

Stakeholder Comment Matrix – March 25, 2021

Bulk and Regional Tariff Design Stakeholder Engagement Session 5



Period of Comment: March 25, 2021 through April 15, 2021 Comments From: FortisAlberta Date: 2021/04/15	Contact: Darren Hoeving Phone: 403-514-4644 Email: darren.hoeving@fortisalberta.com
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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 **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?	<p>FortisAlberta found the session helpful in that it provided an opportunity to hear the issues and concerns from the perspectives of end-use Customer groups.</p> <p>As well, the AESO’s presentation of potential bill impacts to low versus high load factor PODs, as a result of the AESO’s preferred rate design, demonstrated the potential for a resultant cost shift from low load factor to high load factor consumers and rate classes as a result of recovering the energy-classified transmission costs through an energy charge to be applied to all energy consumed.</p>
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?	<p>FortisAlberta observes that Technical Information Session II was valuable in that it allowed large consumers, who receive service directly via a dedicated connection to the transmission system, in assessing the potential bill impacts of the AESO’s preferred rate design on their particular POD, but did not provide any insight into how the mass market (distribution-connected customers and rate classes subject to the distribution tariffs) might be impacted if the preferred rate design were approved and flowed through the distribution tariffs based on the transmission cost allocation and rate design methods as currently approved by the Commission.</p>

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		<p>To this end, and in response to a customer request, FortisAlberta subsequently provided its Analysis of Estimated Bill Impacts to FortisAlberta DT rate classes / Customers of AESO Preferred DTS Rate Design, which the AESO has now posted to the AESO's stakeholder engagement website. (Note: This document was prepared by FortisAlberta Inc., not the AESO, and is subject to the Disclaimer included in the document.)</p>
3.	<p>Are you supportive of the AESO's preferred rate design? Why or why not?</p>	<p>While FortisAlberta is generally supportive of the AESO moving away from recovery of transmission costs through 12 CP (proposed to reduce from 47% to 29%), the Company is not supportive of recovering the energy-classified costs (proposed to increase from 7% to 31%) as a flat energy charge applied to all energy consumed.</p> <p>FortisAlberta's concerns are two-fold:</p> <p>(1) From the preliminary bill impact analysis, the proposed flat energy charge, applied to all energy consumed, creates a directional cost shift from low load factor to high load factor consumers, who are arguably making more efficient use of the existing transmission. As such, the AESO should advise stakeholders whether this resultant cost shift (on day 1) was intentional, and if not intentional, the AESO should consider rate design alternatives (for example, a load factor declining energy block structure as suggested by FortisAlberta) to mitigate this shift.</p> <p>(2) FortisAlberta considers that recovery of all energy-classified costs via a flat energy charge applied to all energy does not reflect cost causation generally, and does not send an efficient price signal to consumers to make the most efficient use of the transmission system as currently built (i.e., rather, the flat energy charge applied to all energy consumed provides a price signal that disincentivizes customers to improve their load factor even if the incremental energy is consumed in off-peak hours and does not require an increase to the customer's DTS capacity). In the Company's view, this may have the unintended consequence of driving further grid deflection by high load factor consumers and further erosion of DTS billing determinants, which of course is one of the main concerns with recovery of transmission wires costs based on 12 CP.</p>

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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</p> <p>**Proposed rate design must fit within current legislation</p>	<ul style="list-style-type: none"> a) With respect to the objective of Reflecting Cost Responsibility (or Cost Causation), FortisAlberta observed that the AESO has reduced the weight given to the allocation of 12 CP in its rate design and agrees that the recovery of wires costs based on some form of a monthly NCP billing determinant is more reflective of cost causation than any 12 CP rate design can convey. This assertion is grounded in the physical reality that any wires element (whether it be at transmission or distribution voltage, or whether it is a power line / cable, switch, bus or transformer) must, at minimum, be planned and built to accommodate the maximum NCP flowing through the wires element, irrespective of the time that that maximum flow occurs. With respect to the energy charge proposed in the AESO preferred rate design, please refer to our response to question 3 above. b) With respect to the objective of providing Efficient Price Signals (i.e. sending price signal to alter behavior to avoid future transmission build), FortisAlberta considers that the use of 12 CP, while it provides a signal that larger sophisticated Customers can respond to, is not necessarily an economically-efficient price signal for purposes of altering Customer consumption behavior for purposes of avoiding future transmission build. Further, while FortisAlberta understands that part of providing efficient price signals is providing a signal that Customers can meaningfully respond to, the form of the price signal or billing determinant(s) should not allow Customers to avoid costs for which they should be responsible for, which is possible under the 12 CP structure. Therefore, FortisAlberta supports the reduced weight given to the allocation of 12 CP in its rate design. With respect to the energy charge proposed in the AESO preferred rate design, please refer to response to question 3 above. c) With respect to the objective of ensuring Minimal Disruption (i.e., Customers that have responded to the 12 CP price signal and invested to reduce transmission costs are minimally disrupted), CP-responsive loads, who have been responding to the currently approved 12 CP rate structure for over 15 years, should not be severely impacted by any abrupt change to the tariff structure. Allowing a gradual transition to a rate structure that reflects cost responsibility and provides economically efficient outcomes for the development of the transmission system would promote rate stability and allow such Customers to plan their operations to gradually adjust to responding to the new target rate structure / price signals over a reasonable time period. With respect to the energy charge proposed in the AESO

