

# Tariff Design Advisory Group

## Session 5 - Summary



December 5, 2018, 9:00 am to 1:30 pm, AESO Offices

### Pre-Meeting Materials

Prior to the meeting, the following materials were available on the AESO website:

- Meeting Agenda
- Meeting Notes from November 8, 2018
- Presentation on Project Management Support and Work Plans
- Presentation from Capacity Cost Allocation Analysis Working Group

### Attendees

Representative	Company or Organization	Present?	Alternate	Present?
<b>Demand rate payer representation</b>				
Residential, farm and commercial consumers				
Richard Stout	UCA	Yes	Nola Ruzycski	
Mark McGillivray	Enmax	Yes	David Lenz	
Raj Retnanandan	CCA	Yes	Dustin Madsen	
Dan Levson	AFREA	Yes	Dave Butler	
Industrial Consumers				
Vittoria Bellissimo	IPCAA	Yes	Richard Penn	
Grant Pellegrin	Cenovus	Yes	Horst Klinkenborg	
Demand Response				
Colette Chekerda	ADC	Telecon	Christian Lenci	
Surendra Singh	Alberta News Print	Yes	Christian Lenci	
Combined Load and Generation				
Dale Hildebrand	Dual Use Customers	Yes	Myles Fox	
Kris Aksomitis	Cogeneration Working Group	No	Travis Tuchscherer	
Distribution Facility Owners				
Janene Taylor	ENMAX Corporation	Yes	Tony Martino	Telecon
Leland Jernberg	FortisAlberta	No	Gerald Zurek	Telecon
Representatives-at-large				
Ed de Palezieux	Devon Energy	Yes	Rick Cowburn	Yes
Bryan Krawchyshyn	TransCanada Pipelines	Yes	Mark Thompson	
Other interested parties				
Transmission Facility Owners				
Hao Liu	AltaLink	Yes	Rob Senko	Telecon
Generators (includes renewables)				
Colin Robb	Capital Power	Telecon	Akira Yamamoto	
Energy Storage				
Patricia Phillips	Energy Storage Canada	No	Steven Oldale	
Representative-at-large				

Representative	Company or Organization	Present?	Alternate	Present?
Tory Whiteside	Distributed Generation Working Group	Yes	Leonard Olien	Telecon
AESO				
Doyle Sullivan	AESO	Yes		
Derek Olmstead	AESO	Yes		
Matt Gray	AESO	Yes		
Trushal Umrانيا	AESO	Yes		
Facilitator				
Karla Reesor	Moving Forward	Yes		

#### Guests:

None

#### Agenda

Start	Duration	Agenda Items	Presenter
9:00 – 9:45 am	45 min	Introduction and welcome <ul style="list-style-type: none"> <li>• Session overview and objectives</li> <li>• Work plan update</li> <li>• Review and approval of Nov 8 meeting notes               <ul style="list-style-type: none"> <li>- Update on Action Items                   <ul style="list-style-type: none"> <li>• Report on Alberta Energy conversation</li> </ul> </li> </ul> </li> </ul>	Karla Reesor, Facilitator Trushal Umrانيا, AESO Matt Gray, AESO Doyle Sullivan, AESO
9:45 am – 10:25 am	40 min	<b>Discussion item:</b> Review of Capacity cost allocation updates <ul style="list-style-type: none"> <li>• Analysis WG Update               <ul style="list-style-type: none"> <li>- Analysis</li> <li>- Data requirements</li> </ul> </li> <li>• T's and C's WG Update               <ul style="list-style-type: none"> <li>- Issues and scope</li> </ul> </li> </ul> <b>Desired outcome:</b> Clarify next steps and ensure work can advance to recommendation	Derek Olmstead, AESO
10:25 am – 10:40 am	15 min	<b>BREAK</b>	
10:40 am – 11:20 am	40 min	<b>Discussion item:</b> Cost causation WG Recommendation <ul style="list-style-type: none"> <li>• Update on work completed to date</li> <li>• Recommendation on data and analysis</li> <li>• Next steps</li> </ul> <b>Desired outcome:</b> AG decision on WG recommendation and clearly articulate next steps to advance work.	Dale Hildebrand, DUC

