

Stakeholder Comment Matrix – March 25, 2021

Bulk and Regional Tariff Design Stakeholder Engagement Session 5



<p>Period of Comment: March 25, 2021 through April 15, 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., 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: 2021-04-15</p>	<p>Contact: Christine Runge (Power Advisory)</p> <p>Phone: 403-613-7624</p> <p>Email: crunge@poweradvisoryllc.com</p>
--	---

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?	
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?	
3.	Are you supportive of the AESO's preferred rate design? Why or why not?	

	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"> a) <u>Reflect Cost Responsibility</u> (Cost recovery is based on cost causation, reflecting how transmission customers use the existing grid*) b) <u>Efficient Price Signals</u> (Price signal to alter behavior to avoid future transmission build) c) <u>Minimal Disruption</u> (Customers that have responded to the 12-CP price signal and invested to reduce transmission costs are minimally disrupted) d) <u>Simplicity</u> (Simplicity and clear price signals while achieving design objectives) e) <u>Innovation and Flexibility</u> (ISO tariff provides optionality for transmission customers to innovate while not pushing costs to other customers) <p>*AUC Decision 22942-D02-2019 **Proposed rate design must fit within current legislation</p>	<p>The total energy charge is designed to account for congestion; however, congestion does not realistically have an equal probability of occurring in any of the 8,760 hours throughout a year. At a minimum, the AESO can safely design an on-peak and off-peak time frame that removes value from some hours, such as at nighttime and on weekends.</p> <p>This type of rate design is used elsewhere in Alberta. For example, ENMAX's D310 rate class contains an on-peak and off-peak charge where on-peak is defined on the rate sheet as "from 8 a.m. to 9 p.m. Monday to Friday inclusive, excluding statutory holidays." The AESO could create a similar definition that eliminates hours highly unlikely to contain congestion, therefore increasing the value of the energy charge in all remaining hours. This will result in a stronger price signal in hours with congestion.</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>	
6.	<p>Please describe any areas in which you are aligned with the AESO's preferred rate design.</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>	

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>	
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>	
10	<p>Do you have any comments on the AESO's targeted engagement approach for mitigation discussions?</p>	<p>The DCG Consortium understands that the implementation of the AESO's approved adjusted metering practice will impact DCG Credits for many DCGs in Alberta. The DCG Consortium further understands that the decision in Proceeding 26090 may change the methodology by which DCG Credits are calculated.</p> <p>However, it is also possible that DCG Credits remain unchanged or are changed at some point in the future but continue in their current form until a new DCG Credit mechanism can be approved by the Commission. In this case, changes to the bulk and regional rates will impact the magnitude of DCG Credit revenue to DCGs.</p> <p>The DCG Consortium encourages the AESO to consider the impacts of changes to the bulk and regional rates that may result in decreasing DCG Credits through the same lens which the AESO views increases to customer bills. Considered in this manner, any DCGs expected to experience rate shock in excess of 10% (i.e., a decrease in annual DCG Credit revenue by 10% or more) should be subject to any rate mitigation.</p>

<p>11</p>	<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"> 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 2. <u>Adapt with design and rates</u>: Ensure options are adaptable to changes to the proposed design and forecast rates 3. <u>Consistent application</u>: Mitigation options can be applied consistently across all impacted loads and not be individually defined 4. <u>Administrative simplicity</u>: Feasible to implement with current tools and systems 5. <u>Mutually acceptable</u>: Account for feedback from broad stakeholder group 	
<p>12</p>	<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>	
<p>13</p>	<p>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?</p>	<p>The DCG Consortium is supportive of bill impact mitigation for bill impacts >10%. As the DCG Consortium has commented many times in the past, a focus on investor certainty should be a key consideration in all significant regulatory and rule changes. If the regime changes frequently and/or drastically, this makes Alberta a difficult jurisdiction in which to invest, ultimately resulting in difficulties attracting capital into the province in the future. This applies both to industrial load customers and generation assets.</p> <p>Potential investors will consider the likelihood of major changes occurring in the future and will either determine that Alberta is likely to respect past investments and the regime under which that investment was made or will determine that it is simply too risky to bring capital to Alberta when there are many other jurisdictions to choose from.</p>

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?	
15	Do you have any additional implementation considerations the AESO should consider?	
16	Do you have additional clarifying questions that need to be answered to support your understanding?	

17	Additional comments	<p><u>The implication of a five-year average 12CP reduction on DCG Credits</u></p> <p>It is unclear if the AESO has thoroughly considered the implications of using a five-year average of 12CP in calculating DCG Credits. It is further unclear how a DFO would perform these calculations. In the consultation session, it was explained that the use of a five-year average 12CP response does not change the total savings, but does smooth them over five years, i.e., response to a 12CP hour in January will result in savings spread over the following five January bills. DCG Credits cannot ignore this fact. When a DCG generates under this five-year average approach, it will cause bill savings in that month's bill and also four additional monthly bills over the next five years.</p> <p>The DCG Credits cannot continue to be calculated in their current form, which consider only the impacts to that specific month's bill. A DCG needs to continue to be compensated for all of the savings it generates, which will occur over time under the AESO's proposal.</p> <p>(Please note that this comment is based on the fact that the current DCG Credits are based on the bulk and regional tariff and noting that Decision 26090 has not yet been released. However, even in the event that DCG Credits change as the result of that decision, a grandfathering or transitional period may continue to exist and DCG Credits should not be artificially decreased over a transition period based on this five-year average calculation.)</p> <p><u>Transition to a five-year average</u></p> <p>The AESO should further consider that the transitional period to the use of a five-year average will place increased importance on the ability to avoid a 12CP charge in the first few years of the new rate design.</p> <p>In the first year, the January 12CP charge will be based 100% on consumption during that time period. In the second year, the January 12CP avoidance from the first year will count for 50% and the January 12CP avoidance from the second year will count for 50%.</p> <p>In this way, while the steady state use of a five-year average will have each month count for 20% of a charge five times ($20\% \times 5 = 100\%$), the months in the first year will be weighted much higher ($100\% + 50\% + 33\% + 25\% + 20\% = 228\%$).</p> <p>As a result, failure to respond to a 12CP hour in the first year of this new rate design will have much more significant financial impacts than failure to respond to a 12CP hour in later years. The AESO may wish to consider a different transition mechanism under which the first year isn't so strongly weighted. One such option would be to fix the value of previous years at 20% from the beginning, i.e., in year 1, year 1 is 100% but in year 2, instead of 50%/50%, year 1 can be worth 20% and year 2 can be worth 80%. This would lower the value of year 1 from 228% to 180%.</p> <p>Any reduction in the first-year weight would help to lower the cost and risk of failure to avoid all net imports during a 12CP hour in the first year.</p>
----	---------------------	---

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