

Doyle Sullivan, Director, Tariff Design

Alberta Electric System Operator (AESO)

Transmitted electronically to: ISOtariffnotice@aeso.ca

March 29, 2018

Dear Mr Sullivan,

**Re: Consultation on 12 Coincident Peak Method**

CanSIA appreciates the opportunity to participate in a consultation process on the tariff allocation issue and intends to continue to participate throughout the remainder of this process.

*Further Process:* CanSIA agrees with the comments made by a number of parties at the stakeholder session on March 12, that this is a complex topic and it requires significant analysis if a change is to be made to the tariff cost allocation structure. Accordingly, this process should not be rushed. CanSIA would support resumption of the AESO tariff proceeding with this issue ruled out of scope while the AESO continues its consultation process on the allocation methodology.

At a minimum, CanSIA supports holding another consultation roundtable, currently scheduled for April 9, 2018. CanSIA further suggests that a number of additional consultation sessions are likely necessary if the AESO has appetite to consider changes to the cost allocation methodology. If the consultation process continues beyond April 9, and if no other party addresses the implications of a change in allocation methodology on the development of solar (with or without the co-location of energy storage) in the April 9 session, then CanSIA would also request the ability to make a presentation at a future session.

*AltaLink's Proposal:* CanSIA agrees that it is important to incent individual market participant behaviour that has overall system benefits. Alberta benefits greatly from a high load factor that is the direct result of (1) large penetration of relatively flat industrial load; and (2) the response of industrial load to price signals wherein reductions in industrial load reduces the total system load during the tightest hours and the coincident peak hours. The tariff allocation and the real time energy price are currently the two signals that market participants respond to in today's

market, which results in the high load factor that is the envy of other jurisdictions. This interaction between demand and supply will become increasingly important as the penetration of variable renewable electricity increases in Alberta's supply-mix.

AltaLink has proposed that the system benefit of peak-shaving or peak-shifting are less than the current tariff charge. CanSIA would propose that further analysis needs to be completed before reaching this conclusion. CanSIA would suggest there are flaws with a number of AltaLink's assumptions, most notably with (1) the assumption that only transmission costs avoided over the next five years should be a part of the system benefits and; (2) the assumption that all existing transmission infrastructure is used and useful and belongs in rate base.

Transmission development must be considered over a longer time frame than five years. Behaviours that prevent a new transmission line from being constructed in the next few years and behaviours that allow us to operate within the constraints of the existing transmission infrastructure for decades longer than it could have been expected to be sufficient are both behaviours that the tariff structure should be designed to incent. CanSIA submits that a much lower cost network can be developed over time if it allows distributed resources (including solar electricity generation with or without the co-location of energy storage) to be developed at or proximal to load sites. Short-term analysis of potential upgrades deferred fails to capture the full value of longer term benefits.

Solar electricity generation (with or without the co-location of energy storage) has the ability to play a significant role in the latter of those two behaviours. Distributed solar generation has the ability to combat load growth without requiring any additional transmission infrastructure to connect the generation assets to the load assets and may in fact allow the overall rate base to be reduced over time. It is incorrect to presume that the transmission system can only grow and that other emerging technologies, including distribution-connected solar, are not viable options to avoid future transmission needs.

CanSIA would note that the current Long Term Outlook does not consider any solar electricity generation smaller than 5MWs in its forecasting and yet CanSIA anticipates a minimum of 50MW of such solar electricity generation facilities will be in-service in Alberta by 2020. It is a mistake to ignore the potential impact of facilities at this scale on the system as incenting these types of projects (along with energy efficiency, demand response, energy storage etc) can significantly reduce the future costs of new transmission in Alberta. The tariff signal needs to reflect the value that these technologies and applications are able to bring.

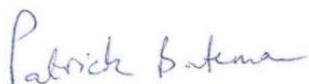
Solar is simultaneously able to help solve future transmission issues and also to aid the province in meeting its legislated 30% by 2030 renewable electricity target. There is a significant system benefit to distribution-connected solar preventing future transmission needs. There is also a significant benefit to Albertans if merchant or bi-laterally contracted solar facilities enter the market in a greater extent in response to market price signals and a lesser extent to out-of-market payments. To meet the goals of the Climate Leadership Plan, substantial investment in renewable electricity generation capacity is required. CanSIA suggests that the minimization of this investment, and those associated with transmission infrastructure expansion, needs to be considered as a system marginal benefit under AltaLink's proposal, as removing the current tariff signal will have the effect of halting the development of distribution-connected solar.

Lastly, CanSIA would note that AltaLink had a detailed argument as to why a portion of the current bulk system charge needs to be moved away from the 12CP allocator. However, AltaLink did not provide an adequate argument for its proposal to move those charges into a non-coincident peak charge. If it is determined that some of the bulk system charge needs to be reallocated away from the 12CP allocator, there are a number of alternatives, including total energy usage or super-peak weighted energy broadly as have been contemplated in the capacity market cost allocation consultation with the Department of Energy.

CanSIA agrees with the AESO's statement at the consultation session that the onus is on AltaLink to convince the AESO and the AUC that the current allocation methodology needs to change. CanSIA would also propose that, if successful, the burden of proof also falls to AltaLink to defend its proposal of non-coincident peak as a replacement allocator.

*Conclusion:* In conclusion, CanSIA proposes that the current 12CP allocation methodology should continue. It simultaneously incents behaviours that will reduce the future need for transmission expenditures and supports the Government's goals in the Climate Leadership Plan.

Best regards,



Patrick Bateman  
Director of Policy & Market Development  
Canadian Solar Industries Association (CanSIA)