Start	Duration	Agenda Items	Presenter
11:20 am – 11:30 am	10 min	<b>Discussion item:</b> Confirm that Data Requirements Working Group has concluded since outstanding data requirements will be determined in current Capacity and Transmission working groups. <b>Desired outcome:</b> AG decision on concluding WG.	Doyle Sullivan, AESO
11:30 am to 12:00 pm	30 min	<b>Discussion item:</b> AG Member Roundtable on process so far. Provide feedback on: <ul style="list-style-type: none"> <li>• What's working well</li> <li>• What can be improved (e.g., advisory group sessions, working groups)</li> </ul> <b>Desired Outcome:</b> Process improvements.	All
<b>12:00 pm – 12:30 pm</b>	<b>30 min</b>	<b>LUNCH</b>	
12:30 pm – 1:00 pm	30 min	<b>Discussion item:</b> AG Member Roundtable continued <ul style="list-style-type: none"> <li>• CAA presentation</li> </ul> <b>Desired Outcome:</b> Process improvements.	Raj Retnanandan, CCA
1:00 pm – 1:30 pm	30 min	Review of conclusions, action items and next steps	Karla Reesor, Facilitator
<b>1:30 pm</b>		<b>SESSION ADJOURNED</b>	

### Meeting Notes

Time	Item
9:00 am	<p><b>1. Welcome and Updates</b></p> <ul style="list-style-type: none"> <li>• The agenda was accepted by the group.</li> <li>• Meeting notes from November 8 were approved.</li> <li>• It was noted that Patricia Phillips will be the new representative on the TDAG for Energy Storage.</li> <li>• Work Plan Update: <ul style="list-style-type: none"> <li>○ Trushal Umrana (AESO) will provide project management support for the TDAG and working groups.</li> <li>○ Trushal provided an update on the TDAG work plans. <ul style="list-style-type: none"> <li>▪ For Capacity Cost Allocation, time periods and time period weightings will be developed simultaneously, with completion by February.</li> <li>▪ For Transmission Tariff Design, efforts will be made to find time efficiencies in Q1.</li> </ul> </li> </ul> </li> <li>• <b>ACTION ITEM 1:</b> Trushal Umrana (AESO) will provide his contact details to the TDAG members by Dec 7.</li> <li>• <b>ACTION ITEM 2:</b> Trushal Umrana (AESO) will provide revised work plans to TDAG at the next session on January 17, 2019.</li> <li>• Doyle Sullivan (AESO) provided an update from the AESO discussions with Alberta Energy (this was an action item from the November 8 TDAG session). Highlights: <ul style="list-style-type: none"> <li>○ Interruptible rates are not contemplated in the capacity market regulation. This regulation is expected to be released by year end.</li> <li>○ Capacity cost allocation does not need to be based solely on the RAM model; RAM should be the primary focus but it will not restrict the options that could be considered such as</li> </ul> </li> </ul>

