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:**	Matthew Davis
Comments From:	Capital Power	**Phone:**	403.540.6087
Date:	2021/04/15	**Email**:	mdavis@capitalpower.com

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?	Capital Power appreciates the opportunity to provide comments on the March 25, 2021 stakeholder session. The session was useful in that it provided the AESO a forum to explain their preferred rate design and the opportunity for stakeholders to ask questions. However, the material provided was limited and did not sufficiently support the AESO's preferred rate design. This was evident in the stakeholder questions, where numerous attendees requested further analysis or evidence to support the proposed rate design. Given this, Capital Power recommends the AESO complete further analysis and provide this information to stakeholders prior to submitting the rate design for AUC approval.
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?	Capital Power has no comments at this time.

3.	Are you supportive of the AESO's preferred rate design? Why or why not?	Capital Power is not supportive of the AESO's preferred rate design at this time. While Capital Power is supportive of the AESO's objective to move away from the current 12-CP model which has been identified as eroding billing determinants and incentivizing self-supply / grid defection, the AESO's preferred rate design fails to accomplish this objective. In fact, it could exacerbate the issue as it encourages energy and capacity bypass and a distortion of the market. There are a significant number of net-metered and self-supply/export customers in Alberta currently managing their transmission costs by responding to the incentive that 12-CP generates. Capital Power is concerned that rather than maintaining grid connected customers, the AESO's preferred rate design will continue to result in level playing field concerns as the tariff signals will continue to drive customers to develop less efficient generation on-site to avoid the additional energy-related transmission costs. This likely commercial response of these net-metering customers to the signals sent by the proposed rate design is notably absent in the AESO's analysis and is of concern because it will result in further cost-shifting to less responsive loads and is contrary to cost responsibility and causation principles. Finally, Capital Power re-iterates its support for rate design mitigation approaches over billing adjustments that the AESO is proposing here. As discussed in Capital Power's January 12th submission in response to the AESO's fourth stakeholder engagement session, bill adjustments are less aligned with FEOC principles, particularly permanent reductions, and appear more arbitrary than a mitigation approach based on rate design. Capital Power looks forward to further discussion of the AESO's proposed mitigation approach in the upcoming sixth stakeholder session. Respectfully, the amount of analysis provided by the AESO to support a full review and assessment by stakeholders of their proposal is inadequate, and as observed at the March 25th stakeholder session there remains numerous unanswered questions by stakeholders from all industry groups (generators, loads, wires owners, consumer groups etc.).

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	Capital Power provides the following comments: **Reflect Cost Responsibility** – The AESO's proposed change to its functionalization of transmission costs between bulk and regional demand related costs and those that facilitate in-merit energy is appropriate, but the decision to assign 100% of the in-merit costs to energy is problematic and should be reviewed. The AESO has not considered how customers will respond to the proposed tariff in their analysis. Customer behaviour may in fact lead to further billing determinant erosion and cost-shifting. In addition, the benefits that customers receive merely by connecting to the grid, like access to a reliable source of electricity and to the competitive wholesale market are not wholly captured in the AESO's preferred rate design. **Efficient Price Signals** – Capital Power is concerned the AESO did not consider how the preferred rate design impacts the energy-only market price signal, which is the signal that should incent generation investment in Alberta. As noted previously, Capital Power believes the preferred rate design will further incentivize investment in onsite generation as a means to avoid transmission costs. In addition, the AESO did not explain how the price signal will create an incentive for customers to alter their behaviour to avoid future transmission build. **Minimal Disruption** – Capital Power does not agree that the preferred rate design results in minimal disruption to customers that respond to 12-CP. Rather, it appears that the customers that respond heavily to 12-CP will be the most impacted. The AESO's rate design and/or mitigation options should reduce the impact on existing load to prevent load destruction and also attract new investment. **Simplicity** – Capital Power agrees that the AESO's preferred rate design is simple. However, it may be oversimplified in that it does not properly account for 1) net-metering or self-supply/export; 2) energy flows on transmission system during different times of day; 3) customer behaviour; 4) grid efficiency; and 5) impact to price signals. **Innovation and Flexibility** – Capital Power does not agree that the preferred rate design provides optionality while not pushing costs to other customers. The opposite is true – there is minimal opportunity for customers to innovate, and where they may be able to change their behaviour, costs are still being pushed to other customers.

