

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	Contact: Vittoria Bellissimo
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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.	<p>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>	<p>The session was valuable. It would be helpful to have the AESO provide some additional information, including:</p> <ul style="list-style-type: none"> • An example of the 5-year trailing CP calculation. It has been explained, but IPCAA continues to receive questions on how it works and what the consequences will be of giving the initial years greater relative importance. Consumers are also interested in understanding how this calculation will translate through DFO rates. • Information to support the assumption that 31% of Alberta's bulk and regional transmission costs are energy-related and were incurred to facilitate in-merit energy flows. This is a significant change from the previous 7%. Customers would like to review a cost-of-service study to understand the underlying conditions that changed and consequently created the impetus for a significant shift in cost allocation. • Information to support the efficiency of a much larger energy-related allocation. Charging energy on a flat \$/MWh basis gives equal weight to all hours of the year, even off-peak hours when the loading of transmission lines is typically at its lowest. A more efficient solution would encourage additional consumption when transmission lines are not heavily loaded. • Information and analysis that identifies what has changed on the bulk transmission system since the last cost of service study was approved by the AUC that would justify the proposed change in rate design.

<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>	<p>The session was valuable. It would be helpful to have the AESO provide some additional information, including:</p> <ul style="list-style-type: none"> • Providing impacts for customers who are connected through DFOs. IPCAA recognizes that the AESO does not have control over DFO rate design; however, the vast majority of customers pay their transmission bills through DFO rates. Without understanding the translation of the AESO proposed rate design through the DFO rates, customers are not able to see what their impacts will be. In a vertically integrated utility, customers would understand their impacts. Alberta’s electricity system needs to provide the equivalent information to its customers. • Providing longer-term impacts for customers to understand the forward-looking costs. Historically, the AESO provided a Transmission Rate Impact Projection (TRIP) model that customers used to understand their longer-term costs. This was more in-depth than the Transmission Rate Projection (TRP) that is currently provided on the AESO’s website. IPCAA notes that the TRP has recently been updated, which is helpful; however, the last update was in August of 2019. Customers would appreciate much more frequent updates (every six months) and a more in-depth analysis. Significant assumptions need to be made to turn the TRP into forecasted rates. Customers should not have to produce this type of rate forecast individually. <p>IPCAA is happy to discuss and provide additional feedback to the AESO on the Bill Impact Tool. In the interim, the following comments are provided:</p> <ul style="list-style-type: none"> • As noted during the session, on the Bill Impact Tool, "Annual Average Pool Price" does not change with different years. This should be adjusted. • Load Factor accuracy is a concern. In the AESO calculations, the Load Factor calculation uses the ACTUAL HMD divided by 12 months, creating an average. Using the maximum HMD, instead of the average would result in a higher denominator, and hence a lower load factor. Customers have noted this issue when they are using the “Adjust Load Profile” tab to override their Load Factor data – particularly when they are planning changes to their facilities and want to come up with a more accurate forecast of their potential impacts.
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<p>3. Are you supportive of the AESO's preferred rate design? Why or why not?</p>	<p>At this point, IPCAA has some major concerns with the proposed rate design:</p> <ul style="list-style-type: none"> • In general, the beneficiaries of the new rate design are low load factor customers who use the system less efficiently. Higher load factor customers are generally seeing additional costs from this proposed rate design. It is difficult to understand how the AESO sees this as an efficient outcome. • In addition, many low load factor customers may have peaks that correlate to the system peak and energy usage that is considerably reduced in off-peak hours, particularly residential loads. Effectively rewarding customers for less efficient use of the transmission system is very concerning. • Allocating more costs to energy on a flat basis is not efficient. HE1 is clearly not the same as HE17. • Increasing the energy charge by \$8/MWh will provide a predictable \$8/MWh incentive for on-site generation. This could erode billing determinants further. • With regard to impact through distribution rates, at this point we only have information from FortisAlberta, which we thank them for. We do know that other DFOs are working on providing calculations. Our members are particularly concerned that high load factor customers in Fortis Rate 45, Rate 61 and Rate 63 will see increases to the transmission component of their bills. Again, it is difficult to understand how the AESO sees this as an efficient outcome. • It is also concerning that the AESO is expecting customers to weigh in on this rate design when many customers do not know how this rate design will impact them yet. The AESO should be working with DFOs to provide calculators to customers, so that the tariff can be understood. We only have one DFO Estimated Bill Impact information sheet to date. The AESO should consider hosting a Technical Information Session for DFO-connected customers. All Alberta customers deserve to understand the impact on their bills. • Members are concerned with the proposed 5-year trailing CP calculation. This lengthy term will discourage energy efficiency investments and will disincentivize flexibility and innovation.
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	Questions	Stakeholder Comments
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 **Proposed rate design must fit within current legislation</p>	<ul style="list-style-type: none"> a) Without reviewing a cost-of-service study, it is difficult to weigh in on Cost Responsibility. b) It would be useful if the AESO could explain how a rate design that benefits lower load factor customers and penalizes higher load factor customers, is sending efficient price signals. c) Without mitigation, it appears that 7 or 8 customers will see significant disruption and significant impacts to their business. In addition, many other customers will see cost increases up to 10% because of this rate design. It would be useful for the AESO to conduct analysis on the economic impacts to the impacted customers. d) Charging on CP, energy or billing / contact capacity are all fairly simple. However, the proposed 5 year trailing average CP is not simple or well-understood. It would be helpful for the AESO to provide an example so customers can understand how it works. e) There will be opportunities for innovation and flexibility for some customers, but not all customers. There will be an \$8/MWh (plus Balancing Pool Charge) incentive for customers to build on-site generation.

