

# Stakeholder Comment Matrix – Dec. 10, 2020

## Bulk and Regional Tariff Design Stakeholder Engagement Session 4



<b>Period of Comment:</b> Dec. 10, 2020 through Jan. 12, 2021	<b>Contact:</b> Colette Chekerda
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Instructions:

1. Please fill out the section above as indicated.
2. Please respond to the questions below and provide your specific comments.
3. **Please submit one completed evaluation per organization.**
4. Email your completed comment matrix to [tariffdesign@aeso.ca](mailto:tariffdesign@aeso.ca) by **Jan. 12, 2021**.

***The AESO is seeking comments from Stakeholders on Session 4. Please be as specific as possible with your responses. Thank you.***

	Questions	Stakeholder Comments
1.	Please comment on Session 4 hosted on Dec. 10, 2020. Was the session valuable? Was there something the AESO could have done to make the session more helpful?	The session compared the proposed tariff suggestions, but didn't provide any evidence or analysis on which to base a new tariff design or to establish why the current design isn't workable going forward. The best outcome of the session was the acknowledgement that a regional CP will not be considered any further.
2.	Do you have a view on whether an embedded or marginal cost allocation approach will more appropriately meet the AESO's rate design objectives? Why?	The AESO must consider the embedded costs in meeting the rate design objectives. Customers have invested significant capital in responding to the tariff signal since the policy change in transmission cost allocation in 2005/2006. It was determined at that time that regardless of the cause of transmission need, costs would flow through to customers and it was more efficient to have those flow through the tariff design rather than the pool price. As long as this policy remains unchanged, the embedded costs should continue to flow through in a manner similar to the current CP rate design.
3.	<p>a) Do you have a preference for any of the mitigation options presented at Session 4? Why or why not?</p> <p>b) Do you know of any additional mitigation options that have worked in other contexts and might be applicable here. Please specify.</p> <p>c) What do you think the AESO's needs to achieve with its mitigation(s)? Why?</p>	<p>a) The ADC preference for a mitigation option is through a tariff design establishing 2 rate elements for the bulk system charges: a firm capacity and a non-firm capacity charge.</p> <p>Any bill mitigation options that are customer specific will be difficult to establish in a fair manner and will increase the regulatory burden of all participants.</p> <p>b) The ADC has a tariff mitigation proposal for a firm/non-firm service included as an attachment to this response.</p> <p>c) The tariff design should enable the recovery of the Alberta economy and set up customers for long term success. The rate design needs to maintain the competitiveness of Alberta's electricity intensive and trade exposed industries.</p>

	Questions	Stakeholder Comments
4.	<p>Are you supportive of the areas of agreement presented at Session 4? Why or why not? The areas of agreement presented include:</p> <p><b>Efficient Price Signals</b></p> <ul style="list-style-type: none"> <li>• Price signals matter               <ul style="list-style-type: none"> <li>○ Tariff charges provide incentives for customer behavior</li> </ul> </li> </ul> <p><b>Cost Responsibility</b></p> <ul style="list-style-type: none"> <li>• Recognize that more than just load behavior drives transmission development</li> <li>• We are dealing with an evolving system               <ul style="list-style-type: none"> <li>○ Current and future use may differ from what was that originally planned</li> </ul> </li> </ul> <p><b>Minimal Disruption</b></p> <ul style="list-style-type: none"> <li>• Transmission costs have risen               <ul style="list-style-type: none"> <li>○ Tariff charges are more important now than ever before</li> </ul> </li> <li>• Minimize disruption, mitigate rate shock               <ul style="list-style-type: none"> <li>○ It is not in anyone’s interest to reduce the number of ratepayers</li> </ul> </li> </ul>	<p><b>1. Efficient Price Signals</b></p> <p>The tariff needs to continue to have efficient price signals to minimize future transmission build. The system peak matters and a CP price signal is the best way to have flexible loads curtail and signal when standby use of the grid is adding to system stress.</p> <p><b>2. Cost Responsibility</b></p> <p>Everyone will agree that it is more than just load behavior that drives transmission development. However, our policy is that we have a congestion free transmission system and that load pays for transmission. The transmission development that has occurred has happened to connect all forms of generation that ultimately serve load and need to be able to reliably serve load at peak times. The only way to mitigate future build is to incent load to curtail at peaks.</p> <p><b>3. Minimal Disruption</b></p> <p>We hope all will agree that if tariff changes result in loads exiting the province that we all have failed in this tariff effort.</p>

