

Stakeholder Comment Matrix – March 25, 2021

Bulk and Regional Tariff Design Stakeholder Engagement Session 5



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| Period of Comment: March 25, 2021 through April 15, 2021 Comments From: Suncor Energy Inc Date: 2021/04/15 | Contact: Horst Klinkenberg Phone: (403) 819-7125 Email: hklinkenberg@suncor.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 |
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| 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? | Overall the session was helpful. From Suncor’s perspective, time could have been allocated better among the topics. More information regarding the need for change and in support of the proposal would have been useful. Additional time discussing DOS and potential other alternative rate classes would have also been helpful. In contrast, too much time was spent on bill impact and mitigation. |
| 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? | The technical session was useful and the right forum to discuss bill impacts. |
| 3. | Are you supportive of the AESO’s preferred rate design? Why or why not? | There has been insufficient information so far in order to assess the appropriateness of the design. While the overall design may be okay, Suncor has a concern with the flat all-hour energy charge. If these charges were focused in a way that reduces distortion, the overall design might be acceptable. |

| | Questions | Stakeholder Comments |
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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 **Proposed rate design must fit within current legislation</p> | <p>Suncor is concerned the proposal does not meet the legislative objectives and at this stage Suncor believes that at a minimum, the flat energy charge would need to be revised.</p> |
| 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>Suncor does not believe that energy in all hours should be treated equally under the tariff. Instead, any energy charge would have to be shaped to focus on relevant consumption and avoid providing incentives that distort behaviour.</p> |
| 6. | <p>Please describe any areas in which you are aligned with the AESO's preferred rate design.</p> | <p>So far there has been insufficient information to determine whether the AESO's preferred rate design meets the legislative objectives better than the status quo. Regardless however, Suncor does not believe that a flat all-hour energy rate makes sense.</p> <p>The 5-year average calculation seems unnecessarily complicated and in general does not seem to serve a useful purpose. If the aim is to flatten consumer's bills, than a 60 month rolling average calculation would be more effective than focusing on individual months.</p> |

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| 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>Suncor considers the rate impact information for transmission customers sufficient.</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>Suncor has previously supported more variation in rates and considers DOS modernization a step in the right direction. Not all customers have similar needs and in theory efficiency could be gained by offering more diverse service options. As a first step, the threshold requirement that DOS is only available when DTS would be uneconomic should be revisited.</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>Suncor believe that the premise is wrong. The goal should not be to sell as much DTS as possible and then offer a burdensome DOS product to try and marginally improve utilization of the grid. Instead, a broader variety of products should be considered that results in a transmission system that better meets the needs of customers.</p> |
| 10 | <p>Do you have any comments on the AESO's targeted engagement approach for mitigation discussions?</p> | <p>Rate impact mitigation is a difficult topic. On one hand, it is definitely desirable to retain loads. On the other hand, any reduction in rates/costs for one participant has to be financed through cross subsidies. Given the significant outstanding questions regarding the preferred rate design, a discussion around mitigation seem premature.</p> |

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| 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 | See response to 10. |
| 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> | See response to 10. |
| 13 | <p>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?</p> | See response to 10. |
| 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> | If the tariff results in significant changes relative to the existing tariff design, significantly modifies DOS, or introduces new rate classes, flexibility should be provided to allow contracts to be adjusted efficiently without penalty. |

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| 15 | Do you have any additional implementation considerations the AESO should consider? | |
| 16 | Do you have additional clarifying questions that need to be answered to support your understanding? | Suncor has reviewed the questions by the AUC staff and believes that responses to the questions would be useful to be able to better assess rate proposals in general and the AESO's preferred rate design specifically. |
| 17 | Additional comments | Given that the <i>Transmission Regulation</i> is set to expire by the end of the year, Suncor believes that filing a revised tariff in June would be premature. Consultation should continue but filing should only occur after any potential regulation changes have been taken into consideration. |

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