5.	<p>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>It is difficult to understand why the AESO persists with a major tariff change at this time. Customers are still in a global pandemic, with significant other priorities to attend to. There are also many outstanding issues that have not been resolved that will ultimately impact the ISO tariff causing further revision, including:</p> <ul style="list-style-type: none"> • The Transmission Regulation being re-examined by government by the end of 2021 • Government changes related to self-supply and net-export expected in 2021 • AUC changes resulting from the Distribution System Inquiry (such as aligning transmission and distribution rates). • AUC changes to sub-station fraction and DCG credit issues. <p>The AESO should work with both the DOE and AUC to resolve the issues impacting the tariff, prior to changing the tariff. The timing for a change is pre-mature. Customers do not want to see two major tariff overhauls in short order.</p>
6.	<p>Please describe any areas in which you are aligned with the AESO's preferred rate design.</p>	<p>Retaining the 12 CP charge is an area of alignment; however, the volume of the charge is not. The CP allocation method is the standard, FERC-approved allocation method for network transmission costs and it is the established allocation method for bulk transmission costs. Energy-related allocation of transmission costs are not widely used. The AESO needs to explain why Alberta is so unique as to require a different allocation method from other jurisdictions.</p>
7.	<p>Are the assumptions the AESO used for the rate impact reasonable? Is there additional information that would help improve your understanding of rate impacts?</p>	<p>As stated above, more information is required to understand the 5-year trailing average CP data, as well as impacts on DFO rates.</p>
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>Modernizing DOS so that it is used efficiently is a worthy goal. IPCAA will need to see more information on the proposed costs prior to weighing in on whether it will be suitable. If the costs are too high, it will not be used – and hence it will not be suitable.</p>

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>Fundamentally, the cost is too high, and the terms are too limited. Proponents cannot finance ES projects, for example, based on the availability of term DOS. This is a concern for consumers in that these types of projects could bring value to customers.</p> <p>We need to improve our use of the existing transmission system. The test should be: Does this add value to consumers?</p>
10	<p>Do you have any comments on the AESO's targeted engagement approach for mitigation discussions?</p>	<p>IPCAA submits that if the targeted engagement approach does not result in mitigation options that will keep the customers expecting major cost impacts operating in Alberta, then the AESO should consider delaying and revising the tariff. At a high level, this tariff "modernization" looks like targeted cost increases on price responsive load and high load factor customers. These are the customer groups that have been actively managing their risk – all the while telling the AESO not to overbuild the transmission system in Alberta.</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>Providing distinct tariff treatment for some customers is sub-optimal. Ideally, Alberta would have a transmission tariff that works for all customers. However, we do not want customers to leave the province and increase transmission costs for all other customers in doing so.</p>

12	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.	No comments at this time.
13	Are you in favour of some type of mitigation? Why or why not? If you are in favour of some type of mitigation, how would you assess whether a proposed mitigation approach is acceptable?	As stated above, ideally, Alberta would have a transmission tariff that works for all customers. However, we do not want customers to leave the province and increase transmission costs for all other customers in doing so. At this point, IPCAA reserves judgement on mitigation options.
14	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?	Yes. IPCAA is very concerned that over-contracting is leading to transmission over-build. Allowing a contract reset period would help alleviate this concern.
15	Do you have any additional implementation considerations the AESO should consider?	Has the AESO considered whether the entire rate should be transitioned? Has any analysis been conducted to examine a transition over several years?
16	Do you have additional clarifying questions that need to be answered to support your understanding?	See comments above.
17	Additional comments	Overall, the AESO needs to consider the long-term public interest and whether this rate design satisfies that consideration. Stakeholders deserve to hear from the AESO as to why this change is, in fact, in the long-term public interest of Alberta. If this case cannot be made, then any major changes must be delayed until such a case can be made. IPCAA thanks the AESO for facilitating the March 31 st Technical Information Session and for providing customers their Site Data Input directly. This has been a drastic improvement over the analysis for the Bookends.

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