

**Stakeholder Comment Matrix – March 19, 2020**  
**Bulk and Regional Tariff Design Session 1 – March 13, 2020**



<b>Period of Comment:</b> March 19, 2020 through April 9, 2020	<b>Contact:</b> [REDACTED]
<b>Comments From:</b> Capital Power Corporation	<b>Phone:</b> [REDACTED]
<b>Date:</b> April 9, 2020	<b>Email:</b> [REDACTED]

Instructions:

1. Please fill out the section above as indicated.
2. Please respond to the questions below and provide your specific comments.
3. Email your completed comment matrix to [tariffdesign@aeso.ca](mailto:tariffdesign@aeso.ca) by **April 9, 2020**.

**Three Tariff Design Options presented at the session:**

- Option 1: Rate reflects costs.
- Option 2: Rate reflects benefits.
- Option 3: Hybrid – Rate reflects both cost and benefit.

**Five Tariff Design Guiding Objectives presented at the session:**

1. Effective long-term price signals.
2. Facilitate innovation and flexibility.
3. Reflect accurate costs of grid connection and services.
4. Explore options within legislation and regulation.
5. Path to change that is effective and minimally disruptive.

*The AESO is seeking comments from Stakeholders with regard to the following matters:*

	Questions	Stakeholder Comments
1.	<p>Please comment on the Engagement Session 1 webinar facilitated by the AESO on March 13, 2020. Was the session valuable? Was there something we could have done to make the session more helpful? Please advise and be as specific as possible.</p>	<p>Capital Power appreciates the efforts of the AESO to adapt and conduct the webinar under the current circumstances. To the extent it is possible, Capital Power supports continued consultation with stakeholders to advance this important work and continue targeting an application to the Alberta Utilities Commission as soon as practical.</p> <p><b>Additional Analysis of Self-Supply and Transmission Cost Avoidance is Needed</b></p> <p>Capital Power submits that there must be explicit consideration of self-supply in the AESO’s application. Specifically, there must be an assessment of the delivered cost of power for self-supply and the avoidable costs of transmission in Alberta.</p> <p>In concurrent AUC consultation, the AESO has established that they support unlimited self-supply and export on the condition that tariff changes are implemented. It is acknowledged that this work must include an evaluation of the opportunities that loads have to avoid transmission costs through self-supply, and that appropriate price signals will mitigate the risks from inefficient proliferation of self-supply.</p> <p>Based on the information made available to stakeholders, this issue has not been explicitly considered or included in the analysis. If the AESO does not consider the issue as part of their analysis, there is a significant risk that the current inequity and cross-subsidization between customer classes is not rectified. A rate design that does not address self-supply will exacerbate the current situation and will have impacts to market sustainability.</p>
2.	<p>Please comment on the pros, cons and tradeoffs of <b>Option 1: Rate Reflects Costs</b>.</p> <p>Do you have additional clarifying questions that need to be answered to support your understanding?</p> <p>Do you feel anything was missed or would present a significant obstacle or impact with this option?</p> <p>If yes, please be as specific as possible.</p>	<p>Capital Power submits that the concepts proposed in the Peak Contribution Rate will have limited benefits over what is currently embedded in the rate design. Moving to a more granular locational system, where cost drivers are still driven by regional peaks, will have similar outcomes to the current system. The outcome will include significant cost avoidance and cross-subsidization between customer classes as loads shift consumption in response to discrete hourly price signals. Efficiency and cost benefits of this system will not be materially different from the current tariff design.</p> <p>As the AESO notes in their material, it is also not clear that peak load by region is an appropriate proxy for flows on the system. Therefore, it is questionable whether the</p>

		<p>added cost to implement a system that has no material benefits over the current design is warranted.</p> <p>Finally, without additional definition of the AESO’s proposed locational categorization and cost drivers, it is also premature to conclude that the Peak Contribution Rate fits within the legislative framework in the province.</p>
3.	<p>Please comment on the pros, cons and tradeoffs of <b>Option 2: Rate Reflects Benefits</b>.</p> <p>Do you have additional clarifying questions that need to be answered to support your understanding?</p> <p>Do you feel anything was missed or would present a significant obstacle or impact with this option?</p> <p>If yes, please be as specific as possible.</p>	<p>Capital Power supports the underlying principle in the proposed rate design that establishes there is value to all transmission-connected customers from a grid connection and there should be a charge that is proportional to the benefits.</p> <p>While this principle is important, it is also critical to include this consideration in the previously noted analysis of self-supply. It is essential to understand the opportunities available to loads to self-supply and disconnect, or alternatively self-supply to avoid costs while continuing to receive benefits from the transmission system. The rate charged for benefits received should be one consideration in the AESO’s efforts to ensure a competitive all-in cost of power that keeps loads connected to the system and attracts new customers to the province.</p> <p>It may be appropriate to consider a range of rate design options based on the types of service received and the value derived by a variety of customer classes. This could include a variety of rate design options beyond a single fixed demand charge.</p> <p>The categorization described by the AESO – based on whether facilities are load/multi-use or to enable a competitive market – is not clearly defined. How this is implemented and used to derive a rate requires clarification.</p>
4.	<p>Please comment on the pros, cons and tradeoffs of <b>Option 3: Hybrid – Rate Reflects Cost and Benefit</b>.</p> <p>Do you have additional clarifying questions that need to be answered to support your understanding?</p> <p>Do you feel anything was missed or would present a significant obstacle or impact with this option?</p> <p>If yes, please be as specific as possible.</p>	<p>The AESO notes that the Fixed Plus Peak Contribution Rate will “[c]harge assets for load on [a] fixed basis and assets for generation on [a] peak charge”. The AESO notes this will balance price signals and fairness. Capital Power submits that this statement requires additional detail on how this would be applied. Similarly, for the vast majority of assets that serve multiple functions, the AESO’s proposed implementation for this approach requires clarification.</p> <p>As a hybrid design based partially on the previous rate options, this approach inherits many of the uncertainties, benefits and drawbacks from the other rates. This includes the approach used in the Fixed Contribution Rate to categorize transmission assets based on whether they are load/multi-use or whether they enable a competitive</p>

