



Industrial Power Consumers Association of Alberta

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Alberta Electricity System Operator
330 5 Ave SW, Calgary, AB
T2P 0L4

Attention: Doyle Sullivan, P. Eng.
Director, Tariff Design
ISOTariffNotice@aeso.ca

Re: **Proceeding 22942 – 2018 ISO Tariff – 12 CP Methodology**

In response to the AESO's request for comments, the Industrial Power Consumers Association of Alberta (IPCAA) provides the following comments and responses to materials presented by interested stakeholders on March 12, 2018.

IPCAA Perspective

IPCAA submits that none of the parties that presented on March 12th (AltaLink, CCA, UCA) provided any convincing evidence that there is a problem with the current AESO rate design. All of their proposed changes would result in rate shock for some Alberta electricity customers, large industrials included, with corresponding economic consequences such as reduced capital investment and job losses for Alberta.

IPCAA has historically supported the 12 Coincident Peak (12 CP) methodology for bulk system cost recovery, and submits that it remains appropriate. The 12 CP method has been tested over the last four AESO tariff applications, and has repeatedly been approved by the Commission. The current rate design is intended to provide an appropriate price signal to drive consumer behaviour towards reducing demand during transmission system peaks. Over the long-term, this rate design reduces or delays future transmission infrastructure build, which benefits all electricity customers. In order to allow customers to react to this price signal, we need rate stability.

AltaLink Proposal

In its presentation, AltaLink suggested that due to the fact that distributed generation has become economic, there is a cost shift that is occurring between those who can invest in on-site generation and those who cannot. IPCAA has concerns with the material presented and submits that there is insufficient analysis at this point to draw a firm conclusion that there is a problem with the current AESO tariff or rate design. Much more data and analysis is required, and the issue needs to be examined holistically, along with other changing market conditions, such as carbon pricing, the transition to a capacity market, and distribution costs and cost allocation.

In its “Illustrative Proposed” example, AltaLink is suggesting that bulk system costs be recovered on the following basis: 1/3 CP demand and 2/3 billing or non-coincident peak (NCP) demand. This change would dull the price signal significantly. NCP does not provide a price signal to consumers and does not incent any constructive behaviour that would reduce overall system load, nor does it reflect cost causation. The AltaLink proposal would have a markedly negative impact on Alberta co-generators, which is problematic considering that Alberta is currently working towards closing its coal-fired electricity generators and cogeneration is expected to play a large role in facilitating this transition.

CCA Proposal

In its proposal, the CCA is suggesting using the higher of CP or a ratio (possibly 85%) times NCP to establish bulk system cost recovery. IPCAA has significant concerns regarding the use of NCP. As stated above, NCP does not provide a price signal to consumers and does not incent any constructive behaviour that would reduce overall system load, nor does it reflect cost causation. IPCAA submits that the CCA proposal would be both inefficient and unfair to all Alberta ratepayers.

UCA Proposal

One of the UCA’s major concerns was with the cost causation study. This study was agreed to by negotiated settlement in the previous AESO tariff. The UCA was one of the signatories to that settlement. IPCAA submits that it is inefficient to be conducting a new study every tariff application.

Rate Design Working Group

The electricity industry is undergoing a significant transformation with the implementation of a capacity market. It would be much more appropriate to conduct any review of cost allocation and rate design in concert with the design and ultimate implementation of the capacity market. Making changes before the capacity cost allocation system is fully scoped out is inherently inefficient, will send cross-purposed investment signals and will cause massive duplication of resources for the AESO, the AUC, and stakeholders.

IPCAA would be supportive of striking a committee or working group to analyze the concerns of all stakeholders and the impact of possible rate design changes on all Alberta ratepayers. This work could feed into both the AESO capacity cost allocation analysis and the next AESO GTA.

Recommendation

Acting quickly and without sufficient consideration of the consequences on this issue is not efficient or fair to Alberta electricity consumers. Many consumers have made significant investments under the current rate structure and require rate stability in order to realize the benefits of these investments. Rate shock can have some fairly dire consequences, including loss of capital investment in Alberta and job losses for Albertans.

IPCAA is willing to allocate time to fully understand and analyze all stakeholder concerns; however, in the interest of moving forward in a responsible manner, we respectfully request that the AESO defer this issue to its next tariff application, allowing for a coordinated, holistic examination in the interim.

Thank you for the opportunity to comment and please feel free to contact us with any questions.

Sincerely,



Vittoria Bellissimo
Executive Director,
Industrial Power Consumers Association of Alberta