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	**Contact:**	Raj Retnanandan
Comments From:	Consumers Coalition of Alberta	**Phone:**	Contact Phone Number
Date:	[2021/04/15]	**Email**:	retnanandan@emrc.ca

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?	Yes-the session was helpful from the perspective of understanding the AESO's views
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 helpful from the perspective of understanding the AESO's views

3.	Are you supportive of the AESO's preferred rate design? Why or why not?	**Supportive:** i) CCA supports, the allocation of the portion of the bulk system that is used to accommodate area peaks outside of the coincident peak as part of the costs to be recovered on the basis of non-coincident peaks. CCA supports this approach because it is consistent with cost causation iii) CCA supports the concept implicit in the AESO's proposal to treat, the difference between costs attributable to area peak generation (arising from in merit generation) and costs attributable to area peak load, as area related costs. However, CCA disagrees with the view that such costs, which arise from in merit generation, ought to be considered as energy related and recovered from load customers on the basis of energy. ii) AESO's proposal to mitigate rate increases aising from rate restructuring to within 10% **Not supportive:** i) Classification to Energy: CCA supports the concept implicit in the AESO's proposal to treat, the difference between costs attributable to area peak generation (arising from in merit generation) and costs attributable to area peak load, as area related costs. However, CCA disagrees with the view that such costs, which arise from in merit generation, ought to be considered as energy related costs and recovered from load customers on the basis of energy. The classification of a portion of system costs to energy, based on in merit energy inflows (supply), is based on the assumption it is a cost causation factor to which load customers could respond. However, load customers have no ability to influence the location, quantum or timing of plant additions required to meet the needs of in merit energy inflows, through their behaviour in terms of using the proposed DTS tariffs. In CCA's view, rather than classifying costs related to in merit energy inflows as energy related, the AESO may wish to look at the correlations between peak in-merit energy inflows and area peak loads and come to a better understanding of the correlation between peak in-merit energy in-flows and area demand billing determinants and bulk system demand billing determinants. This would allow the costs classified to energy to be recovered through appropriate demand billing

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		determinants which could be influenced by DTS customer behaviour. Using appropriate demand billing determinants as part of DTS for recovery of costs deemed as generation related costs could provide a more effective tool for DTS customers to influence generators' in merit peak flows. CCA has argued in the context of the DCG credits proceedings (ID26090) that there should be contractual arrangements with TCG and DCG customers, outside of the AESO tariffs, to capture the benefits and costs of in merit energy flows and thereby provide appropriate forward looking signals for generator location. CCA is concerned that a high energy component in DTS rates as proposed by the AESO, could exacerbate load defections resulting in higher costs for remaining load customers for the following reasons: • High DTS energy charges could encourage uneconomic by pass of the system; • There is uncertainty associated with the Govt.'s, decision on gross versus net metering for new self supply and export customers. If net metering were to be allowed, that would contribute further towards erosion of energy billing determinats and therefore higher DTS energy rates; • Under the AESO's proposals, as area peak generation increases with addition of DCGs and TCGs over time, increasingly greater proportions of bulk system costs could be shifted to energy classification triggering higher energy costs/charges and further load defections; • The Distribution Systems Inquiry report talked about preventing uneconomic by pass and, all the consultants who appeared in that proceeding recommended a shift towards fixed charges as opposed to energy charges to mitigate stranded investment ii) CP Demand Cost Recovery using 5 year averages-discussed under 4 iii) Reservation charges based on billing capacity and NCP charges for actual usage of non bulk system related costs-discussed under 4 iv) Complete exclusion of marginal cost price signals-discussed under 4

4.	Do you believe the AESO's preferred rate design meets the AESO's rate design objectives? Why or why not? 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) *AUC Decision 22942-D02-2019 **Proposed rate design must fit within current legislation	a & b) The AESO's proposed rate design does not appropriately reflect cost responsibility based on cost causation nor does it provide efficient price signals. First, the recovery of fixed plant costs, deemed as caused by generators and classified as energy related costs, from load customers whose consumption behaviour has no influence over generator location (which is the primary driver of in merit generator flows) results in a mismatch between cost causation and price signals. Second, the AESO's proposed rate design does not provide efficient price signals for minimizing future plant additions that are deemed to be driven by coincident peak demands. In CCA's view the 5 year average CP demand approach using a single hour in each month, for recovery of a portion of bulk system costs, neither reflects cost causation nor does it provide efficient price signals for customers to reduce consumption during any other peak hour that has a high probability of giving rise to future plant additions. For example, if the CP hours were based on a group of hours in each month, with a high probability of driving system additions (example: hours with 90% probability of driving system additions) that would result in better alignment between cost causation and price signals as opposed to using historical average CP hours as proposed by the AESO. Third, the AESO has proposed a single billing capacity charge for recovery of non bulk system costs. A high billing capacity charge could incent load defections and requests for contract reset including waiver of PILON. This issue could be addressed by having a reservation charge based on billing capacity and a non ratcheted NCP demand charge applied to actual usage. Fourth, the AESO has not given recognition to marginal cost pricing to any degree. However marginal cost pricing could encourage efficient consumption decisions at the margin. For example, if the CP and NCP demand charges could reflect marginal costs, any residual could be reflected in a capacity reservation charge which could be the same as the billing capacity charge. In other words, acutal usage, whether under CP recovery or NCP recovery, would reflect marginal costs to the extent feasible, while reservation costs (or fixed billing capacity charges) would reflect the residual costs. c) The AESO appears to have designed the rates with minimum structural change to existing rates. The AESO states, it is not expected that any customer would have a total bill increase of more than 15 per cent. While minimizing changes to exiting rate components may suite the AESO's convenience, this should not be the