	<p>using load curves to determine allocation.</p> <ul style="list-style-type: none"> <li>○ Regarding the question of whether rates will be applied prospectively versus retrospectively, rates will have to be set well in advance of the obligation year. AUC will likely have an earlier process to set the weights, and then review the numbers closer to the obligation year. There will be no dynamic pricing; rates will be set and fixed in advance of the obligation year.</li> <li>● <b>ACTION ITEM 3:</b> Derek Olmstead (AESO) will distribute the capacity market regulation to TDAG members and alternates when it is released by Alberta Energy.</li> </ul>
9:30 am	<p><b>2. Capacity Cost Allocation Analysis (CCAA) Working Group Update</b></p> <ul style="list-style-type: none"> <li>● Derek Olmstead (AESO) provided an update from the CCAA Working Group.</li> <li>● Data and analysis update: <ul style="list-style-type: none"> <li>○ <b>ACTION ITEM 4:</b> Derek Olmstead will distribute a data summary document and initial data will be shared with TDAG by December 12.</li> <li>○ TDAG members are welcome to send additional comments, questions or issues for working groups to consider and address; information for the working groups can be sent to <a href="mailto:tariffdesign@aeso.ca">tariffdesign@aeso.ca</a></li> <li>○ <b>DELIVERABLE:</b> Derek Olmstead will deliver specific updates for review and discussion with the TDAG at the January 17 session, including bookend scenarios.</li> </ul> </li> <li>● Terms and Conditions update: <ul style="list-style-type: none"> <li>○ The CCAA Working Group was not clear on what the Terms and Conditions discussion was intended to achieve. Options were discussed and were dependent on the nature of the issues to be resolved.</li> <li>○ There was no discussion about approaches in other jurisdictions; there are currently no resources in the Working Group to do research on other jurisdictions.</li> <li>○ There was discussion about whether the CCAA Working Group had the commercial expertise required to develop Terms and Conditions recommendations for the TDAG's consideration.</li> </ul> </li> <li>● TDAG members chose to strike a new working group to develop recommendations for capacity procurement tariff terms and conditions. This working group will have more of a commercial focus and will include members who have terms and conditions experience; the value of having overlap or a strong connection to the tasks assigned to the CCAA Working Group was noted.</li> <li>● The members of the Terms and Conditions Working Group ("TC Working Group") are: <ul style="list-style-type: none"> <li>○ Rick Cowburn (CWSAA)</li> <li>○ Doyle Sullivan (AESO)</li> <li>○ Ed de Palezieux (Devon Energy)</li> <li>○ Richard Stout, Chair (UCA)</li> <li>○ Grant Pellegrin (Cenovus)</li> <li>○ Collette Chekerda (ADC)</li> <li>○ A representative from the AESO yet to be named</li> <li>○ A representative from the wires perspective with terms and conditions experience.</li> </ul> </li> <li>● <b>ACTION ITEM 5:</b> Janene Taylor (ENMAX), on behalf of TFOs and DFOs, will provide a wires representative for the Terms and Conditions Working Group by December 12. <ul style="list-style-type: none"> <li>○ After the meeting, the AESO confirmed that Richard Stout would be the Chair of the TC Working Group.</li> <li>○ The CCAA Working Group will continue with the data and analysis work already assigned to the Group, and Derek Olmstead will continue as Chair.</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>• <b>ACTION ITEM 6:</b> Doyle Sullivan (AESO) to determine scope of TC Working Group and assign to members by December 14.</li> </ul>
11:20 am	<p><b>3. Cost Causation Working Group Update</b></p> <ul style="list-style-type: none"> <li>• A presentation from the Cost Causation Working Group (CC Working Group) was distributed at the beginning of the meeting (“Update and Recommendations from the Cost of Service Study Working Group”). Dale Hildebrand (DUC) delivered this presentation.</li> <li>• Presentation Highlights: <ul style="list-style-type: none"> <li>○ Coincident peak is still a consideration for tariff design but not the key driver as it was historically (along with generation).</li> <li>○ Key drivers for tariff design today: <ul style="list-style-type: none"> <li>▪ Renewable generation</li> <li>▪ Resource industries</li> <li>▪ Restore intertie capacity for imports</li> <li>▪ Inter-provincial transfer capability</li> </ul> </li> <li>○ The CC Working Group proposed a roadmap to achieve rate design alternatives. It was noted that iterations will be needed between the cost of service study and objectives for optimal tariff design. Iterations will be needed to reflect legislative and rate design constraints. At the same time, cost causation will remain an important factor to justify rates and highlight possible issues or changes for future rate design.