

Stakeholder Comment Matrix – March 25, 2021

Bulk and Regional Tariff Design Stakeholder Engagement Session 5



Period of Comment: March 25, 2021 through April 15, 2021 Comments From: Alberta Newsprint Date: 2021/04/13	Contact: Surendra Singh Phone: 780-778-1537 Email: surendras@albertanewsprint.com
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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 **April 15, 2021**.

The AESO is seeking comments from Stakeholders on Session 5. Please be as specific as possible with your responses. Thank you.

	Questions	Stakeholder Comments
1.	Please comment on Session 5 hosted on March 25, 2021. Was the session valuable? Was there something the AESO could have done to make the session more helpful?	The session was helpful to know the details of the AESO preferred DTS rate design. As with most of the earlier sessions on this topic, the session lacked detailed analysis in support of your preferred rate design. It was a complete surprise to see what the AESO is now proposing as their “preferred design” compared to their direction a few months ago. Again this preferred design is not supported with any credible analysis. It is very concerning to say the least.
2.	Please comment on Technical Information Session II hosted on March 31, 2021 (if you attended). Was the session valuable? Was there something the AESO could have done to make the session more helpful?	Yes, the session was useful. Thank you for providing “Bill –Impact Assessment Tool”. It would have been useful to provide a forecast of future costs to see the real impact going forward.
3.	Are you supportive of the AESO’s preferred rate design? Why or why not?	No. ANC is not supportive of AESO’s preferred rate design. First, the AESO has not provided the data supported evidence that demonstrates a need to change the current rate design. Second, the proposed rate design is also not based on thorough analysis and the AESO has failed to share with the stakeholders

Questions	Stakeholder Comments
<p>4. Do you believe the AESO's preferred rate design meets the AESO's rate design objectives? Why or why not?</p> <ul style="list-style-type: none"> a) <u>Reflect Cost Responsibility</u> (Cost recovery is based on cost causation, reflecting how transmission customers use the existing grid*) b) <u>Efficient Price Signals</u> (Price signal to alter behavior to avoid future transmission build) c) <u>Minimal Disruption</u> (Customers that have responded to the 12-CP price signal and invested to reduce transmission costs are minimally disrupted) d) <u>Simplicity</u> (Simplicity and clear price signals while achieving design objectives) e) <u>Innovation and Flexibility</u> (ISO tariff provides optionality for transmission customers to innovate while not pushing costs to other customers) <p>*AUC Decision 22942-D02-2019 **Proposed rate design must fit within current legislation</p>	<p>We don't think that the AESO's preferred rate design meets their rate design objectives</p> <ul style="list-style-type: none"> a) <u>Reflect Cost Responsibility</u> The current rate design is based on cost causation while AESO's preferred rate design is moving away from this core objective. Lowering the cost of transmission to those who use power during system peak with low load factor is in direct opposition to the principal of cost causation. b) <u>Efficient Price Signals</u> Again, the current rate design has a price signal to avoid, minimize and defer future transmission infrastructure. The AESO's preferred rate design is diluting that signal by a) lowering the co-incident peak charge and b) by increasing the charge of energy irrespective of time-of-day usage. Many facilities like ours have spent millions of dollars in capital projects to improve plant flexibility and train staff to respond to time-of-day usage signals to manage both energy and transmission costs. Time-of-day usage signals have been employed all over the world to minimize the need for both generation and transmission. c) <u>Minimal Disruption</u> Having the transmission cost increase over 50% for large industrial consumers is not a minimal disruption. By mitigating these increases to 10% for a limited period does not achieve the objective of minimal disruption. For highly energy-intensive industrial consumers like ourselves, a 10% increase has a material impact straight off our bottom line. A 50% increase after the end of the mitigation period will be devastating. d) <u>Simplicity</u> The AESO's preferred rate design is no simpler than the current design since it is retaining all the charges. In fact, it is introducing more complexity by using a 5 year rolling average of co-incident peak charges. e) <u>Innovation and Flexibility</u> The preferred rate design is moving away from innovation and flexibility. A simple example is the fixed charges on energy irrespective of the time of use. Flexibility will be maintained by having higher charges during peak hours to encourage industrial consumers to reduce their energy usage during the peak.

