

Stakeholder Comment Matrix – March 19, 2020
Bulk and Regional Tariff Design Session 1 – March 13, 2020



Period of Comment: March 19, 2020 through April 9, 2020	Contact: [REDACTED]
Comments From: Suncor Energy Inc.	Phone: [REDACTED]
Date: 2020/04/09	Email: [REDACTED]

Instructions:

1. Please fill out the section above as indicated.
2. Please respond to the questions below and provide your specific comments.
3. Email your completed comment matrix to tariffdesign@aeso.ca by **April 9, 2020**.

Three Tariff Design Options presented at the session:

- Option 1: Rate reflects costs.
- Option 2: Rate reflects benefits.
- Option 3: Hybrid – Rate reflects both cost and benefit.

Five Tariff Design Guiding Objectives presented at the session:

1. Effective long-term price signals.
2. Facilitate innovation and flexibility.
3. Reflect accurate costs of grid connection and services.
4. Explore options within legislation and regulation.
5. Path to change that is effective and minimally disruptive.

The AESO is seeking comments from Stakeholders with regard to the following matters:

	Questions	Stakeholder Comments
1.	<p>Please comment on the Engagement Session 1 webinar facilitated by the AESO on March 13, 2020. Was the session valuable? Was there something we could have done to make the session more helpful? Please advise and be as specific as possible.</p>	<p>As a preliminary comment, Suncor appreciates the AESO accommodating online participation in stakeholder sessions in light of the current COVID-19 pandemic. Suncor believes that using the webinar software audio capabilities would improve the ability of stakeholders to meaningfully engage in these sessions. Rather than relying on AESO personnel to read out typed stakeholder questions using the chat function, participants should virtually raise their hands and then be unmuted. This would allow participants to ask their question in person and respond with any follow-up, as required.</p> <p>Regarding the content of the session, Suncor appreciates the AESO taking the time to present its views. However, Suncor believes that further work is required to develop a principled tariff design with regard to the legislative framework. The AESO presented two options, and a hybrid of the two options, for tariff design. However, in presenting these options, the fundamental question of tariff design were not addressed: <u>Which</u> amounts should be recovered, <u>how</u>, and from <u>whom</u>?</p> <p>The options presented do not specify which amounts are intended to be recovered and from which customers these amounts are intended to be recovered;¹ the options merely consider <i>how</i> costs could be recovered. Inherently, the rate design options, as presented, therefore also do not provide a rationale connecting: the charge amount, the charge methodology, and the customer charged. This rationale is required before a rate design can be considered and should be supported by evidence.</p> <p>For example, the AESO states that option 1 “reflects transmission costs”, but does not specify which costs are reflected or why the reflection would be appropriate. Similarly, the AESO stated that option 2 “reflects transmission benefits” but does not specify what benefits are provided, to which customers, and why the nature of the reflection would be appropriate. The AESO does not provide information required to determine the validity, efficacy, and efficiency of these options.</p> <p>Accordingly, Suncor believes that the options presented by the AESO have not been sufficiently developed for consideration.</p> <p>Suncor has two further concerns with respect to the AESO’s presentation. First,</p>

¹ Given that there is currently effectively only one rate class, Rate DTS, it can be assumed that all options are intended to apply to Rate DTS customers. However, other rate classes should be considered, in which case the customer class an option is intended to apply to also needs to be specified.

		<p>Suncor is concerned with the AESO’s seemingly arbitrary use of the term “cost shifting” within the presentation. The AESO implies that there is some improper “cost shifting” between customers that may occur in the current tariff or if the rate reflects the costs. This implicit notion of unfairness is not supported by any evidence that costs may be improperly incurred by certain customers. Again, however, there is insufficient evidence to evaluate the AESO’s proposed rate design options.</p> <p>Second, Suncor also notes misconceptions in the AESO’s presentation regarding economic incentives. For example, on slide 17, the AESO states:</p> <ul style="list-style-type: none"> • <i>Transmission costs are sunk and costs are high</i> <ul style="list-style-type: none"> ○ <i>Incentives have not been proportional to reduction in future cost</i> <p>Economic incentives are not tied to future costs but to avoided current costs. The current transmission system is designed to meet the needs of Albertans. However, this need is influenced by current signals. A change in these signals will change behavior, which in turn might show the current system to be ill-suited to meet the changed needs. In some areas, transmission lines may become stranded and in some areas additional transmission lines may be necessary. The economic incentives need to reflect the value of the transmission that was not built because of the incentives. During the stakeholder session, the AESO confirmed that it has not done any analysis evaluating the transmission need if customers stopped reducing their demand over peak. Absent any analysis or discussion as to how behavior impacts the cost of transmission, any claim regarding the magnitude, efficiency and adequacy of current economic signals is unsupported.</p>
2.	<p>Please comment on the pros, cons and tradeoffs of Option 1: Rate Reflects Costs.</p> <p>Do you have additional clarifying questions that need to be answered to support your understanding?</p> <p>Do you feel anything was missed or would present a significant obstacle or impact with this option?</p> <p>If yes, please be as specific as possible.</p>	<p>Suncor reiterates that it cannot evaluate the pros, cons and trade-offs of option 1. As information regarding which costs the rate reflects and why the rate reflects these costs was not provided, participants are unable to comment. To assess this option, a proposed classification of costs and a proposed delineation between regions is required, along with a justification supported by evidence.</p> <p>An important component of option 1 is the recognition that a single rate can be used to send regional signals when the associated billing determinant takes into account regional considerations. Efficient and effective signals require transparency in how much customers will be charged, and what behavior the charge will be based on. The AESO therefore needs to address how it would intend to provide transparent information to customers regarding regional system conditions.</p>

