

Tariff Design for Capacity Market and Bulk and Regional Transmission Cost Allocation – Industry Update (March 13, 2019)

Period of Comment:	March 14, 2019	through	April 10, 2019	Contact:	Ed de Palezieux (Depal Consulting Limited)
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Please provide comments relating to the topics listed below in the corresponding box. For convenience, references to slides from the March 13 [Industry Update](#) where each topic was discussed are included in the table below. Please include any views about whether the content presented sufficiently addressed the topic, and provide any proposed alternative or additional approaches that should be considered.

Slides	Topic	Stakeholder comments
Tariff Design Consultation Process		
5-11	AESO tariff design consultation approach, scope, and process.	Devon appreciates the opportunity of participating on the Advisory group. The topics are difficult and the AESO is doing a good job of moving the conversation forward.
Capacity Market Cost Allocation Tariff Development Update		
15-20	Requirements of <i>Capacity Market Regulation</i>	No comment
21-22	Resource adequacy model and unserved energy	No comment
22	Distribution of expected unserved energy throughout the obligation period	No Comment
23-27	Bookend scenario analysis	The bookend analysis seems appropriate.
25	Observations on bookend analysis results	Results show that having a few hours, at a high price, with 300 MW of price responsive load coming off key hours, creates a very negligible reduction in Gross procurement volume of 37 MW or about 20 MW of UCAP. If the UCAP cost is about \$140,000/MW/year, then the savings is about \$2.8 Million. However, if the cost allocated to other loads was \$200/MWh, or \$12,000,000. So other loads pay the demand response load \$12 Millions to save \$2.8 Million. The AESO should define the test it will use to determine the importance of a price signal in determining its method of cost allocation.

Slides	Topic	Stakeholder comments
26	Objectives for cost allocation rate design	Do not agree that price signals should align with energy market and transmission tariff. However, it should be an objective to understand the alignment of all price signals and to seek an appropriate balance.
28-30	Development of 400-hr on-peak time block	Not clear how analysis led to 400 hours on-peak approach. Suggest that the AESO seek a consensus within the Advisory group on this key cost allocation decision.
31-32	Considerations for weights of time blocks	Should consider several rate options including aligning rates as per the actual RAM output.
33-34	Potential rate ranges	If the AESO uses a high on-peak cost allocation method it will create a strong price signal that will push costs between customer groups with minimal impact on procurement volume.
34	Appropriate range of weight ratios to consider	Further analysis and discussion are required. Price signal should be of less concern given the output of the bookend analysis.
35-38	Additional considerations for rates	If rate includes significant times for no capacity charge then Cogen units will be incented to take maintenance outages in these no capacity cost allocation periods. The AESO should assess the impact and benefits on the RAM model output of having Cogen units incented to come off in these periods.
39-43	Terms and conditions considerations	No comment
40	Regulation does not permit penalties or incentives	No comment
42	“Gross up” of POD metered volumes to adjust for distributed generation	Must ensure that DG is able to be net to the grid to ensure level playing field. DG behind the fence loads should be able to totalize generation and pay only incremental allocation of costs.
43	Preferred approach for deferral account true-up	Prefer prospective rider to true up costs as long as deferral balances are reasonable.
44	Allocation of capacity market costs to transmission losses	No Comment
45	Capacity market cost allocation remaining work	No comment
Update on Bulk and Regional Transmission Cost Allocation		
48-51	Bulk and regional transmission cost allocation current work, future work, and next steps	No comment
Additional Comments		

Slides	Topic	Stakeholder comments
—	Please add any additional comments related to tariff design for allocating capacity market and bulk and regional transmission costs should be considered.	