

# Stakeholder Comment Matrix – March 19, 2020

Bulk and Regional Tariff Design Session 1 – March 13, 2020



<b>Period of Comment:</b>	March 19, 2020	through	April 9, 2020	<b>Contact:</b>	[REDACTED]
<b>Comments From:</b>	Consumers Coalition of Alberta			<b>Phone:</b>	[REDACTED]
<b>Date:</b>	[2020/04/09]			<b>Email:</b>	[REDACTED]

Instructions:

1. Please fill out the section above as indicated.
2. Please respond to the questions below and provide your specific comments.
3. Email your completed comment matrix to [tariffdesign@aeso.ca](mailto:tariffdesign@aeso.ca) by **April 9, 2020**.

**Three Tariff Design Options presented at the session:**

- Option 1: Rate reflects costs.
- Option 2: Rate reflects benefits.
- Option 3: Hybrid – Rate reflects both cost and benefit.

**Five Tariff Design Guiding Objectives presented at the session:**

1. Effective long-term price signals.
2. Facilitate innovation and flexibility.

3. Reflect accurate costs of grid connection and services.
4. Explore options within legislation and regulation.
5. Path to change that is effective and minimally disruptive.

***The AESO is seeking comments from Stakeholders with regard to the following matters:***

Questions	Stakeholder Comments
<p>Please comment on the Engagement Session 1 webinar facilitated by the AESO on March 13, 2020. Was the session valuable? Was there something we could have done to make the session more helpful? Please advise and be as specific as possible.</p>	<p>The presentation material was helpful in starting a focussed discussion on the topic.</p>
<p>Please comment on the pros, cons and tradeoffs of <b>Option 1: Rate Reflects Costs.</b></p> <p>Do you have additional clarifying questions that need to be answered to support your understanding?</p> <p>Do you feel anything was missed or would present a significant obstacle or impact with this option?</p> <p>If yes, please be as specific as possible.</p>	<p><b>Concept:</b> Postage stamp rates. Depending on area and/or region, the peak time price signals would correspond to the time of area/ regional peak. [Slide 44]</p> <p><b>Questions:</b></p> <ol style="list-style-type: none"> <li>a) How many time zones are contemplated</li> <li>b) Is the rate design based on CP at the area/regional time(s) of peak or, is it based on customer NCP at the area regional times of peak?</li> </ol> <p><b>Pros:</b> Reflects planning and cost causation in a sense.</p> <p><b>Cons:</b></p> <ol style="list-style-type: none"> <li>a) This approach of providing peak time price signals to load based on regional/area peaks is based on flow analysis. However, there is no basis for suggesting that peak flow patterns are driven by load alone; rather they are driven by the interaction of</li> </ol>

	<p>load with generation. In Alberta the legislated rate design assumption for wires costs recovery is that load is the primary driver for transmission facility additions. Therefore the price signals to load must be designed to manage peak load conditions and not peak flow. The latter must be addressed through price signals to <u>new</u> generators for efficient location which, if properly designed and implemented, could mitigate plant additions caused by peak flow conditions.</p> <p>b) Would mean different peak periods for different areas/ regions which adds complexity to rate design; further the peak time by region and area can vary as load flows change with the dynamics of new load and supply additions</p>
<p>Please comment on the pros, cons and tradeoffs of <b>Option 2: Rate Reflects Benefits</b>.</p> <p>Do you have additional clarifying questions that need to be answered to support your understanding?</p> <p>Do you feel anything was missed or would present a significant obstacle or impact with this option?</p> <p>If yes, please be as specific as possible.</p>	<p><b>Concept:</b> Fixed demand charge based on the idea, load benefits up to maximum ability to consume. Rates would reflect fixed charges based on customer contract demands adjusted by an intra group diversity factor, as well as a small energy component</p> <p><b>Question:</b></p> <p>a) Applying an intra group diversity factor to adjust contract demand (or NCP) does not appear to be consistent with the benefits received concept of Option 2 which suggests each customer benefits from its maximum ability to consume as reflected in customer NCP demand. Please explain why it is necessary to group customers into similar groups and then apply a diversity factor, instead of simply using NCP demand to reflect benefit received?</p> <p>b) Please provide a simplified example to illustrate the diversity factor adjustment?</p> <p>c) In regard to the entire system, please explain how each homogeneous group and the corresponding diversity factor would be determined</p> <p><b>Pros and Cons:</b> The conceptual basis for the diversity factor adjustment is not clear;</p>

	<p>hence unable to comment on the pros and cons.</p>
<p>Please comment on the pros, cons and tradeoffs of <b>Option 3: Hybrid – Rate Reflects Cost and Benefit.</b></p> <p>Do you have additional clarifying questions that need to be answered to support your understanding?</p> <p>Do you feel anything was missed or would present a significant obstacle or impact with this option?</p> <p>If yes, please be as specific as possible.</p>	<p><b>Concept:</b> Rates comprised of a fixed demand charge based on maximum flow reflecting benefit received by customers and a variable demand charge, reflecting cost causation. The variable demand charge would be designed to give price signals during area/regional peaks.</p> <p><b>Questions:</b></p> <p>a) It is not clear what is meant by “Fixed demand charge for load/multi-use portion of costs”. [Slide 55] Explain what is meant by multi use portion of costs</p> <p>b) What is the method of splitting the wires costs into buckets, for recovery based on fixed demand charges and variable demand charges?</p> <p><b>Pros:</b> The concept of a fixed demand charge based on maximum flow reflecting benefit received by customers and a variable demand charge reflecting cost causation, is not materially different from the current rate design philosophy.</p> <p><b>Cons:</b></p> <p>a) The variable demand charge under Option 3 may not necessarily provide the right price signals to load, unless cost per kW approximates marginal cost of transmission and the peak time reflects time period when load peaks</p> <p>b) If the intent is to allocate fixed demand charges to customers based on benefit received from connection, they should be allocated on contract demand (NCP) and not modified by any diversity factor</p>
<p>How effectively do you feel <b>Option 1: Rate Reflects Costs</b> meets the five Tariff Design Objectives?</p>	<p>1.Effective long-term price signals:</p> <p>Disagree because price signals based on the time of regional and area peaks have no</p>

