

Stakeholder Comment Matrix – Dec. 10, 2020

Bulk and Regional Tariff Design Stakeholder Engagement Session 4



<p>Period of Comment: Dec. 10, 2020 through Jan. 12, 2021</p> <p>Comments From: DCG Consortium</p> <p>The DCG Consortium is comprised of the following members: BluEarth Renewables Inc., Canadian Solar Solutions Inc., Elemental Energy Renewables Inc., Irricana Power Generation, RWE Renewables Canada Holding Inc. and Siemens Energy Canada Limited. This submission represents the consensus view of the group and is submitted on behalf of the group by Power Advisory LLC.</p> <p>Date: 2021-01-12</p>	<p>Contact: Christine Runge (Power Advisory)</p> <p>Phone: 403-613-7624</p> <p>Email: crunge@poweradvisoryllc.com</p>
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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 by **Jan. 12, 2021**.

The AESO is seeking comments from Stakeholders on Session 4. Please be as specific as possible with your responses. Thank you.

	Questions	Stakeholder Comments
	Initial Comment	<p>The DCG Consortium has participated in this consultation based on the impact changes to the bulk and regional rates will have on DCG Credits. The Commission has recently initiated the DCG Credit Module for Fortis' Phase II Distribution Tariff Application (Proceeding 26090) which will consider whether DCG Credits should continue to be included in a distribution utility's tariff. Until the resolution of that proceeding, the DCG Consortium will continue to participate in this consultation on the assumption that there will continue to be a relationship between the DCG Credits and the bulk and regional rates.</p> <p>The DCG Consortium continues to be of the view that this consultation should be put on hold until a review of the <i>Transmission Regulation</i> takes place and resolution is achieved on a number of ongoing regulatory proceedings, including but not limited to the Distribution System Inquiry (Proceeding 24116) and Proceeding 26090 (collectively, the "Ongoing Matters").</p>
1.	Please comment on Session 4 hosted on Dec. 10, 2020. Was the session valuable? Was there something the AESO could have done to make the session more helpful?	
2.	Do you have a view on whether an embedded or marginal cost allocation approach will more appropriately meet the AESO's rate design objectives? Why?	