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	<p>preferred rate design, please refer to response to question 3 above. Further, FortisAlberta submits that rate design objective of Minimal Disruption might be better achieved or enhanced if the AESO considered alternative rate design alternatives for the energy component of its tariff (for example, a load factor declining energy block structure as suggested by FortisAlberta).</p> <p>d) With respect to the objective of Simplicity (i.e. simple/clear price signals while achieving design objectives), FortisAlberta recognizes that the proposal to gradually shift from 12 CP to NCP and increase the weight given to the energy component for allocation purposes is easy to understand, however, recovery of the energy-classified costs through a flat energy charge applied to all energy consumed, while simple and transparent, it does not send an efficient price signal in terms of incenting customers to improve their load factor this optimizing their use of the transmission system and their respective DTS contract capacity.</p> <p>e) With respect to the objective of Innovation and Flexibility (ISO tariff provides optionality for transmission Customers to innovate while not pushing costs to other Customers), as the grid continually evolves with the addition of DERs, FortisAlberta considers that the AESO's proposed rate design structure could be refined by the AESO over time to provide a level of innovation and flexibility for Customers. This could include further expansion of opportunity (i.e. such as DOS), interruptible and load attraction rates to maximize and/or optimize use of the existing system. Such optional rates beyond the base DTS rate would allow for improved efficiency or Customer use of the system while recovering additional contributions towards revenue (which would be to the benefit of all ratepayers). With respect to the energy charge proposed in the AESO preferred DTS rate design, FortisAlberta submits that if the AESO considered alternative rate design alternatives for the energy component of its tariff (for example, a load factor declining energy block structure as suggested by FortisAlberta), additional opportunity in innovation and flexibility for customers could potentially be built into the AESO base DTS tariff.</p>

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<p>5. 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>	<p>FortisAlberta provides the following additional comments for consideration:</p> <ul style="list-style-type: none"> • With respect to a preferred rate design, FortisAlberta provided comments on November 20, 2020, partially repeated here for convenience. FortisAlberta's preference is for whatever target rate design the AESO ultimately proposes and implements, that all Customers are treated in a transparent and consistent manner and subject to the same tariff(s). That is, FortisAlberta's preferred option of gradually transitioning to a load factor rate structure does not favor any specific Customer groups and is aimed to encourage Customers to avoid over contracting demands and maximizing or optimizing their hourly use of their contract capacity (i.e., improving load factor), so the grid can be utilized more effectively and developed in an orderly, economic, and efficient manner. As such, rate structures that generally incent Customers to improve their load factor and optimize the use of the existing system, such as load factor or on-peak period rates, align with the principle of economic efficiency and should, therefore, be considered in the future development of transmission and distribution (wires) rates in Alberta. This load factor rate structure, or sometimes known in industry as the "Wright" rate, is structured to apply an energy charge (\$/MWh) for all energy delivered up to a minimum load factor (or hours usage), and a reduced (or zero) \$/MWh charge for all remaining energy (MWh) consumed above that threshold load factor. For example, this structure could be expressed as: <ul style="list-style-type: none"> – 1st Energy Block: For the first XX MWh / month / MW of Billing Capacity: a charge of XX \$/MWh – 2nd Energy Block: For all additional MWh: a reduced (or zero) \$/MWh charge. <p>This load factor component rate structure (with a low minimum floor load factor for the 1st energy block, and a reduced (or zero) price for any energy in the remaining block) could be used for recovery of the energy-classified portion of total Bulk and Regional costs.</p> <p>For more information on the "Wright" rate, please refer to the book entitled <i>Electricity Pricing, Engineering Principles and Methods</i> by Lawrence J. Vogt P.E., pages 597-601.</p>

