

# Stakeholder Comment Matrix & Proposal Evaluation – Nov. 5, 2020

Bulk and Regional Tariff Design Stakeholder Engagement Session 3



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| <b>Period of Comment:</b> Nov. 5, 2020 through Nov. 20, 2020 | <b>Contact:</b> Blair Wood                  |
| <b>Comments From:</b> Conoco Phillips Canada                 | <b>Phone:</b> 403 532 3575                  |
| <b>Date:</b> 2020/11/20                                      | <b>Email:</b> Blair.wood@conocophillips.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 evaluation to [tariffdesign@aeso.ca](mailto:tariffdesign@aeso.ca) by **Nov. 20, 2020**.

*The AESO is seeking comments from Stakeholders on Session 3 and the preferred rate design option proposals. Please be as specific as possible with your responses.*

| Questions  | Stakeholder Comments  |
|--|---|
| <p>1. Please comment on Session 3 hosted on Nov. 5, 2020. Was the session valuable? Was there something the AESO could have done to make the session more helpful?</p> | <p>This session was an excellent opportunity for participants to provide alternatives for the tariff design of the bulk and regional system. Unlike previous sessions, several participants took the opportunity to provide alternatives and debate pros and cons.</p> <p>An area that is missing is having the AESO present its reasoning and evidence for moving away from the current 12 CP methodology. This would provide participants with a shared understanding of the information and context of the session. In order to gain this insight it would be useful to invite AESO planning team members to future sessions to provide information on factors that inform the planning process. It would also be helpful for the AESO to share its assessment on the risk of customers installing generation to mitigate transmission costs and the likelihood of this outcome if the rate design is not altered.</p> <p>It is clear to Conoco that building a consensus on one particular preferred alternative is unlikely. Some parties have grouped together according to their shared interests, but it appears likely that the AESO will not find full consensus on</p> |

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|   | <p>their final proposed change to bulk and regional rates. It therefore makes sense to have the AESO choose and file its preferred approach with the AUC as soon as possible.</p>   |
| <p>2. Please complete <b>Table 1: How Did Each Proposal Achieve the Rate Design Objectives</b> for each of the proposals presented at Session 3.</p>  |   |
| <p>3. Which rate design option proposal, including the AESO's bookends A and B presented at Session 2, did you prefer? Why?</p>   | <p>Conoco prefers the CWSAA, UCA, AML, Conoco proposal, which utilizes a monthly unratcheted NCP for the bulk charge, combined with a proposed grandfathering plan. The current bulk system has been characterized as overbuilt and therefore significant future development of the bulk system is unlikely. Therefore a strong price signal provided by the 12 CP method is not useful, other than to the Market Participants that respond in order to reduce their monthly tariff charge. Consequently, a customer that responds to the CP signal is simply transferring costs to other customers, creating a cross-subsidization concern. Conoco is concerned that this cost transfer is occurring at an accelerating pace as more DG and site generation connect.</p> |
| <p>4. Does your preferred proposal meet all the rate design objectives?</p> <p>If not, what trade-offs does your preferred proposal create between the rate design objectives?</p> <p>Why are those trade-offs appropriate?</p> | <p>It is the view of Conoco that the CWSAA, UCA, AML, Conoco proposal meets all rate design objectives. There may be a tradeoff in this proposal in balancing a price signal with having a tariff that does not encourage cross subsidization. If the transmission bulk system is considered to be fully built out, the need for an efficient price signal for loads is muted. A key consideration must be creating a rate design that does not encourage inefficient action, such as installing generation with a primary purpose of avoiding tariff charges.</p>  |
| <p>5. Which stakeholders are best served (or least impacted) by your preferred proposal? Why?</p>   | <p>With a unratcheted NCP bulk charge, firm load customers will have slightly lower transmission costs than the current design and a reduced risk of a death spiral which may be caused by customers installing generation simply to avoid the bulk charge. It is likely that most Cogen customers will not be significantly impacted by an unratcheted NCP design since most of these customers use the bulk system for their loads as a back-up supply. Therefore these Cogen sites will experience little change in moving to NCP from the current rate design. Maintaining a positive environment for Cogen should be a key consideration in the rate design since Cogen is the most efficient form of gas generation and the current</p>                             |

