

Tariff Design for Capacity Market and Bulk and Regional Transmission Cost Allocation – Industry Update (March 13, 2019)

Period of Comment:	March 14, 2019	through	April 10, 2019	Contact:	Tony Martino
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Please provide comments relating to the topics listed below in the corresponding box. For convenience, references to slides from the March 13 [Industry Update](#) where each topic was discussed are included in the table below. Please include any views about whether the content presented sufficiently addressed the topic, and provide any proposed alternative or additional approaches that should be considered.

Slides	Topic	Stakeholder comments
Tariff Design Consultation Process		
5-11	AESO tariff design consultation approach, scope, and process.	<p>ATCO Electric generally agrees with the terms of reference and scope that has been used throughout the consultations process, however notes that due to the timelines, there may be issues with implementing any of the recommendations depending on the complexity of the final rate design. An alternative to the consultation approach would have been to use a more traditional process, whereby the AESO provided a recommendation with supporting analyses and all parties provide comments or suggestions where the AESO could refine its recommendations, rather than obtaining data, analyses and consensus through a consultation process.</p> <p>ATCO Electric would also like to better understand the 'incentives' that are referred to on slide 7. Namely, will incentives for economic efficiency benefit all customers or only participants that have the ability to react to price signals?</p>
Capacity Market Cost Allocation Tariff Development Update		
15-20	Requirements of <i>Capacity Market Regulation</i>	<p>ATCO Electric generally supports the use of a single per megawatt hour rate for the time blocks to recover costs of capacity from load customers. However, ATCO Electric prefers a simpler rate design with few blocks. Due to the impact on metering, settlement, billing and communication to the end use customer, ATCO Electric is of the view that an option which minimizes complexity is important when it comes to how the costs will be explained and collected from end use customers.</p> <p>ATCO Electric has concerns related to system changes and costs of implementation. Furthermore, additional time and costs will be incurred in order to inform and educate customers which will be a shared responsibility between Retailers and DFO's.</p>
21-22	Resource adequacy model and unserved energy	No comments on this.

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22	Distribution of expected unserved energy throughout the obligation period	No comments.
23-27	Bookend scenario analysis	ATCO Electric agrees to limit the number of blocks to three: on-peak, mid-peak, and off-peak for ease of administration and simplicity. Increasing the complexity of the capacity market rate design will also create challenges in explaining the structure and billing impacts to end use customers.
25	Observations on bookend analysis results	No comments.
26	Objectives for cost allocation rate design	<p>ATCO Electric notes that the majority of its customers are on cumulative meters and has no single rate class that contains only interval metered customers. Therefore, customers who are on cumulative meters (regardless of rate class) will not have the ability to respond to price signals in the same way as customers that have interval meters.</p> <p>With the Distribution Inquiry proceeding underway, it is anticipated that time-varying tariffs and the capital requirements related to metering infrastructure will be discussed. It appears that, through the introduction of these time-based capacity charges, DFOs will now be expected to flow through price signals from the Capacity market to all end-use customers.</p>
28-30	Development of 400-hr on-peak time block	No comments.
31-32	Considerations for weights of time blocks	ATCO Electric considers that while the expected unserved energy methodology results in a very small allocation to off-peak (0.003%), there should still be some kind of weighting greater than zero as to create a certain price for Off-peak hours.
33-34	Potential rate ranges	ATCO Electric would like to gain a better understanding as to how the potential rate ranges were derived.
34	Appropriate range of weight ratios to consider	The range of the weight ratios chosen is sufficient.
35-38	Additional considerations for rates	With respect to additional considerations, ATCO Electric considers that charges related to the Capacity market must be transparent and, therefore, may require separate line items on customer bills. The information will need to be clear and easy to understand and ultimately will need to convey that the charges are related to Energy and not related to Distribution charges.
39-43	Terms and conditions considerations	No comments thus far on Terms and Conditions.
40	Regulation does not permit penalties or incentives	ATCO Electric agrees that applying penalties or incentives to certain loads should not be permitted.
42	“Gross up” of POD metered volumes to adjust for distributed generation	ATCO Electric will need to better understand how the ‘Gross up’ of POD metered volumes will impact metering and billing for ATCO Electric customers.
43	Preferred approach for deferral account true-up	ATCO Electric supports the prospective rider approach for deferral account true-ups.

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44	Allocation of capacity market costs to transmission losses	The allocation methodology related to losses appears to be reasonable.
45	Capacity market cost allocation remaining work	Similar to the other DFOs. ATCO Electric supports the TDAG exploring the impacts arising from the capacity market cost allocation. The DFOs request that proactive messaging be provided by the AESO and the Department of Energy regarding the changes to customer bills and potential impacts. This messaging should be coordinated and consistent across industry (DFOs, Retailers, Government, etc).
Update on Bulk and Regional Transmission Cost Allocation		
48-51	Bulk and regional transmission cost allocation current work, future work, and next steps	ATCO Electric supports the AESO's future work and next steps related to updating the bulk and regional cost allocations.
Additional Comments		
—	Please add any additional comments related to tariff design for allocating capacity market and bulk and regional transmission costs should be considered.	ATCO Electric considers it important to be have enough flexibility, resources and time to implement the necessary changes to its billing and other systems and the overall impact to customer bills and perceptions.