<p>Please be as specific as possible.</p>	<p>direct relationship to the time when load peaks.</p> <p>2. Facilitate innovation and flexibility:</p> <p>In the absence of appropriate price signals to load or generation, innovation and flexibility are not facilitated; further option 1 appears to be complex and changeable with passage of time given that the time of area and regional peaks are likely to change with flows on the system</p> <p>3. Reflect accurate costs of grid connection and services:</p> <p>Agree that it reflects planning but fails to recognize the drivers of cost causation because, in Alberta, load is assumed to be the driver of facility additions</p> <p>4. Explore options within legislation and regulation:</p> <p>Does not appear to allow for locational price signals (similar to IBOC over 5 years planning horizon) to be provided to generation</p> <p>5. Path to change that is effective and minimally disruptive:</p> <p>Due to having different time of use price signals for different areas/regions, option 1 could be difficult to understand and potentially disruptive</p>
<p>How effectively do you feel <b>Option 2: Rate Reflects Benefits</b> meets the five Tariff Design Objectives?</p> <p>Please be as specific as possible.</p>	<p>1. Effective long-term price signals:</p> <p>Disagree because there is no direct link between the fixed demand charge and cost causation during the peak period for load</p> <p>2. Facilitate innovation and flexibility:</p> <p>In the absence of appropriate price signals, innovation and flexibility are not facilitated;</p>

	<p>3. Reflect accurate costs of grid connection and services:</p> <p>Unlikely to reflect cost of grid connection on a customer by customer basis in view of the use of a diversity factor modifier</p> <p>4. Explore options within legislation and regulation:</p> <p>Does not appear to allow for locational price signals (similar to IBOC over 5 years planning horizon) to be provided to generation</p> <p>5. 5. Path to change that is effective and minimally disruptive:</p> <p>Due to having different time of use price signals for different areas/regions, option 2 could be difficult to understand and potentially disruptive</p>
<p>How effectively do you feel <b>Option 3: Hybrid – Rate Reflects Cost and Benefit</b> meets the five Tariff Design Objectives?</p> <p>Please be as specific as possible.</p>	<p>1. Effective long-term price signals:</p> <p>The variable demand charge under Option 3 may not necessarily provide the right price signals to load, unless cost per kW approximates marginal cost of transmission and the peak time reflects time period when load peaks (rather than when peak flows occur)</p> <p>2. Facilitate innovation and flexibility:</p> <p>In the absence of appropriate price signals, innovation and flexibility are not facilitated;</p> <p>3. Reflect accurate costs of grid connection and services:</p> <p>Unlikely to reflect cost of grid connection on a customer by customer basis in view of the use of a diversity factor modifier</p> <p>4. Explore options within legislation and regulation:</p>

	<p>Does not appear to allow for locational price signals (similar to IBOC over 5 years planning horizon) to be provided to generation</p> <p>5. Path to change that is effective and minimally disruptive:</p> <p>Due to having different time of use price signals for different areas/regions, option 3 could be difficult to understand and potentially disruptive</p>
<p>Do you have additional clarifying questions that need to be answered to support your understanding of the Tariff Design Objectives and corresponding assessment of the three Tariff Design Options presented at the session? If yes, please be as specific as possible.</p>	<p><b>Preamble:</b> Ideally, tariff design should provide efficient price signals to load while mitigating the risk of peak avoidance that is not matched by a corresponding reduction in contribution to system stress. The following questions are intended to understand ways to balance efficiency, fairness and cost recovery, while avoiding unnecessary complexity</p> <p><b>Questions:</b></p> <p>a) Is it possible to provide variable demand price signals based on a broader definition of peak period? Example: customer NCP during 16 hrs and 20 hrs. If not why?</p> <p>b) Is it possible to provide variable demand price signals (\$/kW) based on marginal costs in the interest of economic efficiency? If so how would marginal costs be determined?</p> <p>c) As a fairness objective, is it possible to design fixed connection charges per kW based on difference between embedded cost per kW and marginal cost per kW?</p> <p>d) As a fairness and cost recovery objective, is it possible to include charges for black start, maintenance, voltage control etc., for dual use customers whose generation is supported by the system.</p> <p>e) As an efficiency price signal, is it possible to provide demand response credits to customers in areas or regions approaching stress conditions, in order to achieve</p>

	<p>deferral of new plant additions ?</p> <p>f) As an efficiency price signal is it possible to provide load attraction rates to <u>new</u> loads locating in areas/ regions of system stress caused by generation surplus</p> <p>g) Is it possible to provide locational price signals to new generation along the lines of IBOC but, with shorter terms consistent with the time horizon for recognition of changes to the transmission plan</p>
<p>Additional comments</p>	<p>Load Retention Rates: If variable demand charges are based on marginal costs requests for load retention rates could be largely avoided. If load retention rates are to be offered, it should be on a case by case basis and, only on condition that credible uneconomic by pass can be demonstrated.</p> <p>Interruptible Rates: Should only be offered for incremental capacity in addition to contracted capacity, in order to incent utilization of temporary excess capacity on the transmission system.</p>

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