</li> <li>○ CC Working Group recommendations: <ul style="list-style-type: none"> <li>▪ Change name of working group to Transmission Tariff Working Group (TT) Working Group</li> <li>▪ Adopt proposed roadmap</li> <li>▪ Determine what Cost of Service Study or other studies will be useful, help or practical</li> <li>▪ Develop rate design alternatives</li> <li>▪ Prepare scope of work and plan for TDAG approval at January meeting</li> </ul> </li> <li>• TDAG Discussion of recommendations: <ul style="list-style-type: none"> <li>○ As a first step, the TT Working Group will provide multiple rate design alternatives that will be presented to the TDAG.</li> <li>○ Concerns were expressed about the cost of service study or studies being minimized; it was agreed by all that cost of service remains an important factor.</li> <li>○ For the TDAG meeting in January, the TT Working Group will bring back a more detailed work plan and rate design alternatives; the Working Group would identify the implications of each rate design and the work associated with them and seek input from the TDAG.</li> <li>○ Sufficiently diverse participation will be needed on the TT Working Group to ensure that a full range of tariff design alternatives are considered.</li> <li>○ It was noted that value of service may be a relevant criterion for tariff design.</li> <li>○ Outputs of the TT Working Group must align with the work of the CCAA Working Group.</li> </ul> </li> <li>• TDAG members accepted these recommendations and two TDAG members were added to the working group. Members of the TT Working Group are: <ul style="list-style-type: none"> <li>○ Dale Hildebrand, Chair (DUC)</li> <li>○ Derek Olmstead (AESO)</li> <li>○ Grant Pellegrin (Cenovus)</li> <li>○ Hao Liu (AML)</li> <li>○ Leland Jernberg (Fortis)*</li> <li>○ Raj Sharma (AESO)</li> </ul> </li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>○ Richard Stout (UCA)</li> <li>○ Rick Cowburn (CWSAA)</li> <li>○ Surendra Singh (ANC)</li> <li>● <b>ACTION ITEM 7:</b> Gerald Zurek (EPCOR) will confirm that Leland Jernberg will participate on the TT working group.</li> <li>● <b>DELIVERABLES</b> for the TT Working Group for the January 17, 2019 TDAG Session are as follows: <ul style="list-style-type: none"> <li>○ Clarify principles, criteria for evaluation and desired end state</li> <li>○ Prepare Scope of Work and Plan</li> <li>○ Identify resource needs</li> <li>○ Recommend objectives for optimal tariff design</li> <li>○ Determine what Cost of Service Studies or other studies will be useful, helpful and practical for the tariff design work</li> <li>○ Develop rate design alternatives</li> </ul> </li> </ul> <p style="margin-left: 40px;"><i>* or an alternate DFO representative</i></p>
1:15 pm	<p><b>4. Data Requirements Working Group</b></p> <ul style="list-style-type: none"> <li>● It was agreed that the mandate of the Data Requirements Working Group has been fulfilled. All proposed tutorials have been delivered, and data requirements will be determined in current capacity and transmission working groups.</li> </ul>
1:20 pm	<p><b>5. Roundtable on process</b></p> <p>Participants were invited to provide information on what is working well with the TDAG process and what could be improved. The following comments were shared:</p> <ul style="list-style-type: none"> <li>● Participants need to provide information to customers on pricing; as a starting point, the AESO could provide information about timelines and anticipated deliverables.</li> </ul> <p><b>ACTION ITEM 8:</b> <i>Doyle Sullivan work internally to determine what can be shared about capacity procurement pricing and report back to the TDAG at the January 17 session.</i></p> <ul style="list-style-type: none"> <li>● Retailers are preparing a letter for the TDAG; customers are raising questions (e.g., “what is the billing process going to be?)</li> <li>● Process for establishing the transmission tariff design will benefit from input from the full TDAG.</li> <li>● <b>ACTION ITEM 9:</b> <i>TDAG participants are requested to provide feedback on the TT Working Group approach by December 12, 2018.</i></li> <li>● Pleased to see a more collaborative focus emerging in the discussions with participants less focussed on individual positions.</li> <li>● Initial process of TDAG and Working Groups should be very inclusive; discussions will become more narrowly focused as the work proceeds.</li> <li>● Working groups should continue to be accountable to the TDAG and be receptive to comments from TDAG members.</li> <li>● When TDAG gets to the point where it cannot agree, then the AESO will need to decide.</li> <li>● Working group members and others on the TDAG are asked to test positions at the end of the process rather than limiting options at the outset.</li> <li>● Members confirmed that monthly TDAG meetings are the appropriate frequency.</li> <li>● The presentation from CCA was withdrawn as the objectives identified in the presentation were addressed through working group roles discussions.</li> </ul>

