

Appendix O – Table of Stakeholder-Proposed Amendments to the Proposed Rate Design

As outlined in section 2 of the application, various alternatives were considered and then rejected in developing the Proposed Rate Design.

The AESO then presented the Proposed Rate Design to stakeholders. In response to stakeholder feedback (detailed elsewhere within this application), the AESO considered whether any elements of the Proposed Rate Design warranted amendment. Key feedback themes included:

1. Amendments to the flat energy charge
2. Removal of the 5-Year Average 12CP Charge
3. Amendments to the methodology of calculating costs attributable to demand and facilitating the flow of in-merit energy

Overall, the above changes to the Proposed Rate Design would each cause the ISO tariff to be less cost reflective, to varying degrees. The below table summarizes the three options, stakeholder feedback, and the AESO's response.

As discussed in section 8, the Proposed Rate Design has been developed comprehensively and any modification to individual elements within the design may impact whether the Proposed Rate Design can provide a long-term and durable foundation for how transmission costs are recovered through the ISO Tariff. The AESO maintains that the AESO's Proposed Rate Design is just, reasonable and meets the B&R Objectives and rate design principles set forth in section 3, and that none of these alternative options improve the AESO's Proposed Rate Design.

In particular, and as outlined in the below table, options 1 and 3 present significant risks to the integrity of the AESO's Proposed Rate Design as a whole and significantly alter the design from a cost causation perspective. Option 2 presents less risk to the AESO's Proposed Rate Design and could be implemented, but would result in a rate design that is less cost reflective.

Table of Stakeholder-Proposed Amendments to the Proposed Rate Design

Amendment	Stakeholder Feedback	AESO Response
1 Amend the flat energy charge to: (a) introduce on/off peak charges; (b) introduce charges based on min/max load factor; (c) use the Wright model or declining block charges; or (d) introduce time of use charge.	Stakeholders expressed concern that a flat energy charge would not send proper price signals, as charges would not reflect the costs associated with peak transmission use. ¹ Stakeholders also expressed concern that a flat energy charge penalizes those market participants who have a high load factor. ² Several energy	The AESO's Proposed Rate Design already includes time varying charges in the form of the charge for coincident peak use (i.e., 12CP). The energy charge instead reflects the costs of transmission investments to support the flow of in-merit energy, which can occur at all times and is not associated with particular temporal patterns in the costs of the transmission system.

¹ See for example Appendix B Part 3- Alberta Direct Connect, Bulk and Regional Tariff Design Stakeholder Engagement Session 5: Stakeholder Comment Matrix (April 15, 2021), Heartland Generation Limited, Bulk and Regional Tariff Design Stakeholder Engagement Session 5: Stakeholder Comment Matrix (April 15, 2021), FortisAlberta Inc., Bulk and Regional Tariff Design Stakeholder Engagement Session 5 Stakeholder Comment Matrix (April 15, 2021); Industrial Power Consumers Associated of Alberta, Bulk and Regional Tariff Design Stakeholder Engagement Session 5: Stakeholder Comment Matrix (April 15, 2021), Dual Use Customers, Bulk and Regional Tariff Design Stakeholder Engagement Session 5: Stakeholder Comment Matrix (April 15, 2021).

² See for example Appendix B Part 3- TransAlta Corporation, Bulk and Regional Tariff Design Stakeholder Engagement Session 5: Stakeholder Comment Matrix (April 15, 2021).

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	charge modifications were suggested as a result.	Amending the flat energy charge would undermine the AESO's Proposed Rate Design because doing so has no basis in cost causation. As to concerns about "penalizing" high load factor market participants, alternatives (b) or (c) would likely result in an insignificant change to the estimated bill impact relative to the Proposed Rate Design.
2	Remove the five-year average of 12CP.	<p>Stakeholders expressed concern that the five-year average of 12CP does not reflect cost causation, and that it is confusing, unclear and unnecessarily complex.³</p> <p>The five-year average is appropriate since five years of data is typically used in the forecasts that underlie the transmission plans. A five-year average is therefore more reflective of how the use of the transmission system at peak times contributes to transmission costs.</p> <p>This alternative could be implemented without significantly undermining the AESO's Proposed Rate Design. That said, the AESO maintains that this alternative: (a) would result in a rate design that is less reflective from a cost causation perspective, and (b) would likely result in an insignificant change to the estimated bill impact relative to the AESO's Proposed Rate Design.</p>
3	Amend the methodology of calculating the cost attributable to demand and flow of in-merit energy.	<p>Stakeholders expressed concern that the percentage of costs allocated to the energy billing determinant is too high.⁴</p> <p>The percentage allocation of costs in the AESO's Proposed Rate Design represents the relative proportions in which transmission system costs are incurred as a result of different drivers, including the need for the transmission system to accommodate the flow of in-merit energy, and the need for the transmission system to accommodate peak demand.</p> <p>This is the most fundamental element of the AESO's Proposed Rate Design, and any change not based on</p>

³ See for example Appendix B Part 3 - Alberta Direct Connect, Bulk and Regional Tariff Design Stakeholder Engagement Session 5: Stakeholder Comment Matrix (April 15, 2021), CCA, Alberta Direct Connect, Bulk and Regional Tariff Design Stakeholder Engagement Session: Stakeholder Comment Matrix (April 15, 2021), Dual Use Customers, Bulk and Regional Tariff Design Stakeholder Engagement Session 5: Stakeholder Comment Matrix (April 15, 2021), Industrial Power Consumers Associated of Alberta, Bulk and Regional Tariff Design Stakeholder Engagement Session 5: Stakeholder Comment Matrix (April 15, 2021).

⁴ See for example Appendix B Part 3 - AltaLink Management, Bulk and Regional Tariff Design Stakeholder Engagement Session 5: Stakeholder Comment Matrix (April 15, 2021), ENMAX Corporation Bulk and Regional Tariff Design Stakeholder Engagement Session 5: Stakeholder Comment Matrix (April 15, 2021).

evidence would conflict with the cost causation principle. The AESO determined the portion of costs allocated to the energy charge by comparing the peak load and peak generation in each of the 42 planning areas as described in section 3. The AESO considered and rejected a number of alternative methodologies (as further explained in that section). No better alternative methodology was identified in the course of the stakeholder consultation process. Therefore, the AESO maintains that it has selected the methodology that is the most cost reflective of the options considered.
