

Stakeholder Comment Matrix – Dec. 10, 2020

Bulk and Regional Tariff Design Stakeholder Engagement Session 4



Period of Comment: Dec. 10, 2020 through Jan. 12, 2021	Contact: Hao Liu/Rob Senko
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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 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 was useful because the AESO stated what they have heard from stakeholders, providing stakeholders the opportunity to clarify or correct the AESO's interpretation of stakeholder feedback. The session was also useful in that the topic of rate mitigation was introduced.
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?	<p>As load growth is not the primary driver of new transmission, a study determining load's marginal cost of transmission will not effectively reflect cost responsibility of province-wide transmission costs. A marginal cost-based price signal could be useful in locations where there might be load-driven incremental transmission. However, the requirement for postage-stamp transmission rates precludes this type of rate design.</p> <p>An embedded cost allocation approach has been used in Alberta for some time. It has the advantage of allocating all embedded costs based on a chosen cost allocation method. A cost allocation method grounded in planning principles and customer use can and should reflect cost responsibility. 12-CP does not meet these criteria.</p>
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>	The AESO presented a comprehensive list of mitigation options. AltaLink supports an option that results in a just and fair transition to new rates. Customers who made investments under current rates must be treated fairly. Ideally, the rates under a planned transition should be known so that there is some cost certainty for customers in the future.

	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>Efficient Price Signals</p> <ul style="list-style-type: none"> • Price signals matter <ul style="list-style-type: none"> ○ Tariff charges provide incentives for customer behavior <p>Cost Responsibility</p> <ul style="list-style-type: none"> • Recognize that more than just load behavior drives transmission development • We are dealing with an evolving system <ul style="list-style-type: none"> ○ Current and future use may differ from what was that originally planned <p>Minimal Disruption</p> <ul style="list-style-type: none"> • Transmission costs have risen <ul style="list-style-type: none"> ○ Tariff charges are more important now than ever before • Minimize disruption, mitigate rate shock <ul style="list-style-type: none"> ○ It is not in anyone's interest to reduce the number of ratepayers 	<p>AltaLink agrees that price signals matter. The structure and levels of prices will influence customers' use of the system. Poorly designed tariffs could encourage development of otherwise uneconomic behind the fence generation that will shift transmission costs to other customers.</p> <p>AltaLink agrees that more than just load behaviour drives transmission development. Even where load behaviour is not the driver of transmission development, the regulatory framework requires the costs be recovered from load. Cost responsibility should include a recognition that customers connected to the grid benefit from the connection, independent of usage.</p> <p>AltaLink agrees that it is important to minimize disruption due to rate changes. However, minimal disruption should not be the primary objective in the AESOs rate design process. AltaLink supports the AESOs statement (slide 20) that they 'need to take a long term view on how to make transmission cost recovery sustainable.' A sustainable rate design should be principle-based; any necessary rate change mitigation plan should be developed separately.</p>

<p>5. Are you supportive of the areas of disagreement presented at Session 4? Why or why not? The areas of disagreement presented include:</p> <p>Efficient Price Signals</p> <ul style="list-style-type: none"> • Are status quo price signals are efficient? <ul style="list-style-type: none"> ○ Price signals in tariff have reduced the cost of energy to other load • Are price signals forward looking? <ul style="list-style-type: none"> ○ Price signals are efficient to the extent changes in customer behavior reduce the need for future transmission costs <p>Cost Responsibility</p> <ul style="list-style-type: none"> • Is the primary objective cost causation, or cost responsibility? • Does the initial rate design still achieve goal of cost causation since transmission costs have risen and load behaviour has not influenced those costs? <p>Minimal Disruption</p> <ul style="list-style-type: none"> • Now is not the time for change or time to stop the bleeding? <ul style="list-style-type: none"> ○ Economic climate, policy uncertainty, change impacts a few very negatively and many slightly positively • Does rate mitigation need to be permanent or will customers adapt if temporary? 	<p>Efficient Price signals</p> <ul style="list-style-type: none"> • AltaLink does not agree that the status quo (i.e. 12CP) price signals are efficient. Current price signals have not resulted in decreased transmission cost. Further, in attempting to avoid monthly coincident peaks, loads respond in many hours which likely results in a distortion to pool prices that is neither efficient nor desirable. • AltaLink agrees that price signals are forward looking because they will influence future behaviour. However, there is sufficient capacity in much of the system such that incremental changes in load do not significantly impact transmission costs. In such circumstances price signals should not discourage use. An efficient tariff is going to price transmission in a way that does not cause customers to exit the system. • There may be locations where incremental changes in load do have more influence on future transmission costs. However, location specific prices are precluded by postage stamp rates. To achieve efficient signals in these areas the AESO should therefore look to the use of non-wires alternatives, location-based credits and demand opportunity service (DOS) when evaluating options against building future transmission. <p>Cost responsibility</p> <ul style="list-style-type: none"> • The primary objective is cost recovery. The current transmission costs are fixed and must be recovered from all customers that are connected to the grid. The fact that, at this time, transmission costs are not primarily driven by load lessens the importance of cost causation in comparison to cost responsibility. AltaLink believes that the value of being connected to the grid is a key component of cost responsibility. • AltaLink does not agree that the current rate design achieves the goal of cost causation. The current rate design leads to load changes that do not influence transmission costs resulting in cost shifting. <p>Minimal disruption</p> <ul style="list-style-type: none"> • AltaLink agrees that now is the time to take steps to stop the bleeding. As per the AESOs January 4, 2021 letter, 'the earliest the new rate design would come into effect is 2023.' Today's economic climate should not dictate an efficient and sustainable rate design. The mitigation measures will
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		<p>allow fair transition to a new rate design and will be influenced by the economic climate at the time of implementation.</p> <ul style="list-style-type: none"> AltaLink agrees with the AESOs statement on slide 57 that a mitigation path will depend on the rate design. As a guiding principle, AltaLink believes customers need to have certainty in their tariffs in order to invest in Alberta.
6.	<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>AltaLink would like to see the AESO produce a roadmap to its desired end state of an optimal rate design if the AESO is unable to make its desired changes at this time.</p>
7.	<p>Are you supportive of the areas of agreement for energy storage presented at Session 4? Why or why not?</p> <p>Energy storage areas of agreement:</p> <ul style="list-style-type: none"> Energy storage is unique in that it is not the producer or the end consumer of electric energy, nor is it the transmitter Energy storage can participate in Alberta’s electricity use-cases by providing <ul style="list-style-type: none"> Energy Price arbitrage Operating Reserves Non-wires solutions for transmission deferral Energy Storage should be treated in a fair, efficient, and openly competitive (FEOC) manner 	<p>AltaLink agrees with these statements.</p>

8.	<p>Are you supportive of the areas of disagreement for energy storage presented at Session 4? Why or why not?</p> <p>Energy storage areas of disagreement:</p> <ul style="list-style-type: none"> • Is energy storage a user of the grid or a component of the grid or both? • Does energy storage use the network for the Alberta specific use-cases? • Should energy storage pay for inflows and outflows like every other network user or not? • Should energy storage pay for one or more of administration, operations and maintenance, pod, regional, bulk charges? 	<p>AltaLink believes that, unless energy storage is in service as strictly a transmission asset, energy storage should be allocated a fair charge for being connected to the grid.</p>
9.	<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>No comments.</p>
10	<p>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?</p>	<p>No comments.</p>
11	<p>Do you have additional clarifying questions that need to be answered to support your understanding?</p>	<p>No additional questions.</p>
12	<p>Additional comments</p>	<p>No additional comments.</p>

Thank you for your input. Please email your comments to: tariffdesign@aeso.ca.