1:35 pm	<p><b>6. Review of session conclusions and next steps</b></p> <ul style="list-style-type: none"> <li>Karla Reesor reviewed highlights of the meeting and action items.</li> </ul>
1:40 pm	Meeting adjourned

### Report on Action Items

#	AG Action Items	Action by	Due Date	Status
<b>Session 4, November 8, 2018</b>				
Action Item 1	Send a revised meeting appointment for December 5, and meeting appointments for 2019.	AESO	Nov 19	Complete
Action Item 2	Identify a possible range for tariff options so that DFOs can provide a time estimate for transitioning to new tariffs.	AESO	Nov 19	
Action Item 3	Seek clarity from DoE on interruptible options and also on retrospective versus prospective timing.	AESO	Nov 19	Completed: Update provided at Dec 5 TDAG meeting
Action Item 4	Any AG members with requests for the CCAAWG will send the request to <i>ISOtariffnotice@aeso.ca</i> .	All AG members	Nov 19	Complete
<b>Session 5, December 5, 2018</b>				
Action Item 1	Provide PM's contact details to TDAG members	Trushal Umrana	Dec 7	
Action Item 2	Provide revised work plans to TDAG	Trushal Umrana	Jan 17	
Action Item 3	Distribute the capacity market regulation to TDAG members and alternates	Derek Olmstead	When reg available	
Action Item 4	Distribute a data summary document and initial data to TDAG members	Derek Olmstead	Dec 12	
Action Item 5	Provide a wires representative for the Terms and Conditions (TC) Working Group	Janene Taylor	Dec 12	
Action Item 6	Determine scope of TC Working Group and assign to members	Doyle Sullivan	Dec 14	
Action Item 7	Confirm that Leland Jernberg will participate on the Transmission Tariff (TT) Working Group	Gerald Zureck	Dec 14	

#	AG Action Items	Action by	Due Date	Status
Action Item 8	Determine what can be shared about capacity procurement pricing and report back to the TDAG	Doyle Sullivan	Jan 17	
Action Item 9	Provide feedback on the TT Working Group approach	TDAG members	Jan 17	

### Report on Decision Items

Session (S# + date)	(#)	AG Decision Items
<b>2018</b>		
August 17		<i>Advisory Group established</i>
S1- August 23	Decision Item 1	<i>Advisory Group approved Terms of Reference with changes</i>
S2 – September 6	Decision Item 2	<i>Advisory Group approved work plans with changes</i>
	Decision Item 3	<i>Data Requirements Working Group struck</i>
S3 – October 4	Decision Item 4	<i>Capacity Cost Allocation Analysis Working Group struck</i>
S4 – November 8	Decision Item 5	<i>Cost Causation Working Group work struck</i>
S5 – December 5	Decision Item 6	<i>Terms and Conditions Working Group struck</i>
	Decision Item 7	<i>Data Requirements Working Group concluded</i>
	Decision Item 8	<i>Transmission Tariff Rate Design Working Group struck</i>