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		<ul style="list-style-type: none"> With respect to simplicity and transparency, the AESO may want to reconsider the CP rate structure that require five years of billing data to calculate the current month's billing determinant for any POD or customer, as in FortisAlberta's view, this creates an unnecessary level of data and complexity to administer with no real offsetting benefit identified for doing so. That is, the current DTS rate design employs a two-year 90% ratchet provision to calculate DTS billing capacity, and therefore the Company recommends that the AESO not consider use of billing determinants or measurement data beyond two years prior, for purposes of establishing its CP billing determinant in any given month.
6.	Please describe any areas in which you are aligned with the AESO's preferred rate design.	Please refer to our responses to questions 3 and 4.
7.	Are the assumptions the AESO used for the rate impact reasonable? Is there additional information that would help improve your understanding of rate impacts?	For purposes of this consultation the assumptions used by the AESO appear to be reasonable, however, it is unclear to FortisAlberta why the AESO used a recalculated tariff based on its 2019 revenue requirement for purposes of assessing the rate impacts.
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>	<p>Yes, DOS should be available to energy storage. That is, FortisAlberta is not supportive of developing specific rates for specific end uses (including energy storage) given that from a wires costs perspective, energy storage shows up to the system as either supply or demand, no different than a dual use customer who has both supply and demand requirements at their point of interconnection with the AIES.</p> <p>If energy storage requires service on a firm basis then the DTS rate is available to them for purposes of serving their charging cycle just like any other load market participant and if energy storage seeks service on an opportunity (non-firm) basis then DOS is available.</p> <p>With respect to DOS eligibility requirements FortisAlberta is supportive of the AESO's review and modernization of such, for not only energy storage, but for all market participants.</p>

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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>	<p>With respect to FortisAlberta Rate 65 Customers who periodically make use of DOS, the Company is not aware of any concerns or issues with the current DOS implementation that limit their eligibility or use of excess transmission capacity that may be available at certain PODs.</p>
10.	<p>Do you have any comments on the AESO's targeted engagement approach for mitigation discussions?</p>	<p>Please refer to our response to questions 4(c) and 5.</p>
11.	<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>Please refer to our response to questions 4(c) and 5.</p>
12.	<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>No comment.</p>

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13.	<p>Are you in favour of some type of mitigation? Why or why not?</p> <p>If you are in favour of some type of mitigation, how would you assess whether a proposed mitigation approach is acceptable?</p>	<p>FortisAlberta provided comments on November 20, 2020, partially repeated here for convenience. Through careful analysis and mitigation, the tariff could be developed to evolve gradually in a manner that allows Customers to improve their load factors while not experiencing significant billing impacts. FortisAlberta expects that if the AESO also saw merit in pursuing the load factor structure, that they could analyze the bill impacts from moving from CP to NCP/load factor structure for every POD, and adjust both the weighting of cost recovery between NCP component and the load factor energy component, or adjusting the threshold load factor in the energy component to minimize the resultant bill impacts of the AESO preferred DTS rate design in the first instance. Such an approach, if investigated by the AESO, might obviate, or at least mitigate, the need for further mitigation.</p>
14.	<p>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?</p>	<p>FortisAlberta may be supportive of the AESO assessing the ability to provide greater flexibility to adjust contract capacity provided that the AESO can demonstrate in the particular customer circumstances that it does not create a cost shift to other customers. In addition, FortisAlberta understands that, in the first instance, notice provisions are intended to ensure that the AESO's transmission planners have sufficient notice of any changes to market participants' capacity requirements within the typical transmission planning horizon. This ensures that the AIES can be developed in an orderly, economic and efficient manner, and the requirement for a customer to pay PILON is the secondary option if the customer fails to give sufficient notice for any DTS contract reductions.</p>
15.	<p>Do you have any additional implementation considerations the AESO should consider?</p>	<p>Not at this time.</p>
16.	<p>Do you have additional clarifying questions that need to be answered to support your understanding?</p>	<p>As posed by FortisAlberta in AESO Session 5:</p> <p>Rather than recovering the Energy-classified costs through All Energy / hours, did NERA or the AESO consider any Load Factor rate structures (i.e., the "Wright" structure) which sends an economically efficient price signal that broadly encourages Customers to improve their load factor (flatten their load profile), thereby incenting all Customers to make the most efficient use of the existing transmission elements and capacities that serve them, and potentially deferring the need for future transmission? If not, please explain why such a structure has not been investigated.</p>
17.	<p>Additional comments</p>	<p>None.</p>

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