

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

Bulk and Regional Tariff Design Stakeholder Engagement Session 3



Period of Comment: Nov. 5, 2020 through Nov. 20, 2020	Contact: Mark McGillivray
Comments From: ENMAX Corporation	Phone: 403-689-6031
Date: November 20, 2020	Email: mmcgillivray@enmax.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 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
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?	The stakeholder session was valuable. ENMAX appreciated the opportunity afforded by the AESO for stakeholders to present their own options.
2. Please complete Table 1: How Did Each Proposal Achieve the Rate Design Objectives for each of the proposals presented at Session 3.	<p>ENMAX has not completed Table 1. In our view, none of the proposals have been studied in sufficient detail to understand both their direct effects and their potential unintended consequences.</p> <p>Due to the number of moving parts and potential for new policy directions (e.g., the Distribution System Inquiry, the treatment of self-supply and export, and possible changes to the <i>Transmission Regulation</i> [which expires at the end of 2021]), and the current economic challenges being faced by Alberta, major tariff changes are a concern.</p>

Questions	Stakeholder Comments
<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>Please see ENMAX’s response to Question 2.</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>The extent to which any proposal meets the rate design objectives cannot be determined without further study. Please see ENMAX’s response to Question 2.</p> <p>Regarding the rate design objectives, ENMAX has the following comments.</p> <p>Cost Responsibility: Under the AESO’s cost responsibility objective, “Cost recovery is based on the <i>benefit</i> and <i>value</i> transmission customers receive from the existing grid.” One possible interpretation of <i>value</i> in this context is that it includes physical comfort (heating, lighting, cooking, etc.), the ability to sell services, the ability to manufacture products, and the ability to convert electrical energy to another form, store it, and convert it back to electrical energy at a later time. Under this interpretation, the nature and magnitude of the value customers derive from their transmission connections should be irrelevant to tariff development. To avoid confusion with the value that customers receive directly from the transmission system (stable voltage, stable frequency, access to reserve generation, etc.), and to reflect that the AESO must recover the <i>cost</i> and not the <i>value</i> of the transmission system, this item might be rephrased in terms of the principle of cost causation which has been identified by the AUC as the paramount consideration in rate design.</p> <p>Efficient Price Signals: While price signals ideally help to avoid future transmission build, they should also encourage efficient use of existing infrastructure. Efficient price signals are one of the objectives of the <i>Electric Utilities Act</i>, and given the FEOC provisions of the legislative framework, must also be fair.</p> <p>Minimal Disruption: This is a “nice to have” objective: adherence to legislation clearly takes priority. That said, this objective supports ENMAX’s position that major tariff changes are premature. Given the plethora of moving parts noted above, major changes now might have to be followed many more major changes within a few years, which would be disruptive.</p>

Questions	Stakeholder Comments
	<p>Simplicity: This is a “nice to have” objective. Market participants should be sophisticated enough to understand and respond to tariffs and rules, even complicated ones. Simplicity is the lowest priority objective.</p> <p>Innovation and Flexibility: This principle must be traded off against regulatory certainty.</p>
<p>5. Which stakeholders are best served (or least impacted) by your preferred proposal? Why?</p>	<p>Indeterminate for the reasons noted above.</p>
<p>6. a) Which stakeholders are most impacted by your preferred proposal? Why? b) What mitigations, if any do you recommend for those who would be impacted by your preferred proposal?</p>	<p>Indeterminate for the reasons noted above.</p> <p>Mitigations cannot be determined until the tariff design is much further along.</p>
<p>7. a) How would energy storage resources be treated in your preferred proposal? b) Does your preferred proposal include specific elements in relation to tariff treatment for energy storage? Why or why not?</p>	<p>Since ENMAX has no preferred option, the treatment of energy storage is unknown. Please see our response to Question 9.</p>
<p>8. What are the challenges or unresolved questions with your preferred proposal?</p>	<p>As noted above, ENMAX does not believe that any of the proposed options are supported by sufficient evidence. For example, the data available to ENMAX suggests that there are weak correlations between 12CP hours, peak transmission-system flows at either the bulk or regional levels, intermittent-generator outputs, and pool prices, yet most (if not all) the proposals rely on such correlations. Also, while the direct effects on customers of the AESO’s bookends have been estimated, the direct effects of other proposals have not. In addition, the indirect or knock-on effects of the proposals—which could include accelerated grid defections, distorted price signals for on-site generation, or other as-yet-unknown consequences—have not been studied.</p>
<p>9. Additional comments</p>	<p>12CP: The 12CP method is not a good transmission cost allocator, for two main reasons. First, there is weak correlation between the 12 monthly coincident peak demand hours and transmission-system power flows; and second, transmission development is now just as often driven by generation as by load. That said, ENMAX does not support an immediate change to the 12CP method and would</p>

Questions

Stakeholder Comments

support a review of the Transmission Policy that may be restricting the AESO from considering other tariff options.

Regional Coincident Peak Demand: As of today, there is no compelling evidence that supports a move to using regional coincident peak demands. To support such a move the market would have to see data showing that intra-regional power flows are highly correlated within regions and dissimilar across regions, that those power flows are highly correlated with regional peak demands, and that no absurdities would arise from the definition of regional boundaries.

Energy Storage: The future tariff should be technology agnostic with no preferential rates for certain customers or purposeful cross subsidization. If interruptible tariffs are contemplated for energy storage facilities these types of rates must be equally applicable to other facilities and customers that can meet the interruptible conditions.

As noted in ENMAX's last round of comments to the AESO following session 2, the AESO appears to have correctly recognized that an energy storage facility looks like a generator when it is producing power and looks like a load when it is absorbing power. This is consistent with the fact that the need for transmission facility additions or upgrades, and therefore cost, is driven by power flows, not by how the power is produced or what a customer uses the power for. It would be a violation of the principle of cost causation to create special rates for specific types of customers.

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