

# Stakeholder Comment Matrix – March 25, 2021

## Bulk and Regional Tariff Design Stakeholder Engagement Session 5



<b>Period of Comment:</b> March 25, 2021 through April 15, 2021 <b>Comments From:</b> Conoco Phillips Canada <b>Date:</b> 2021/04/15	<b>Contact:</b> Blair Wood <b>Phone:</b> 403 532 3575 <b>Email:</b> Blair.wood@conocophillips.com
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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](mailto: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?	Yes, the session was valuable. A smaller group breakdown would be helpful, if possible, with available technology, to allow for a more fulsome conversation with stakeholders.
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?	Yes, the session was valuable. It was helpful to hear more comments from participants since the previous session had a stronger focus on AESO presentations.
3.	Are you supportive of the AESO's preferred rate design? Why or why not?	Conoco is not supportive of the proposed rate design. The approximate 500% increase in the variable energy rate does not match the fixed nature of incurred transmission costs. The proposed design should be altered to reflect cost causation more accurately.

	Questions	Stakeholder Comments
4.	<p>Do you believe the AESO's preferred rate design meets the AESO's rate design objectives? Why or why not?</p> <ul style="list-style-type: none"> <li>a) <u>Reflect Cost Responsibility</u> (Cost recovery is based on cost causation, reflecting how transmission customers use the existing grid*)</li> <li>b) <u>Efficient Price Signals</u> (Price signal to alter behavior to avoid future transmission build)</li> <li>c) <u>Minimal Disruption</u> (Customers that have responded to the 12-CP price signal and invested to reduce transmission costs are minimally disrupted)</li> <li>d) <u>Simplicity</u> (Simplicity and clear price signals while achieving design objectives)</li> <li>e) <u>Innovation and Flexibility</u> (ISO tariff provides optionality for transmission customers to innovate while not pushing costs to other customers)</li> </ul> <p>*AUC Decision 22942-D02-2019  **Proposed rate design must fit within current legislation</p>	<p>No, Conoco does not believe the AESO's proposed design meets the rate design objectives. When the AESO splits energy and demand charges, it does so based on the total amount of load and generation. Generation is higher, and the AESO's design implies that therefore transmission has been constructed for generation and this should lead to an energy charge.</p> <p>Some system projects were built for primarily for generation and others primarily for load, but most of the transmission rate base was constructed as CTI projects. Since the CTI projects were required by legislation, it is not clear the purpose for each CTI project. The AESO's proposed design assumes a clear distinction in the rate base, but the cost causation of factors influencing rate base growth is actual very unclear. Assuming that energy charges should be increased based upon the AESO's simplistic analysis does not reflect reality or true cost causation.</p> <p>Transmission costs in Alberta are primarily fixed in nature. Future growth of the transmission system is not expected with forecasted muted load growth and limited new transmission is therefore required. Continuing with a strong coincident peak signal and a new high energy charge does not reflect this reality and given these facts, it is confusing why the AESO has chosen its rate design.</p> <p>The remaining objectives cannot be met if the cost causation principle is not achieved. Conoco therefore cannot support the AESO's preferred rate design.</p>

5.	<p>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.</p>	<p>Conoco expects that in the future as renewables expand, and other types of generation are required to balance renewables intermittency, the AESO's proposed design will continually shift more costs onto energy (since total generation will increase as compared to load). The focus on energy in the proposal will likely lead to ever increasing energy charges. It would be helpful if the AESO would adjust its forecasted future energy charges in its rate forecast given the significant future build of renewables.</p> <p>The design should be altered to reflect the fact that wires costs are fixed. Drastically increasing the energy charge is therefore not justified and should be modified, perhaps to a non-coincident peak charge.</p> <p>A non-coincident peak charge would also support an objective of reducing uneconomic bypass as compared to an energy charge, since customers attempting to reduce transmission charges by installing generation will not be credited for each MWh produced.</p>
6.	<p>Please describe any areas in which you are aligned with the AESO's preferred rate design.</p>	<p>NA</p>
7.	<p>Are the assumptions the AESO used for the rate impact reasonable? Is there additional information that would help improve your understanding of rate impacts?</p>	<p>NA</p>
8.	<p>Are you supportive of the AESO's consideration of modernizing DOS, including its suitability for an energy storage charging capacity? Why or why not?</p> <p>And if so, provide your comments on the consideration of the AESO's DOS eligibility requirements, including for energy storage.</p>	<p>The AESO's preferred design will inappropriately increase the variable portion of the AESO tariff. This will in turn drastically increase the DOS charge. The AESO has shown that DOS rates will increase by about 300%. If the AESO proceeds as planned, the proposed change to the DOS rate is likely to prove to be a futile exercise. Few energy storage firms will build facilities if the DOS rate charged is exorbitant.</p> <p>Since export rates are similarly impacted with an increase in the energy charge the AESO should share the calculated rate for exports in its consultation.</p>

9.	<p>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).</p> <p>How might those components of DOS be improved?</p>	NA
10	<p>Do you have any comments on the AESO's targeted engagement approach for mitigation discussions?</p>	<p>The AESO is representing all ratepayers in these discussions since any concessions made will be paid for by the remaining customers. Given this, the AESO must clearly show each targeted rate exception and its justification.</p>
11	<p>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.</p> <ol style="list-style-type: none"> <li>1. <u>Limit the rate impact for customers</u>: Mitigate rate impact to under 10 per cent increase to a party's transmission bill for initial stage of transition</li> <li>2. <u>Adapt with design and rates</u>: Ensure options are adaptable to changes to the proposed design and forecast rates</li> <li>3. <u>Consistent application</u>: Mitigation options can be applied consistently across all impacted loads and not be individually defined</li> <li>4. <u>Administrative simplicity</u>: Feasible to implement with current tools and systems</li> <li>5. <u>Mutually acceptable</u>: Account for feedback from broad stakeholder group</li> </ol>	<p>The AESO should add transparency to the list of objectives. The AESO must show clear justification to stakeholders and the Commission for any mitigation proposed.</p>
12	<p>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.</p>	NA

13	<p>Are you in favour of some type of mitigation? Why or why not?</p> <p>If you are in favour of some type of mitigation, how would you assess whether a proposed mitigation approach is acceptable?</p>	<p>Yes, some form of mitigation is reasonable. Conoco supports short term mitigation for significant cost increases (over 10% of total energy and transmission charges combined). All mitigation must be complete within a reasonable timeframe (less than 3-5 years). Customers that require mitigation in the longer term to allow their business to be economic may need to apply for other rates, such as DOS.</p>
14	<p>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?</p>	<p>It is reasonable to allow for a contract reset period since over time, PILON costs will substantially increase. It is not clear why it is important that a customer not change its contract level in the last five years to receive this benefit.</p> <p>It would be helpful for the AESO to release an updated PILON calculator based upon its preferred design, perhaps with example calculations. It is clear that once the 5-year rolling average CP rate is implemented, PILON rates for most customers will substantially increase.</p>
15	<p>Do you have any additional implementation considerations the AESO should consider?</p>	<p>NA</p>
16	<p>Do you have additional clarifying questions that need to be answered to support your understanding?</p>	<p>NA</p>
17	<p>Additional comments</p>	<p>The Commission clarified its rate expectations in the final distribution inquiry report. The AESO must ensure that its rate proposal aligns with the Commissions thoughts included in this report. Conoco views the current preferred rate alternative as not in alignment with these expectations.</p>

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