3.	<p>Please comment on the pros, cons and tradeoffs of Option 2: Rate Reflects Benefits.</p> <p>Do you have additional clarifying questions that need to be answered to support your understanding?</p> <p>Do you feel anything was missed or would present a significant obstacle or impact with this option?</p> <p>If yes, please be as specific as possible.</p>	<p>Suncor reiterates that it cannot evaluate the pros, cons and trade-offs of option 2. As information regarding which benefits the rate reflects and why the rate reflects these benefits was not provided, participants are unable to comment.</p> <p>To assess this option, a proposed classification of costs is required along with a justification supported by evidence. In addition, justification and supporting evidence are required to support certain costs being appropriately recovered on an energy or contract capacity basis. Neither billing determinant seems intuitively appropriate for any significant amount of cost recovery.</p>
4.	<p>Please comment on the pros, cons and tradeoffs of Option 3: Hybrid – Rate Reflects Cost and Benefit.</p> <p>Do you have additional clarifying questions that need to be answered to support your understanding?</p> <p>Do you feel anything was missed or would present a significant obstacle or impact with this option?</p> <p>If yes, please be as specific as possible.</p>	<p>Suncor reiterates that it cannot evaluate the pros, cons and trade-offs of option 3. As no information regarding which costs and benefits the rate reflects and why the rate reflects these costs and benefits, participants are unable to comment.</p> <p>Additionally, to the extent different options address different cost components, a hybrid solution will inherently emerge. Option 3 is not a true “third option”.</p>
5.	<p>How effectively do you feel Option 1: Rate Reflects Costs meets the five Tariff Design Objectives?</p> <p>Please be as specific as possible.</p>	<ol style="list-style-type: none"> 1. It is unclear how this option would result in effective and efficient long term signals without further information. Most importantly it is necessary to understand which costs would be allocated and how participants would get information regarding the relevant hours. 2. Setting the billing determinant based on regional conditions is a way to adapt to a decentralizing grid. How the intra-Alberta billing determinants are set would also need to be carefully considered to result in efficient signals. 3. It is unclear which costs would be tied to this measure. 4. This option seems permissible under legislation for the costs it would be applicable to. 5. How disruptive the transition for this cost component would be depend on the yet unknown implementation details.
6.	<p>How effectively do you feel Option 2: Rate Reflects Benefits meets the five Tariff Design Objectives?</p> <p>Please be as specific as possible.</p>	<ol style="list-style-type: none"> 1. From a transmission cost allocation/recovery perspective, the relevant benefits are reductions in system costs caused by participant behavior. These benefits are not reflected in option 2. 2. This option does not provide appropriate incentives for customer innovation and

		<p>flexibility.</p> <p>3. This option does not reflect cost or benefit causation.</p> <p>4. This option is not consistent with the legislative objective for an efficient electricity industry and may result in unjust, unreasonable and discriminatory rates.</p> <p>5. Given that the outcome of this option may include a significant shift in cost allocation, adopting this option may be disruptive regardless of the implementation details.</p>
7.	<p>How effectively do you feel Option 3: Hybrid – Rate Reflects Cost and Benefit meets the five Tariff Design Objectives?</p> <p>Please be as specific as possible.</p>	<p>The comments with respect to options 1 and 2 apply.</p>
8.	<p>Do you have additional clarifying questions that need to be answered to support your understanding of the Tariff Design Objectives and corresponding assessment of the three Tariff Design Options presented at the session? If yes, please be as specific as possible.</p>	<p>As the AESO is aware, the <i>Electric Utilities Act</i> governs the requirements for the AESO tariff (see for example sections 5, 30, 121. Objectives for the tariff design must align with the legislative framework.</p> <p>With regard to the specific proposed objectives:</p> <ol style="list-style-type: none"> 1. effective long term price signals are aligned with the legislative requirement for efficiency. 2. innovation and flexibility are desirable objectives if they contribute to improved efficiency. It is important to facilitate, not subsidize, innovation and flexibility. 3. rates that reflect <u>system</u> cost- or <u>system</u> benefit-causation are important efficiency drivers. Significantly, this only applies to system costs/benefits caused by the participant; not to any perceived benefits that a customer may derive. 4. furthering the objectives set out in the legislative framework is a core element of tariff design. 5. it is important to not pre-suppose change. However, Suncor agrees that any required change should be implemented in the least disruptive way. <p>As noted above, for any options to be considered, the following information needs to be presented:</p> <ol style="list-style-type: none"> 1. which amounts are intended to be allocated under this option? 2. which customers are the amounts being allocated to and why?

		<p>3. how are the amounts being allocated and why?</p> <p>The options, as presented by the AESO, only provide information regarding how the amounts are being allocated. The requisite information is more substantial than what can be provided in response to clarifying questions.</p>
9.	Additional comments	<p>Suncor supports delaying any changes to the tariff design in light of the current unprecedented circumstances surrounding the COVID-19 pandemic. Market participants are looking for temporary rate relief options and, hopefully, in the latter part of the year the focus can shift to economic recovery. Suncor believes that tariff stability would aid these efforts.</p> <p>A delay in any changes to the tariff design would provide more time to complete the significant work that still needs to be undertaken to develop a principled tariff design with regard to the legislative framework. Suncor believes that the current options for rate design that the AESO has proposed should be withdrawn as the fundamental information required to review and assess these options has not been provided. Suncor supports the AESO allowing industry to develop rate design options.</p>

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