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|  | <p>regulatory framework has been highly successful in attracting new Cogen facilities. In the event that some Cogen sites are impacted by the proposed NCP design, the Grandfathering proposal will mitigate these rate impacts at least in the short to medium term.</p>   |
| <p>6. a) Which stakeholders are most impacted by your preferred proposal? Why?<br/>b) What mitigations, if any do you recommend for those who would be impacted by your preferred proposal?</p>                          | <p>Price responsive and CP responsive customers will be substantially affected by a change to NCP. These customers rely upon responding to a limited number of hours to reduce their monthly transmission charge. The NCP method will not allow them to escape bulk charges through a limited response. However, these customers may have a future opportunity to provide non-wires solutions in areas of the Province that need regional transmission infrastructure. In addition, the proposed grandfathering option will mitigate any rate impacts to the existing price and CP responsive customer group, at least in the short to medium term.</p>   |
| <p>7. a) How would energy storage resources be treated in your preferred proposal?<br/>b) Does your preferred proposal include specific elements in relation to tariff treatment for energy storage? Why or why not?</p> | <p>Conoco's current joint proposal with other parties does not comment on how energy storage resources should be treated. After review of comments in the recent session on storage, Conoco agrees, in principle, that storage should receive a separate rate that recognizes its distinct value to the system and therefore incentivizes it to be built, particularly in its ability to defer regional system construction. However, storage should not, as some participants have proposed, not pay a contribution to load tariff charges. Conoco recommends that the AESO create an interruptible opportunity rate that is similar to DOS or Export service. This will allow for the development of storage and benefit all customers.</p> |
| <p>8. What are the challenges or unresolved questions with your preferred proposal?</p>  | <p>The grandfathering proposal needs definition. The AESO is the correct party to assess grandfathering options through a thorough analysis of rate impacts. Conoco encourages the AESO to propose grandfathering options that could be commented on by stakeholders.</p>   |
| <p>9. Additional comments</p>  | <p>The AESO should continue with its current timeline and file a proposed design by March 31, 2021 without further delay. The bulk and regional rates cover 70% of the AESO tariff and delays to filing this design create substantial regulatory risk to current and potential future market participants. In order to minimize this red tape and regulatory burden and uncertainty the AESO should move expeditiously with its filing.</p>  |

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

**Table 1: How Did Each Proposal Achieve the Rate Design Objectives**

| Objective                          | Description   | Example | Proposal 1<br>ADC, DUC<br>and IPCAA | Proposal 2<br>Energy<br>Storage<br>Canada | Proposal 3<br>CWSAA,<br>UCA, AML,<br>and Conoco | Proposal 4<br>CCA | Proposal 5<br>CanREA | Proposal 6<br>RMP Energy<br>Storage | Proposal 7<br>Suncor<br>Energy Inc. |
|------------------------------------|---|---------|-------------------------------------|---|---|-------------------|----------------------|-------------------------------------|-------------------------------------|
| <b>Reflect Cost Responsibility</b> | Cost recovery is based on the benefit and value transmission customers receive from the existing grid                     |         |                                     |   |   |                   |                      |                                     |                                     |
| <b>Efficient Price Signals</b>     | Price signal to alter behavior to avoid future transmission build   |         |                                     |   |   |                   |                      |                                     |                                     |
| <b>Minimal Disruption</b>          | Customers that have responded to the 12-CP price signal and invested to reduce transmission costs are minimally disrupted |         |                                     |   |   |                   |                      |                                     |                                     |
| <b>Simplicity</b>                  | Simplicity and clear price signals while achieving design objectives  |         |                                     |   |   |                   |                      |                                     |                                     |
| <b>Innovation and Flexibility</b>  | ISO tariff provides optionality for transmission customers to innovate while not pushing costs to other customers         |         |                                     |   |   |                   |                      |                                     |                                     |

**\* Proposed rate design must fit within current legislation \***

| Legend | Achieves objective | Potentially achieves objective with modification | Partially achieves objective | Potentially partially achieves objective with modification | Does not achieve objective |
|--------|--------------------|--|------------------------------|--|----------------------------|
|        |                    |  |                              |  |                            |