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.	Capital Power reiterates its previous comments that the AESO and their consultant NERA revisit the allocation to the energy component of the proposal. Capital Power believes that facilitating in-merit energy is more complex than the simple assignment to energy infers. Further, the AESO should include how the proposed tariff will alter behaviour in the market as it is a balance to ensure that the energy-only market provides the appropriate signals to invest generation capacity.
6.	Please describe any areas in which you are aligned with the AESO's preferred rate design.	Capital Power supports the AESO's decision to retain an embedded cost approach as it best aligns with the need to recover already sunk investments.
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?	Capital Power appreciates the additional detail that the AESO released on April 13th, 2021. The future rate projections are valuable to ascertain how the AESO's proposed tariff could play out over time. The additional detail on the five-year average 12 CP also assists in answering outstanding questions regarding that aspect of the AESO's proposal.
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.	Capital Power believes that the AESO must provide more information on how DOS could be modernized to fully comment on the AESO's proposal. It is important that the development of an opportunity service must be technology neutral (i.e. should equally be available to other interuptable loads). While DOS 7 appears to be the term of DOS that could be most appropriate for many ES applications, in interacting with the AESO's revised tariff, it could result in curtailable intra-AB storage being charged a higher tariff than exports for the same, if not more flexibility in responding to system events. Capital Power suggest that the AESO when developing new opportunity service(s) include a comparison to export opportunity service (XOS). Based on the limited use of DOS that exists today, Capital Power considers it unlikely energy storage assets would find it economic under the current eligibility requirements.

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?	Subject to additional details that Capital Power expects as the AESO articulates its revisions to opportunity service, several of the existing terms and conditions will likely require consideration. These include: • *Qualification:* for investment certainty, it is important to understand early in the project development cycle what costs are to be expected. • *Annual Term:* Development will require more than a single year of certainty on whether a project is subject to opportunity service or full DTS. • *Potential loss of system access:* Capital Power would need to better understand the consequences of what would occur to a project that was under DOS if a DTS customer connects as well. • *Compliance:* Current terms around revocation of DOS qualification for non-compliance may need to be addressed. Should a market participant under a future opportunity service rate be subject to dispatch by the system controller then Capital Power would expect that “must comply” obligations would apply as with any other market participant. Further, the AESO has indicated a desire for any future opportunity service to not erode DTS, Capital Power continues to suggest that the AESO evaluate how market participation can be used to further this issue as inherently, any sink asset that has a bid in the merit order is subject to receiving directions from the system controller to curtail under varying circumstances. This may further encourage the “full-range” market participation from energy storage assets that the AESO aspires to through their energy storage market participation initiative.
10	Do you have any comments on the AESO’s targeted engagement approach for mitigation discussions?	While Capital Power views rate design-based mitigation as more appropriate under FEOC than targeted billing adjustments, it does appreciate the AESO’s efforts to work with customers with a larger impact to develop and identify consistent mitigation options that will be shared in a transparent manner with the broader stakeholder community. Capital Power looks forward to those options being shared at the upcoming sixth engagement session.

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	Capital Power suggests that the AESO also consider the benefits/drawbacks of each proposed mitigation options. These should be expanded to include the benefits/drawbacks on the entire system and not just the customer that the mitigation option is being applied to. Providing this information will assist the broad stakeholder group in their assessment of the options and ensure that cost responsibility is being maintained.
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.	While it is premature to comment on the mitigation options that have yet to be identified, as previously discussed, Capital Power cautions against the use of permanent mitigation measures. This would perpetuate an unlevel playing field for transmission customers.
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?	Capital Power supports rate design mitigation over bill adjustment mitigation. As previously noted, the use of bill adjustments is more arbitrary and less aligned with FEOC principles. Outside of modernizing opportunity service, the AESO's current approach does not appear to create mitigation options that would be based on rate design. Baring a change in the AESO's approach, Capital Power suggests that transparency and consistency be applied when developing mitigation options.
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?	Capital Power has no comments at this time.

15	Do you have any additional implementation considerations the AESO should consider?	Capital Power believes that transitioning from the 15-minute to hourly CP interval are reasonable and will provide more alignment with market settlement which is hourly.
16	Do you have additional clarifying questions that need to be answered to support your understanding?	Capital Power would like to better understand the AESO's expected regulatory timelines and when the AESO would expect any new tariff to come into effect. Of particularly interest is to what extent can opportunity service modernization be separated from the rest of the AESO's proposed tariff modernization. Capital Power would re-iterate its previous comments that much of the opportunity service effort can be separated from the broader bulk and regional tariff application. Further, given that there is only one planned consultation session between now and the expected filing date, Capital Power is concerned that there is insufficient time in the consultation process to test what the AESO develops in its modernization of opportunity service. This could lead to in-efficiencies as the AESO's recommendation will have to be tested in front of the commission and not through stakeholder consultation.
17	Additional comments	Capital Power appreciates the AESO's transparency in providing the AUC staff questions. Should the AESO choose to respond to any of the questions, Capital Power would expect the same level of transparency with stakeholders as currently demonstrated.

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