<p>3. a) Do you have a preference for any of the mitigation options presented at Session 4? Why or why not?</p> <p>b) Do you know of any additional mitigation options that have worked in other contexts and might be applicable here. Please specify.</p> <p>c) What do you think the AESO's needs to achieve with its mitigation(s)? Why?</p>	<p>The preference of the DCG Consortium was expressed in its comments to Session 3. Those comments are repeated here for ease of review:</p> <p>“Further, in the event that the AESO is filing for changes to its bulk and regional tariff design in 2021, the DCG Consortium supports the use of a grandfathering mechanism that protects investments that have been made in response to the existing tariff design. This would include grandfathering of both load customers as well as DCGs that have responded to the DCG Credits. If a grandfathering mechanism is considered to be overly complex, a transitional mechanism would be an acceptable substitute.”</p> <p>“A grandfathering approach is preferable to a transitional mechanism as it allows companies that have made substantial investments in response to the existing tariff to earn a return on those investments whereas a transitional mechanism will limit the benefits available to those companies.”</p> <p>This grandfathering approach allows existing DCGs to continue to operate under the regime under which these developers initially brought forward their generation projects, which is both just and reasonable. These comments reflect the DCG Consortium’s preference for a permanent grandfathering of past rates for existing customers that have made substantial capital investments in response to the current tariff signals. This was not one of the AESO’s five proposed mitigation options outlined on slide 56.</p> <p>Of the AESO’s five options, the DCG Consortium prefers either the permanent bill reduction approach, described as “Bill increase of no more than X%” or the “phase in tariff charges” approach from AESO slide 56.</p> <p>Applied to DCGs, the permanent bill reduction would prevent DCG Credits from decreasing by more than X% permanently. In order to provide fully informed feedback on this approach, the DCG Consortium needs to understand the AESO’s expectation of the magnitude of “X”. The DCG Consortium suggests a low level of X that sufficiently prevents material disruptions to investments.</p> <p>Similarly, when discussing the phase in of tariff charges, the DCG Consortium needs to understand over how many years the AESO is considering this phase in. The DCG Consortium suggests a phase in term that is sufficiently long to prevent material disruptions to investments.</p> <p>Overall, DCGs are currently facing a significant level of uncertainty regarding the DCG Credits given the initiation of Proceeding 26090 and this consultation. The uncertainty as a result of the Ongoing Matters represent potential material changes to DCG Credits which increase investor risk and impairs future investment in the Alberta electricity market.</p>
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<p>4. Are you supportive of the areas of agreement presented at Session 4? Why or why not? The areas of agreement presented include:</p> <p>Efficient Price Signals</p> <ul style="list-style-type: none"> • Price signals matter <ul style="list-style-type: none"> ○ Tariff charges provide incentives for customer behavior <p>Cost Responsibility</p> <ul style="list-style-type: none"> • Recognize that more than just load behavior drives transmission development • We are dealing with an evolving system <ul style="list-style-type: none"> ○ Current and future use may differ from what was that originally planned <p>Minimal Disruption</p> <ul style="list-style-type: none"> • Transmission costs have risen <ul style="list-style-type: none"> ○ Tariff charges are more important now than ever before • Minimize disruption, mitigate rate shock <ul style="list-style-type: none"> ○ It is not in anyone's interest to reduce the number of ratepayers 	<p>The DCG Consortium agrees with the statements included on the areas of agreement slide from the presentation.</p>
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<p>5. Are you supportive of the areas of disagreement presented at Session 4? Why or why not? The areas of disagreement presented include:</p> <p>Efficient Price Signals</p> <ul style="list-style-type: none"> • Are status quo price signals are efficient? <ul style="list-style-type: none"> ○ Price signals in tariff have reduced the cost of energy to other load • Are price signals forward looking? <ul style="list-style-type: none"> ○ Price signals are efficient to the extent changes in customer behavior reduce the need for future transmission costs <p>Cost Responsibility</p> <ul style="list-style-type: none"> • Is the primary objective cost causation, or cost responsibility? • Does the initial rate design still achieve goal of cost causation since transmission costs have risen and load behaviour has not influenced those costs? <p>Minimal Disruption</p> <ul style="list-style-type: none"> • Now is not the time for change or time to stop the bleeding? <ul style="list-style-type: none"> ○ Economic climate, policy uncertainty, change impacts a few very negatively and many slightly positively • Does rate mitigation need to be permanent or will customers adapt if temporary? 	<p><u>Efficient Price Signals</u></p> <p>The AESO has not indicated how much the response to the 12CP tariff signal has reduced the costs of the transmission system over the past two decades. While we do not know the magnitude of the value, we do know that the response to that price signal – by price responsive load, self-suppliers, energy efficiency, and DCGs – has flattened Alberta’s overall load shape. This flattened load shape should have reduced the need for new transmission infrastructure over the past decade resulting in material cost savings to load customers in Alberta.</p> <p>Tariff price signals should be forward looking, <i>i.e.</i> the rates should be designed to incent desirable behavior in the future. This requires the creation of variable rates wherein response to those rates results in cost savings to the end use customer. The 12CP rate fits into this category. If it has been determined that the behaviour incited by the 12CP charge is no longer desirable, the AESO should determine the desirable future behaviour and set <u>variable</u> rates to incent that behaviour.</p> <p>The AESO should design its tariff rates with a focus on incenting desirable behaviour for future development, rather than changes to rates that punish decisions already made by investors (including both loads investing in load reduction or onsite generation and DCGs).</p> <p><u>Cost Responsibility</u></p> <p>Cost responsibility is difficult to reflect in rates without changes to the <i>Transmission Regulation</i>. Alberta has a transmission policy wherein load pays for the delivery charges, regardless of the original need for transmission development, in order to facilitate a competitive energy market and transparency regarding delivery charges vs. energy charges. Under this policy, the transmission tariff should be more heavily focused on efficient price signals as compared to cost responsibility. The rates should incent desirable behaviour where possible and accept the constraints of the existing <i>Transmission Regulation</i>.</p> <p><u>Minimal disruption</u></p> <p>The DCG Consortium commented on this point in its previous comment matrix where it stated:</p> <p>“The DCG Consortium strongly agrees with Proposal 1 that this is not the appropriate time to engage in a major tariff redesign. To foster investor certainty, when and if any change is made to the bulk and regional rates, the new rate structure should be maintained in that form for 10+ years prior to being revisited again. This is extremely unlikely to be the case if the tariff</p>
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		<p>is redesigned in advance of a review of the <i>Transmission Regulation</i> and resolution on a number of ongoing regulatory proceedings, including but not limited to the Distribution System Inquiry (Proceeding 24116) and the DCG Credit module for Fortis' Phase II application (Proceeding 26090) (collectively, the "Ongoing Matters")."</p> <p>"The DCG Consortium prefers Proposal 1. While the status quo may not be the best outcome in the long run, maintaining the status quo until the Ongoing Matters are resolved is the only responsible path forward. Investor certainty and regulatory efficiency require that we do not waste time debating a new tariff structure only to have it changed again quickly thereafter. Further, given regulatory lag (the AESO has noted that this tariff may be in place by January 1, 2023), this tariff design may never be fully put into place if a new <i>Transmission Regulation</i> comes into place part way through the regulatory process. The current <i>Transmission Regulation</i> is set to expire at the end of 2021."</p> <p>From a regulatory efficiency perspective, it would be desirable for Proceeding 26090 to be concluded prior to continuing with this consultation. However, until that proceeding is concluded, DCGs need to continue to participate in this consultation under the assumption that there may continue to be a link between these the bulk and regional rates and DCG Credits.</p> <p>Further, and as previously noted, in the bigger picture, this consultation should be put on hold under the government reopens and reviews the <i>Transmission Regulation</i>.</p>
6.	<p>Are there considerations that the AESO could include in its rate design proposal that would move you to at an area of agreement on any of the areas of disagreement (refer to question 5 above)? Please specify.</p>	

10	Do you have any comments on the AESO's proposed stakeholder engagement process, including the mitigation process, for the remainder of the Bulk and Regional Rate Design engagement?	<p>The DCG Consortium supports the release of a bill impacts tool prior to the final AESO session.</p> <p>The DCG Consortium continues to suggest this consultation be put on hold until the resolution of some or all of the Ongoing Matters.</p>
11	Do you have additional clarifying questions that need to be answered to support your understanding?	<p>(1) It is difficult to determine if there is a concern with the use of marginal rates without understanding the magnitude of those marginal rates. Please provide approximate example rates for this rate design similar to what was done previously (<i>i.e.</i> the AESO provided a workbook suggesting the regional 120CP would be set at approximately \$1,000/MW x 120 hours a year.)</p> <p>(2) As noted in response to question 3, in order to provide informed comments on the various mitigation proposals outlined on AESO slide 56, the AESO must provide values in place of the Xs. Specifically, the DCG Consortium is interested to know the number of years over which the AESO is considering a tariff phase in and the percentage of permanent bill reduction.</p>
12	Additional comments	

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