		measure of whether the proposed rates are minimally disruptive or not. Rather, the measure of whether the proposed rates are disruptive or not must be based on judgement by weighing efficiency of rates in providing appropriate price signals and reflecting cost causation against, minimizing customer impacts. It must be recognized that the existing rates were designed to meet requirements of a system where load was the primary driver of plant additions. This has changed and given way to two way flows of electricity and self generation. Therefore, some degree of disruption is necessary provided rate stability at the customer level is achieved. In this regard CCA supports the AESO’s intention to minimize transmission cost increases to no more than 10% increase in transmission costs. Further, some level of disruption is necessary in order to minimize uneconomic bypass of the system due to decreasing costs of variety of self generation options. The prospect of self generation eroding system billing determinants could have serious consequences for future ratpayers, unless addressed at this time. d) The use of 5 year monthly averages for determining CP demands does not appear to be simple, nor does it provide the appropriate forward looking price signals. e) Innovation and flexibility would be best served if apropriate marginal price signals are provided for consumption at the margin

5.	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.	CCA recommends the following: • Broaden the CP hours to capture all hours with a high probability of driving system peaks in each month to replace the proposed average of historical 12 CP demand hours • Keep energy classification to 10% or below and shift about two thirds of costs proposed to be classified as energy (31% as per AESO) for recovery via non ratcheted NCP demand and billing capacity (or capacity reservation). This reclassification of a portion of the 31% energy costs in this manner for recovery through area costs demand billing determinants, stands to reason because the in merit energy peak inflows appear to be essentially impacting area peak loads as per Slide 39. • Split the costs proposed to be recovered by billing capacity, to be recoveed partly through a reservation charge based on billing capacity and partly through non ratcheted NCP demand charges, for actual use. The treatment of reclassified energy costs partly for recovery through billing capacity and partly for recovery through non ratcheted NCP also stands to reason as this could help minimize potential load defections and requests for contract resets, by minimizing connection charges (or billing capacity) • Use marginal costs based on historical long term incremental costs to set CP and NCP demand charges (i.e. usage charges) to the extent possible; Use any residual costs to be recovered on the basis of billing capacity (or capacity reservation charges)
6.	Please describe any areas in which you are aligned with the AESO's preferred rate design.	These are discussed in 3
7.	Are the assumptions the AESO used for the rate impact reasonable? Is there additional information that would help improve your understanding of rate impacts?	They appear to be reasonable

8.	Are you supportive of the AESO's consideration of modernizing DOS, including its suitability for an energy storage charging capacity? Why or why not? And if so, provide your comments on the consideration of the AESO's DOS eligibility requirements, including for energy storage.	CCA is supportive of the AESO's proposed criteria for DOS. The following may be worth further consideration: • A time differentiated DOS charge that would incent DOS use during off peak hours versus on peak hours to encourage use during off peak times. • When energy storage is providing ancillary services, it requires greater certainty for charge cycles. Consideration should be given to the DOS rates that would apply to storage under these circumstances to ensure the charge cycles are not interrupted when the storage asset is providing ancillary services.
9.	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). How might those components of DOS be improved?	Please refer to 8
10	Do you have any comments on the AESO's targeted engagement approach for mitigation discussions?	CCA supports this approach

11	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. 1. Limit the rate impact for customers: Mitigate rate impact to under 10 per cent increase to a party's transmission bill for initial stage of transition 2. Adapt with design and rates: Ensure options are adaptable to changes to the proposed design and forecast rates 3. Consistent application: Mitigation options can be applied consistently across all impacted loads and not be individually defined 4. Administrative simplicity: Feasible to implement with current tools and systems 5. Mutually acceptable: Account for feedback from broad stakeholder group	CCA generally agrees with these principles.
12	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.	In CCA's view mitigation options could be viewed as another tool that could be considered either as part of the overall rate restructuring or separate from the overall rate restructuring. Considering mitigation options as a separate tool outside of rates, provides the AESO with greater flexibility to restructure go forward rates. If mitigation were used as a separate mechanism it should be phased out after a reasonable period of time.
13	Are you in favour of some type of mitigation? Why or why not? If you are in favour of some type of mitigation, how would you assess whether a proposed mitigation approach is acceptable?	Yes-based on the 10% maximum increase for customers after mitigation
14	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?	Requests for adjustnment of contract capacity or waiver of PILON requirements must be considered on a case by case by the AESO taking into consideration, the opportunity for uneconomic bypass of the system and the go forward revenues under restructured rates. The objective should be to ensure there is no undue shifting of costs from one group of customers requesting PILON waiver or contract reset, to other customers.

15	Do you have any additional implementation considerations the AESO should consider?	In CCA's view it is better to delay the GTA filing for implementation of new rates in order to get it right, rather than rush into a rate design that appears to have little support and which does not give due recognition to go forward risks associated with load defections.
16	Do you have additional clarifying questions that need to be answered to support your understanding?	CCA requested at the March 31, 2021 meeting, a model that would show by POD, categorized and listed under each DFO and listed for all other individual PODs showing annual bills under existing and proposed rates. If this information could be provided that would help CCA assess overall rate impacts arising from rate restructuring.
17	Additional comments	CCA is mindful of the time constraints the AESO is working under. CCA is also appreciative of the excellent work done by the AESO to bring the Phase I filing to this stage. However, the Commission Staff has raised a number of questions. In order to avoid a contentious hearing and to arrive at an optimal rate design, CCA would not object to the AESO requesting further time for filing of its upcoming GTA.

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