

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:	Rick Cowburn
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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.	As usual, a well managed process with fair opportunity for stakeholder input.
Capacity Market Cost Allocation Tariff Development Update		
15-20	Requirements of <i>Capacity Market Regulation</i>	Key allocation directions are: §12(5)(b) "...hours that are reasonably similar in anticipated contribution..." and §12(5)(c) "...corresponding to anticipated contributions..."
21-22	Resource adequacy model and unserved energy	RAM will be extensively litigated in the ID 32757, and the Commission's ruling (by Aug 1) should be used as base for cost allocation models.
22	Distribution of expected unserved energy throughout the obligation period	"EUE is distributed throughout the obligation period" argues for allocation throughout the obligation period, except where EUE is collectively below a threshold of materiality. At \$0.5B costs, 1% = \$5M, at \$1.5B, 1% = \$15M. Arguably, \$50M to \$150M (10%) is material.
23-27	Bookend scenario analysis	While bookends are a helpful for analysis, a balanced intermediate position is preferable. A fourth block with EUE << 10% (e.g. nights in low EUE months) might be useful for a 'true' zero weighting, or perhaps another mid-range block.
25	Observations on bookend analysis results	Given that these differences are understood to be largely driven by maintenance timing (a hotly debated matter in ID 32757), and represent ~ 35MW / 18,305 MW = 0.2% of total [Rule 207.2a GMPV], limited weight should be given to these specific results, other than to demonstrate that the impact on EUE and procurement volume of either alternative is minimal, largely due to high system load factor as noted.

Slides	Topic	Stakeholder comments
26	Objectives for cost allocation rate design	Largely agreed, except that (a) procurement reduction is for the market to determine, (b) energy market price timing is volatile & cannot be 'aligned with' (c) transmission tariff will not be finalized within this timeframe & cannot be 'aligned with' (It would be unduly prejudicial to assume the current tariff structure as a base – the matter is under review, without prejudice)
28-30	Development of 400-hr on-peak time block	The first goal is 'reasonably similar' hours 'corresponding to anticipated contributions'. The estimated future procurement reduction is minimal. Serving the interests of industrial loads should not outweigh compliance with the clear legislative intent.
31-32	Considerations for weights of time blocks	Narrowness of winter & summer blocks generally agrees with past experience. If high October EUE is driven by forecast maintenance, and the AESO does not determine maintenance timing, how robust are these results? "Count" approach obscures underlying EUE data, which would be helpful to see in a similar table.
33-34	Potential rate ranges	At \$0.5B costs, 16% = \$80M, at \$1.5B = \$240M. Rounding 16% of 'off-peak' EUE to zero is stretching beyond the legislative intent. Serving the operational preferences of industrial loads is nowhere identified as a capacity market policy objective.
34	Appropriate range of weight ratios to consider	Weights should reflect EUE results, with minimal distortions. Subjective weight selection will lead to endless & inconclusive litigation, pitting a few favoured industrial loads against virtually all other customers, which the remarkably prescriptive nature of the legislation arguably intended to preclude.
35-38	Additional considerations for rates	"Cost-benefit of using subjective weights" is a key missing point. Increasing on-peak load costs by up to 5X would yield minimal procurement reductions, but allocate > 95% of capacity market costs to on-peak hours. Shifting \$480M - \$1,400M to gain ~30 MW of supply is unjustifiable.
39-43	Terms and conditions considerations	
40	Regulation does not permit penalties or incentives	Legislation apparently precludes penalties or incentives.
42	"Gross up" of POD metered volumes to adjust for distributed generation	The proposed measurement point process is reasonable and fair.
43	Preferred approach for deferral account true-up	True-up is mentioned in ADOE materials, and is clearly necessary; the method depends on magnitude, which is difficult to forecast.
44	Allocation of capacity market costs to transmission losses	Losses processes are mercifully unchanged
45	Capacity market cost allocation remaining work	Strongly recommend filing after AUC 23757 decision is released. RAM / EUE estimation ruling is fundamental to this cost allocation proposal, and the application would have to be revised if there are any RAM / EUE changes from AESO application. Given the AUC's apparent interest & the diverse and contradictory evidence filed, deferring to after the decision and allowing for change would be prudent.

Slides	Topic	Stakeholder comments
Update on Bulk and Regional Transmission Cost Allocation		
48-51	Bulk and regional transmission cost allocation current work, future work, and next steps	Particular thanks to LaRhonda Papworth and Trushal Umrana for their coordination and support of the process.
Additional Comments		
—	Please add any additional comments related to tariff design for allocating capacity market and bulk and regional transmission costs should be considered.	