noted in Section 2, AUI requested and received the following exemptions and extensions thereto:

- a. May 13, 2011, application for exemption (late): In Decision 2011-346, the Commission granted a temporary six-month exemption (to February 28, 2012) to assess an evaluation of options for compliance.
- b. February 28, 2012, application for exemption: In Decision 2012-189, the Commission directed AUI to implement phase one of its settlement system by December 14, 2012, and directed AUI to file an implementation plan for phase two by December 1, 2012.
- c. October 24, 2013, letter requesting an extension: In a letter dated October 29, 2012, the Commission extended the filing date of the phase two implementation plan to December 19, 2012.
- d. December 21, 2012, (late) filing of phase two implementation plan: In a letter dated January 2, 2013, the Commission directed that the plan be filed as an application and this

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<sup>18</sup> Exhibit 13.03, PDF page 4 of 4.

<sup>19</sup> Exhibit 13.01.

<sup>20</sup> Data for this period has been provided to all market participants excluding self-retailers and AUI is currently in the process of working with self-retailers on implementation.

<sup>21</sup> Exhibit 13.02, August 15 weekly update, PDF page 54 of 171.

<sup>22</sup> Ibid.

was done on January 3, 2013. In Decision 2013-084 the Commission approved AUI's request for a further exemption for implementation of phase two from March 15, 2013, to September 1, 2013.

- e. July 8, 2013, application for extension: In the current application, AUI requested a further extension for implementation of phase two from September 1, 2013, to November 1, 2013. On August 1, 2013, AUI advised by letter that based on a recent review of the Phase Two Natural Gas Settlement System Code project timelines, it expected implementation of the project to be completed by October 1, 2013.

36. In Decision 2011-346, the Commission found that "...an exemption beyond two years from compliance with the NGSSC [AUC Rule 028] would delay a fully functioning market" and stated that it considered "a shorter compliance period would be desirable."<sup>23</sup> The Commission has not changed its view.

37. However, the Commission accepts the importance of market participants having the opportunity to review and assess the accuracy of AUI's forecasting methodology and in particular data related to the shoulder periods. If the Commission approved the revised implementation date, market participants would not have data from the fall shoulder period and the data from the spring shoulder period may not be representative as that data was produced prior to system enhancements.

38. While the Commission is reluctant to grant an exemption beyond two years, its primary concern with respect to the natural gas settlement system is a properly functioning market. In view of the issues raised by the market participants as discussed in paragraphs 28 and 30, and the cancellation of training and testing programs described in paragraph 26, the Commission finds that the implementation date of November 1, 2013, as originally applied for by AUI, would allow AUI to better address the needs of the market. The Commission therefore grants AUI an extension to the exemption from compliance with AUC Rule 028 to November 1, 2013, as originally applied for in its application.

39. The Commission directs AUI to offer market participants workshops or support to enable testing similar to what would have been done in the market testing that it removed from its training program in its proposed expedited project plan.

#### **4.1 Apparent contraventions**

40. As noted above, in Decision 2013-084, the Commission directed AUI to provide monthly updates on project implementation via email to the Regulatory Policy Division of the Commission and to add the Commission to its distribution list for its market outreach communications.

41. AUI added the Commission to its distribution list for its market outreach communications. However, as monthly updates were not received by the Regulatory Policy Division of the Commission, it appears that AUI has contravened or failed to fully comply with the Commission's directions in Decision 2013-084.

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<sup>23</sup> Decision 2011-346, paragraph 33.

42. The Commission's decision to grant AUI's request for a further extension to its exemption from compliance with AUC Rule 028 is not to be taken as condoning the apparent contravention of or failure to fully comply with the Commission's direction in Decision 2013-084. The Commission will consider what further process and actions in regard to this apparent contravention may be warranted.

## 5 Order

43. It is hereby ordered that:

- (1) AltaGas Utilities Inc. is granted the requested further exemption from compliance with certain sections of AUC Rule 028: *Natural Gas Settlement System Code Rules* as provided for in this decision. AltaGas Utilities Inc. shall implement, by November 1, 2013, phase two of its settlement system.

Dated on September 10, 2013.

**The Alberta Utilities Commission**

*(original signed by)*

Kay Holgate  
Commission Member

**Appendix 1 – Proceeding participants**

<b>Name of organization (abbreviation) counsel or representative</b>
AltaGas Utilities Inc. (AUI) R. Koizumi
Consumers' Coalition of Alberta (CCA) J. A. Wachowich A. P. Merani
Direct Energy Marketing Ltd. (DEML) N. Black

The Alberta Utilities Commission
Commission Panel K. Holgate, Commission Member
Commission Staff M. Ali (Commission counsel) N. Mahbub P. Howard

**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. The Commission directs AUI to offer market participants workshops or support to enable testing similar to what would have been done in the market testing that it removed from its training program in its proposed expedited project plan. .... Paragraph 39