

Stakeholder Comment Matrix – Dec. 10, 2020

Bulk and Regional Tariff Design Stakeholder Engagement Session 4



Period of Comment: Dec. 10, 2020 through Jan. 12, 2021	Contact: Kurtis Glasier
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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 **Jan. 12, 2021**.

The AESO is seeking comments from Stakeholders on Session 4. Please be as specific as possible with your responses. Thank you.

	Questions	Stakeholder Comments
1.	Please comment on Session 4 hosted on Dec. 10, 2020. Was the session valuable? Was there something the AESO could have done to make the session more helpful?	Overall, Heartland Generation believes Session 4 was valuable and the AESO did a good job summarizing and characterizing the different rate design proposals. However, there is still little hard evidence to support a change in rate design; it seems that the AESO and stakeholders are only just establishing the theoretical framework with which to evaluate different tariff design options, without being given the opportunity to consider the evidence or analysis that would support one option or another. This is particularly problematic given that the AESO is proposing to present its preferred, final option at the next stakeholder session.
2.	Do you have a view on whether an embedded or marginal cost allocation approach will more appropriately meet the AESO's rate design objectives? Why?	Heartland Generation understands that both methodologies may theoretically meet the AESO's rate design objectives, but likely with varying degrees for each individual objective. For instance, the marginal approach may more fully meet the rate design objective of sending efficient price signals, whereas the embedded approach may achieve minimum rate disruption better as the regulator and stakeholders are more familiar with this approach. Rate design is often about tradeoffs, as the more efficient design may come at the cost of simplicity or minimal disruption.
3.	<p>a) Do you have a preference for any of the mitigation options presented at Session 4? Why or why not?</p> <p>b) Do you know of any additional mitigation options that have worked in other contexts and might be applicable here. Please specify.</p> <p>c) What do you think the AESO's needs to achieve with its mitigation(s)? Why?</p>	<p>Heartland Generation finds it difficult to comment on mitigation options without first knowing the preferred rate design that the AESO is trying to accommodate. For instance, a mitigation approach that is trying to accommodate for a 100% or more bill increase will look very different than the approach to accommodate a much smaller bill increase. It seems presumptive to assume a significant bill impact, while the preferred rate design is not yet known to stakeholders.</p> <p>c) Any mitigation plan employed by the AESO should avoid rate shock and limit regulatory holdup, to the extent possible. Mitigation should be transitional, clearly outlined and appreciate the significant investment that many loads have made to react to the currently approved price signals. The AESO may also want to consider the addition of new rate classes as a proposed mitigation plan. For instance, a subset of DTS customers who are highly elastic and readily respond to the 12-CP signal may be eligible for a different class of treatment from the typical DTS customer.</p>

	Questions	Stakeholder Comments
4.	<p>Are you supportive of the areas of agreement presented at Session 4? Why or why not? The areas of agreement presented include:</p> <p>Efficient Price Signals</p> <ul style="list-style-type: none"> • Price signals matter <ul style="list-style-type: none"> ○ Tariff charges provide incentives for customer behavior <p>Cost Responsibility</p> <ul style="list-style-type: none"> • Recognize that more than just load behavior drives transmission development • We are dealing with an evolving system <ul style="list-style-type: none"> ○ Current and future use may differ from what was that originally planned <p>Minimal Disruption</p> <ul style="list-style-type: none"> • Transmission costs have risen <ul style="list-style-type: none"> ○ Tariff charges are more important now than ever before • Minimize disruption, mitigate rate shock <ul style="list-style-type: none"> ○ It is not in anyone’s interest to reduce the number of ratepayers 	<p>Heartland Generation appreciates IPCAA’s characterization provided in the Session 4 Summary: “We can all agree that we want Alberta to be an attractive place for investment and have a rate that works for the province. We need something that works for the long term and the bigger picture is a system that makes us a place that succeeds. Going forward, we need to look at the arguments more through that broader lens.” The AESO needs to consider not just how we divide the current “pie”, but how we achieve the right size of “pie” in the future.</p> <p>The socializing of transmission costs that could be deferred by behavior may only serve to increase the transmission cost burden in the future and lead to load behavior response that is much more severe (load growth reversal, participant exit). All participants want to ensure a fair and just rate design, which appreciates the diversity of needs and characteristics of all market participants.</p> <p>Finally, Heartland Generation does not agree that “Tariff charges are more <i>important</i> than ever before” and would clarify that due to their size they are only more “significant”. Tariff charges and the correct behavioural signal they indicate have always been important and continue to be important to those parties that are able to react to the signals.</p>