		<p>market. More detail is required to understand the AESO’s intentions in this respect.</p>
<p>5.</p>	<p>How effectively do you feel <b>Option 1: Rate Reflects Costs</b> meets the five Tariff Design Objectives? Please be as specific as possible.</p>	<p><b>Absent additional detail on the categorization, cost drivers and implementation, the following comments are simply a preliminary assessment of the expected performance against the AESO’s criteria.</b></p> <p><b>Effective Long Term Price Signals</b> – the approach provides limited incentive to change behavior in a way that provides long term benefits to system/regional costs or efficiency.</p> <p><b>Facilitate Innovation and Flexibility</b> – the proposed design is indistinguishable from the current design in many respects. There will be limited improvements to the tariff’s agility, optionality, or facilitation of innovation.</p> <p><b>Reflect Accurate Costs of Grid Connection and Services</b> – the proposed design will not reflect the value of a grid connection, nor will in consider the alternatives available to loads to disconnect from the system. Fairness is a known issue that arises from a rate design that encourages behavioral changes in response to a narrow and predictable peak demand charge.</p> <p><b>Explore Options within Legislation and Regulation</b> – without additional detail on the AESO proposal, it is not clear that the locational aspects discussed will fit within the legislative framework in Alberta.</p> <p><b>Path to Change that is Effective and Minimally Disruptive</b> – the approach is largely consistent with the current tariff design. Costs incurred to implement this, without material benefits accruing to the system, will do more harm than good as additional costs are embedded in rates.</p>
<p>6.</p>	<p>How effectively do you feel <b>Option 2: Rate Reflects Benefits</b> meets the five Tariff Design Objectives? Please be as specific as possible.</p>	<p><b>Absent additional detail on the categorization, cost drivers and implementation, the following comments are simply a preliminary assessment of the expected performance against the AESO’s criteria</b></p> <p><b>Effective Long Term Price Signals</b> – the fixed nature of the rate will provide no incentive to modify behavior and limit consumption. Should the fixed cost grow too</p>

		<p>large, loads will have added incentive to disconnect from the system.</p> <p><b>Facilitate Innovation and Flexibility</b> – a single fixed charge has limited ability to incent innovation or provide optionality to customers.</p> <p><b>Reflect Accurate Costs of Grid Connection and Services</b> – adding a rate design that considers services received from the grid connection is important. However, it cannot be added at the expense of a proper consumption signal.</p> <p><b>Explore Options within Legislation and Regulation</b> – while it may fit within the legislative framework, when considered as a rate design in isolation, it provides limited incremental benefits above the current rate design.</p> <p><b>Path to Change that is Effective and Minimally Disruptive</b> – without additional detail on the approach to implementation and outcomes, it is not clear how effective and/or disruptive the approach may be.</p>
7.	<p>How effectively do you feel <b>Option 3: Hybrid – Rate Reflects Cost and Benefit</b> meets the five Tariff Design Objectives?</p> <p>Please be as specific as possible.</p>	<p>As a hybrid rate, the proposed rate design inherits the benefits and drawbacks described above. Additional detail of the categorization, cost drivers, and implementation is needed to thoroughly assess the rate design option against the stated criteria.</p>
8.	<p>Do you have additional clarifying questions that need to be answered to support your understanding of the Tariff Design Objectives and corresponding assessment of the three Tariff Design Options presented at the session? If yes, please be as specific as possible.</p>	<p>As the AESO becomes aware of potential changes to the schedule for filing their application as a result of the current pandemic, it will be important to share this with stakeholders in a timely manner.</p>
9.	<p>Additional comments</p>	<p>Capital Power has no additional comments at this time.</p>

Thank you for your input. Please email your comments to: [tariffdesign@aeso.ca](mailto:tariffdesign@aeso.ca).