

March 30, 2019

Alberta Electric System Operator (AESO)
2500, 330-5th Avenue SW
Calgary, AB
T2P 0L4

**Re: Alberta Electric System Operator (“AESO”)
2018 ISO Tariff Application ID22942-Consultations on 12 Coincident Peak (12CP)
Method of Cost Recovery**

1. CCA representatives participated in the March 12, 2018 consultation meeting respecting the above. In accordance with the schedule established by the AESO following that meeting, CCA is pleased to provide the following comments.

Comment on 12 CP Presentations:

2. Both the UCA and CCA presentations alluded to the lack of cost accountability on the part of co- generators under the existing transmission tariff structure. The UCA approach seeks cost accountability through changes to the cost of service study (moving 240 kV into regional system) while the CCA approach requests cost accountability through rate design (higher of 12 CP or a fraction of NCP based on coincidence factors). Both approaches suggest taking steps towards tariff reform to reflect cost accountability on the part of co-generators as well as all other customers. In CCA’s submission comprehensive tariff reform must proceed sooner rather than later in order to provide the right price signals to suppliers of capacity prior to the capacity auctions scheduled to commence in 2019.

3. In CCA’s view the UCA proposed change in the functionalization of 240kV lines in the cost of service study would reflect the true functional nature of the bulk system and this step could potentially be achieved without significant administrative effort. Reclassifying 240 KV lines as part of the regional system would allow the AESO to consider injection tariffs for supply and thereby capture cost causation on the part of supply resources connected to the regional system. With increasing behind the fence generation (BTF), both at the transmission and distribution levels, it is important to consider injection tariffs, based on the costs or benefits to the system arising from the supply side in order to provide the necessary price signals prior to the capacity auction scheduled for 2019. While the CCA does not agree there is any need or justification to consider load retention type rates focused on large co generators, injection tariffs for supply, may largely address AltaLink’s and other TFO’s concerns about load defections.

4. The AML, IPCAA/ADC/DUC presentations referred to the potential for uneconomic bypass by co-generation customers if the existing tariff structure were changed to require improved cost accountability by co generators. However, the potential for uneconomic bypass would be credible if it can be demonstrated that the estimate of costs for providing back up generation entirely through self-generation (islanded system) and the foregone revenue to BTF generation from inability to access the grid in order to supply services such as energy, ancillary services and

capacity (in the future), are lower than the costs to co generators arising from improved cost accountability under a reformed tariff structure designed to improve cost accountability.

5. Further, the IPCAA/ADC/DUC view that interruptible loads help to reduce bulk system additions, needs to be considered in the context of planning of the bulk system. If the planning of the system does not recognize interruptible loads, there are likely no savings on bulk system fixed costs arising from interruptible loads.

6. It would be helpful if the IPCAA/ADC/DUC could provide further analysis and support with respect to the above matters.

Process:

7. CCA notes the next meeting respecting the 12 CP topic is scheduled for April 9, 2018. At this meeting, CCA suggests that a schedule for further consultations on the topic of transmission tariff reform be put forward by the AESO for consideration by the group. The schedule could include milestones for reaching agreement on issues with cost of service issues being dealt with first followed by rate design. Due consideration should be given to gradualism and rate stability without unduly distorting price signals going forward. The timing of this process should ensure the necessary tariff reforms are in place before the capacity auction scheduled for 2019.

8. In order to not delay proceeding ID22942, a step could be included in the above schedule to put forward a proposed approach to dealing with the 12CP issue for the purposes of that proceeding pending broader tariff reform to be completed prior to the capacity auction in 2019.

9. A facilitated process would be effective in this regard and, if agreement cannot be reached on certain issues, then a mechanism should be established to take those specific contentious issues for speedy resolution by the AUC so that the remaining process may continue uninterrupted.

Yours truly,

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