5.	<p>Are there considerations that the AESO should include, exclude and/or modify in its preferred rate design to better achieve the AESO's rate design objectives? Please specify and include your rationale.</p>	<p>There are a number of things that the AESO can do:</p> <ul style="list-style-type: none"> a) Do not reduce the charges for monthly CP b) Do not implement a 5 year rolling average of CP charges c) Do not charge the same rate for energy, irrespective of time-of-day usage
6.	<p>Please describe any areas in which you are aligned with the AESO's preferred rate design.</p>	
7.	<p>Are the assumptions the AESO used for the rate impact reasonable? Is there additional information that would help improve your understanding of rate impacts?</p>	<p>The assumptions and methodology used by AESO for dividing bulk system charges in to demand and energy based on load and generation profiles of various planning regions (40+ regions with artificial boundaries) is very concerning. This methodology is not sound at all, as one will get different results if these imaginary boundaries are shifted/moved. AESO preferred rate design is based on this very flawed assumption. This also confirms that the AESO has not done a thorough job of analyzing cost causation and that's why they are coming up with totally different rate designs every time they present their latest design.</p>
8.	<p>Are you supportive of the AESO's consideration of modernizing DOS, including its suitability for an energy storage charging capacity? Why or why not?</p> <p>And if so, provide your comments on the consideration of the AESO's DOS eligibility requirements, including for energy storage.</p>	
9.	<p>Please describe what components of the current DOS implementation (i.e., rate, terms, and conditions) limit the use of excess transmission capacity (i.e., capacity that would not otherwise be used under Rate DTS).</p> <p>How might those components of DOS be improved?</p>	
10	<p>Do you have any comments on the AESO's targeted engagement approach for mitigation discussions?</p>	<p>ANC is available to discuss alternatives with the AESO</p>

<p>11</p>	<p>Are there further considerations that the AESO should include, exclude and/or modify in the mitigation option starting principles? Please specify and include your rationale.</p> <ol style="list-style-type: none"> 1. <u>Limit the rate impact for customers</u>: Mitigate rate impact to under 10 per cent increase to a party's transmission bill for initial stage of transition 2. <u>Adapt with design and rates</u>: Ensure options are adaptable to changes to the proposed design and forecast rates 3. <u>Consistent application</u>: Mitigation options can be applied consistently across all impacted loads and not be individually defined 4. <u>Administrative simplicity</u>: Feasible to implement with current tools and systems 5. <u>Mutually acceptable</u>: Account for feedback from broad stakeholder group 	<p>Please refer to our response to #13</p>
<p>12</p>	<p>Based on the AESO's mitigation options assessment, are there further considerations that the AESO needs to include, exclude and/or modify (e.g., temporary versus permanent)? Please specify and include your rationale.</p>	<p>The proposed mitigation options, on a temporary basis, will not work as it will just delay the eventual full rate impact which will be devastating to electricity-intensive industrials, like ANC.</p>

13	<p>Are you in favour of some type of mitigation? Why or why not?</p> <p>If you are in favour of some type of mitigation, how would you assess whether a proposed mitigation approach is acceptable?</p>	<p>The preferred mitigation would be to continue with the current rate design, which is based on cost causation principles. Whenever you stray from cost causation, future users of the electricity grid will have to deal with the undesirable behaviour that results. Electricity intensity needs to always be considered when contemplating mitigation, since a 10% increase to a consumer whose electricity input costs are 5% of their total input costs, may be negligible. However, a 10% increase to a consumer whose electricity input costs are 50% of their total input costs, signals a financial disaster – especially considering your proposal to add 10% each year for 5 years. It is unreasonable to expect an electrically intensive industrial to be able to absorb that level of cost increase in a trade exposed industry where the price is set in a worldwide market.</p> <p>More practical mitigation measures are to continue to present material rate design elements that allow an electricity intensive industrial consumer to manage their flexible load in a mutually beneficial fashion – such as an interruptible rate. Socializing the cost of electricity excludes electricity intensive industrials from locating or even remaining in the Province of Alberta.</p>
14	<p>In your view, should the AESO provide participants with more flexibility to adjust contract capacity, specifically by way of a contract reset period with the implementation of new rates and/or a PILON waiver if the contract level has not changed in the previous five years?</p>	<p>We are in support of the AESO's proposal for more flexibility to adjust contract capacity and waive PILON.</p>
15	<p>Do you have any additional implementation considerations the AESO should consider?</p>	<p>We are in favour of cost causation as being the driver behind rate design, so that users of the electricity grid remain incented to design and implement facilities that minimize costs. This principle should never be abandoned no matter how overbuilt the current system may appear, since desirable characteristics of industrial consumers require significant investment and cannot be changed in a short period of time, if at all, once non cost-causal pricing signals have been ingrained.</p>
16	<p>Do you have additional clarifying questions that need to be answered to support your understanding?</p>	<p>A change of this magnitude should only be driven by the outcome of a cost-causation study. Where is that study? Where is the analysis that is compelling the AESO to socialize so much of the transmission tariff – at the expense and possible removal of the electricity intensive industrial consumers?</p>

17	Additional comments	<p>The AESO should not proceed with its preferred rate design for a number of reasons;</p> <ul style="list-style-type: none"> • During this pandemic, the main focus should be on managing our businesses. It is not the time to take resources/time from our main business of making goods and keeping Albertans employed. • AESO has not done/shared any study/analysis to justify the need to change the current tariff design. • AESO assumptions/analysis for their proposed design does not meet the level of study needed for such a major change. At minimum, a cost causation study needs to be undertaken. • AESO have not done any study of the impact of their proposed design change on the Alberta economy/jobs and its competitiveness.
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Thank you for your input. Please email your comments to: tariffdesign@aeso.ca.