<p>5.</p>	<p>Are you supportive of the areas of disagreement presented at Session 4? Why or why not? The areas of disagreement presented include:</p> <p><b>Efficient Price Signals</b></p> <ul style="list-style-type: none"> <li>• Are status quo price signals are efficient? <ul style="list-style-type: none"> <li>○ Price signals in tariff have reduced the cost of energy to other load</li> </ul> </li> <li>• Are price signals forward looking? <ul style="list-style-type: none"> <li>○ Price signals are efficient to the extent changes in customer behavior reduce the need for future transmission costs</li> </ul> </li> </ul> <p><b>Cost Responsibility</b></p> <ul style="list-style-type: none"> <li>• Is the primary objective cost causation, or cost responsibility?</li> <li>• Does the initial rate design still achieve goal of cost causation since transmission costs have risen and load behaviour has not influenced those costs?</li> </ul> <p><b>Minimal Disruption</b></p> <ul style="list-style-type: none"> <li>• Now is not the time for change or time to stop the bleeding? <ul style="list-style-type: none"> <li>○ Economic climate, policy uncertainty, change impacts a few very negatively and many slightly positively</li> </ul> </li> <li>• Does rate mitigation need to be permanent or will customers adapt if temporary?</li> </ul>	<p>ADC agrees that these are the key areas of disagreement.</p> <p><b>Efficient Price Signals</b></p> <p>ADC agrees that the CP method reduces costs for other consumers.</p> <p><b>Cost Responsibility</b></p> <p>Both cost causation and cost responsibility need to be considered.</p> <p>The AESO could undertake to recreate the historical system peaks without the price responsive load and behind the fence generation to determine how much more transmission development would have been required to meet peak loads. Without this analysis, we submit that it is incorrect to assert that load behaviour has not influenced these costs.</p> <p><b>Minimal Disruption</b></p> <p>It remains unclear what shuffling costs among customers will do to stop the bleeding. If province is truly concerned about the impact of transmission costs on customers, they need to address that in a review of transmission policy and who pays.</p> <p>If the AESO pursues rate mitigation that is temporary through a bill impact model, that will not change the outcome for price sensitive loads. If these loads know that their rates will be unaffordable in a future year and other options such as self supply become limited they will have no option but to exit the grid.</p> <p>Regardless of the tariff direction, the AESO needs to re-examine the notice and PILON provisions for changes to the DTS contract capacity.</p>
<p>6.</p>	<p>Are there considerations that the AESO could include in its rate design proposal that would move you to at an area of agreement on any of the areas of disagreement (refer to question 5 above)? Please specify.</p>	<p>The ADC would support the effort of examining a firm / non-firm tariff that is minimally disruptive to firm, price responsive and standby customers.</p>

<p>7.</p>	<p>Are you supportive of the areas of agreement for energy storage presented at Session 4? Why or why not?</p> <p><b>Energy storage areas of agreement:</b></p> <ul style="list-style-type: none"> <li>• Energy storage is unique in that it is not the producer or the end consumer of electric energy, nor is it the transmitter</li> <li>• Energy storage can participate in Alberta’s electricity use-cases by providing <ul style="list-style-type: none"> <li>○ Energy Price arbitrage</li> <li>○ Operating Reserves</li> <li>○ Non-wires solutions for transmission deferral</li> </ul> </li> <li>• Energy Storage should be treated in a fair, efficient, and openly competitive (FEOC) manner</li> </ul>	<p>ADC is generally supportive of the areas of agreement.</p> <p>Any storage tariff should be based on cost causation principles which should be technology agnostic.</p> <p>A firm / non-firm tariff could also work for storage assets.</p>
<p>8.</p>	<p>Are you supportive of the areas of disagreement for energy storage presented at Session 4? Why or why not?</p> <p><b>Energy storage areas of disagreement:</b></p> <ul style="list-style-type: none"> <li>• Is energy storage a user of the grid or a component of the grid or both?</li> <li>• Does energy storage use the network for the Alberta specific use-cases?</li> <li>• Should energy storage pay for inflows and outflows like every other network user or not?</li> <li>• Should energy storage pay for one or more of administration, operations and maintenance, pod, regional, bulk charges?</li> </ul>	<p>The tariff should incent storage to locate in areas that are the most cost efficient for Alberta consumers. For example, storage co-locating with intermittent generation or load could reduce the need for future transmission investment.</p> <p>If storage requires an interconnection that triggers additional transmission costs for charging, then they should have a cost responsibility for POD, regional, and CP bulk charges.</p>
<p>9.</p>	<p>Are there considerations that the AESO could include in its rate design proposal that would move you to at an area of agreement on any of the areas of disagreement for energy storage (refer to question 8 above)? Please specify.</p>	<p>ADC believes a well designed firm/non-firm tariff could provide a tariff solution for price responsive, standby and storage users of the grid.</p>

10	Do you have any comments on the AESO's proposed stakeholder engagement process, including the mitigation process, for the remainder of the Bulk and Regional Rate Design engagement?	The ADC submits that any tariff proposal needs to be modelled for rate impact. Note that ADC can't support any change that would render our members uncompetitive in Alberta.
11	Do you have additional clarifying questions that need to be answered to support your understanding?	Not at this time.
12	Additional comments	The ADC is putting forward a rate mitigation tariff proposal for the AESO's consideration. We are available to discuss the concept and merits of the design.

Thank you for your input. Please email your comments to: [tariffdesign@aeso.ca](mailto:tariffdesign@aeso.ca).