<p>5.</p>	<p>Are you supportive of the areas of disagreement presented at Session 4? Why or why not? The areas of disagreement presented include:</p> <p>Efficient Price Signals</p> <ul style="list-style-type: none"> • Are status quo price signals efficient? <ul style="list-style-type: none"> ○ Price signals in tariff have reduced the cost of energy to other load • Are price signals forward looking? <ul style="list-style-type: none"> ○ Price signals are efficient to the extent changes in customer behavior reduce the need for future transmission costs <p>Cost Responsibility</p> <ul style="list-style-type: none"> • Is the primary objective cost causation, or cost responsibility? • Does the initial rate design still achieve goal of cost causation since transmission costs have risen and load behaviour has not influenced those costs? <p>Minimal Disruption</p> <ul style="list-style-type: none"> • Now is not the time for change or time to stop the bleeding? <ul style="list-style-type: none"> ○ Economic climate, policy uncertainty, change impacts a few very negatively and many slightly positively • Does rate mitigation need to be permanent or will customers adapt if temporary? 	<p>Heartland Generation does not take issue with the AESO's characterization of the areas of disagreement. It is worth noting that most of these areas of disagreement will need to be addressed by the AESO, either explicitly or inherently, in whichever preferred rate design is ultimately submitted to the Commission for approval. As such, the AESO should indicate their position on these areas of disagreement through this stakeholder engagement process.</p>
<p>6.</p>	<p>Are there considerations that the AESO could include in its rate design proposal that would move you to at an area of agreement on any of the areas of disagreement (refer to question 5 above)? Please specify.</p>	<p>As stated above, the AESO should indicate its position regarding these areas of disagreement. This would include the analysis that the AESO's position relies upon in reaching these conclusions, and how that position aligns with the preferred rate design that it has selected.</p>

<p>7.</p>	<p>Are you supportive of the areas of agreement for energy storage presented at Session 4? Why or why not?</p> <p>Energy storage areas of agreement:</p> <ul style="list-style-type: none"> • Energy storage is unique in that it is not the producer or the end consumer of electric energy, nor is it the transmitter • Energy storage can participate in Alberta's electricity use-cases by providing <ul style="list-style-type: none"> ○ Energy Price arbitrage ○ Operating Reserves ○ Non-wires solutions for transmission deferral • Energy Storage should be treated in a fair, efficient, and openly competitive (FEOC) manner 	<p>Heartland Generation does not take issue with the AESO's characterization of areas of agreement for energy storage.</p>
<p>8.</p>	<p>Are you supportive of the areas of disagreement for energy storage presented at Session 4? Why or why not?</p> <p>Energy storage areas of disagreement:</p> <ul style="list-style-type: none"> • Is energy storage a user of the grid or a component of the grid or both? • Does energy storage use the network for the Alberta specific use-cases? • Should energy storage pay for inflows and outflows like every other network user or not? • Should energy storage pay for one or more of administration, operations and maintenance, pod, regional, bulk charges? 	<p>Heartland Generation does not take issue with the AESO's characterization of areas of disagreement for energy storage.</p>

9.	<p>Are there considerations that the AESO could include in its rate design proposal that would move you to at an area of agreement on any of the areas of disagreement for energy storage (refer to question 8 above)? Please specify.</p>	<p>Heartland Generation remains supportive of a rate class solution for energy storage, rather than an overall rate design solution. As energy storage acts as both a load and supplier of electric energy, it may be more appropriately handled as an opportunity service with the addition of a rate class similar to IOS/XOS. This could allow for energy storage, or other qualifying customers/facilities, to pay for costs directly related to the unique attributes of its facility and would not require overall bulk and regional tariff changes to accommodate. It is important to continue the characterization of energy storage as a market asset, rather than as a transmission asset, for the physical reality that energy storage must charge or discharge energy and this necessarily impacts the wholesale electricity market, to varying degrees.</p>
10	<p>Do you have any comments on the AESO's proposed stakeholder engagement process, including the mitigation process, for the remainder of the Bulk and Regional Rate Design engagement?</p>	<p>Session 5 will include the AESO presenting their preferred rate design, as such it would be helpful to receive these materials as much in advance as possible. The session in February has a lot of facets to be discussed, so having familiarity with the proposal prior will allow stakeholders to better participate in the session.</p>

11	Do you have additional clarifying questions that need to be answered to support your understanding?	<p>Generally, Heartland considers that the AESO's analysis to support a change from the status quo (12CP) raises more questions than it answers. Until recently, the AESO had indicated that the bulk system was built to serve peak load, and 12CP has been repeatedly approved on that basis; however, the AESO is now stating that "recent transmission projects are not only peak demand related" and that these projects were caused by "multiple different drivers." The AESO's support for its new-found position appears to stem from the correlation (or lack thereof) between coincident metered demand and network costs over the past decade, as shown on slide 47.</p> <p>However, much of the network investment over this period was in the form of Critical Transmission Infrastructure, which was mandated by the government. Does accounting for this considerable share of network costs influence the interpretation of this relationship? Furthermore, does the extent to which network expansion was driven by factors other than coincident metered demand impugn the AESO's planning? In other words, given that the AESO made it clear in the past that system peak does drive the need for bulk system expansion, does this lack of correlation indicate a failure in its planning, and not necessarily an underlying flaw in the tariff design?</p> <p>Heartland Generation, and likely other stakeholders, would appreciate the evidence that the AESO used to reach this conclusion and if the AESO could please identify which drivers do determine transmission planning and costs. Slide 49 provides rationale without supporting evidence; seeing the quantitative analysis regarding the alleged misalignment of the price signal from the future transmission cost savings would be helpful. Currently, the evidence mostly shows that customers are responding to the signal but has failed to adduce how this leads to an inefficient result, or why the transmission build signal differs from the load behaviour signal.</p>
12	Additional comments	Heartland Generation does not have additional comments at this time.

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