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:**	Rick Cowburn – VIDYA Knowledge Systems
Comments From:	Canada West Ski Areas Association			**Phone:**	(403) 397-8785
Date:	2021-04-15			**Email**:	Rcowburn@vidya.ca

	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 clear and helpful. There are obviously many details to work out, but the approach and reasoning is clear and often compelling.
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?	It is most inefficient for every customer group to have to seek its own understanding of how the distribution utilities will flow this tariff through. Although this is outside the AESO's direct responsibility, it is also outside every other market participant's responsibility. Since the AESO created this situation, perhaps the AESO could seek to rectify it by working with the distribution utilities.
3.	Are you supportive of the AESO's preferred rate design? Why or why not?	Alberta's electric industry restructuring could be subtitled "The Dance of Unintended Consequences." We went into this adventure blissfully unaware of the complex long-term impacts of our decisions. A fundamental economic trade-off in creating a competitive generation market is: Giving up control of generator construction and dispatch must lower costs enough to pay for the more robust transmission system that will be required. The 2003 Transmission Development Policy enshrined this tradeoff in legislation saying "Transmission planning must be proactive in nature and must therefore lead load growth and generation development." [p.4] At the bulk system level, the Big Build has more than delivered on that goal. Now that annual load growth has dropped below 1%, and is predicted to remain so indefinitely, the industry is becoming more aware of the role that generation development has played and will continue to play in driving transmission costs. The AESO's proposal supports this realization. The splitting of costs into 'minimum system' and 'actual system' components will be controversial and will surely evolve over time; but however it is implemented, the concept reasonably reflects the fundamental economics of Alberta's electric industry.

	Questions	Stakeholder Comments
4.	Do you believe the AESO's preferred rate design meets the AESO's rate design objectives? Why or why not? a) Reflect Cost Responsibility (Cost recovery is based on cost causation, reflecting how transmission customers use the existing grid*) b) Efficient Price Signals (Price signal to alter behavior to avoid future transmission build) c) Minimal Disruption (Customers that have responded to the 12-CP price signal and invested to reduce transmission costs are minimally disrupted) d) Simplicity (Simplicity and clear price signals while achieving design objectives) e) Innovation and Flexibility (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) The recent 'Big Build" was driven by political decisions, in respect of which cost causation is unknown. Planning studies indicate that in the future, generation additions will be a primary cost driver. Load has not been and will not be the primary cost driver. b) Given this context, sending 'price signals' to load will be largely ineffective in avoiding future transmission build. c) Reasonably minimizing customer disruption is an important objective. However major customer representatives have often stated that no one would build a project just to obtain transmission cost savings. If 'investment' were indeed the criterion for rate impact shielding, then the original project business cases must be reviewed by the AESO to confirm that transmission savings were central and essential to the business decision. Of course the benefits of operational flexibility are many, some of which will be business related and some of which will be electricity related, including the ability to mitigate pool price excursions as well as the ability to exploit the transmission tariff's cost avoidance opportunities. In practice, 'investment' is likely not a usable criterion for providing rate impact relief as it would require extensive and frequently inconclusive analysis, and would unduly discriminate against parties based on whether they had implemented some particular type of project 'behind the fence.' d) The revised tariff is consistent with the current tariff structure, but price signals are largely irrelevant on the load side. e) The revised tariff retains the valueless 12CP cost-shifting incentives of the current tariff, albeit with a lower financial benefit. Finding new ways to shift costs to others is not productive innovation.

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.	The CP and energy tariff components are undergoing the most change. Basing CP on the 5-year monthly average may somewhat reduce gaming, but given the AESO's evidence that "hours of 12-CP do not necessarily correspond to hours of peak utilization across high-voltage lines" [Slide 35] there will be little if any benefit to offset the costs being shifted to other customers. A more balanced approach might be to use a broader billing determinant that can better incent behaviours that might actually reduce transmission costs. The transmission system has been 'oversized' to enable generators to move all in-merit energy anywhere, any time. This oversizing does not automatically imply cost recovery based on energy in all hours – other options deserve consideration, particularly considering these charges' impact on high-load factor customers. Non-Coincident Peak would be a possible option; but if 12-CP was also moved in that direction, almost the entire tariff would be NCP based, which would be too extreme. A declining block energy charge would be a more balanced and traditional approach, with high-load factor energy charged at a much lower rate, while the first energy blocks are priced higher to provide a fair contribution by all customers.
6.	Please describe any areas in which you are aligned with the AESO's preferred rate design.	Dividing costs based on system usage is a well justified, reasonable step forward.
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?	Rate impacts need to be assessed on a POD by POD basis, with some provision for assessing end use customer impacts as they will be communicated through distribution tariffs.
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.	DOS is a familiar concept, but it may create more problems than it solves. With transmission oversupply, many customers could take the risk of interruption without fear of consequences – and then get off the rate when the risk rises. (This is exactly what happened in the 1980's with similar rate options.) Storage is an innovative service, which is likely best served by a policy adapted to its specific nature.

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?	Indeed, that's the problem with using an inappropriate rates tool. Don't go there…a storage-specific tariff treatment would be less burdened by irrelevant DOS baggage.
10	Do you have any comments on the AESO's targeted engagement approach for mitigation discussions?	A targeted approach considering only seven PODs [Slide 63] seems likely to be unduly discriminatory. Customers served through a distribution system are proposed to receive no mitigation; only direct-connect industrials are elgible. That would be a profoundly unfair policy. Cutting confidential 'deals' would also be improper.
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	While the concept of mitigation seems reasonable, its implementation would be very difficult. One fair way to implement mitigation would be as a tariff rider that applies in specified situations at the individual POD level, irrespective of whom that POD might serve. This will not be simple, as to calculate a bill increase one needs both a 'shadow' rate and some form of billing determinants. How would the 'shadow' rate be determined? Presumably this is another component of the annual AESO tariff processes, for as long as mitigation continues. What should the billing determinants be? If a customer adds a new load, any related bill increase should not be mitigated. Conversely, if a customer's load drops there should still be some level of mitigation, though at a reduced level. It is easy to see why such site-specific mitigation is virtually unknown in Alberta's electricity ratemaking.

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.	Mitigation is a form of 'grandparenting', which is inherently unfair and discrimatory against new entrants, in favor of incumbents. To the extent that grandparenting is used at all, it should be for a limited duration. (see Nigel Bankes blog article https://ablawg.ca/2019/12/02/further-thoughts-on-the-law-and-practice-of-grandparenting/)
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?	In principle, mitigation seems reasonable. In practice, it will be profoundly difficult to implement. Assessment criteria may include identical treatment of all PODs, open and objective calculations, and a limited time duration.
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?	The Big Build's high cost is leading many parties to consider ways of reducing their costs by reducing their use of the system. Certainly in cases where a load reduction can avoid transmission expansion costs, usage reduction should be encouraged. As a general policy, though, it is fraught with difficulties.
15	Do you have any additional implementation considerations the AESO should consider?	Impact mitigation is an extraordinarily difficult challenge. Precision as to its specific proposed form will soon be necessary.
16	Do you have additional clarifying questions that need to be answered to support your understanding?	The AESO has found a reasonable alternative tariff approach, but the devil will indeed dwell in the details. Many questions will arise in due course!
17	Additional comments	Thanks to the AESO for its openness and sincerity in industry discussions.

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