

## Stakeholder Comment Matrix – Sept. 24, 2020

### Bulk and Regional Tariff Design Session 2



<b>Period of Comment:</b> Sept. 24, 2020 through Oct. 8, 2020	<b>Contact:</b> Akira Yamamoto
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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](mailto:tariffdesign@aeso.ca) by **Oct. 8, 2020**.

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

	Questions	Stakeholder Comments
1.	<p>Please comment on Session 2 hosted on Sept. 24, 2020. Was the session valuable? Was there something the AESO could have done to make the session more helpful?</p>	<p><b><i>The stakeholder session was helpful and progressed the discussion of alternatives</i></b></p> <p>Yes, the session held on September 24, 2020 was helpful and valuable. More specifically, the progress that the AESO has made with respect to developing the book-ends informed stakeholders of how dramatically the tariff may be changed.</p> <p><b><i>Energy storage should be separate out at its own tariff initiative</i></b></p> <p>The AESO should seriously consider splitting up the topics of bulk and regional tariff redesign from its consultation on energy storage. As we stated in our comments to the 2020-2021 ISO Tariff-Related Activities Plan comment matrix:</p> <p style="padding-left: 40px;">From a practical perspective, we note that there are different stakeholders for bulk and regional and energy storage tariff matters and all stakeholders are forced to attend long sessions when they may only be interested in a small portion of the materials covered. We view this as a driver of stakeholder fatigue as it results in very long sessions where attention is divided by packed agendas of potentially unrelated matters.</p> <p>During the session, most of the day was spent on bulk and regional tariff redesign and this lead to rushing through the discussion on energy storage. The materials in the presentation weren't comprehensively reviewed or discussed in any meaningful manner. We recommend that energy storage tariff be separated out into its own workstream to ensure that topic receives the appropriate level of attention, development, and stakeholder engagement.</p>

<p>2.</p>	<p>Are you supportive of the proposed engagement approach for the AESO’s Bulk and Regional Tariff Design? Why or why not? Please be as specific as possible.</p>	<p><b><i>Prioritize and take the time that is necessary for Tariff Modernization so that it provides the right framework for the future</i></b></p> <p>The Tariff Modernization work is highly condensed given that it seeks to tackle issues that are significantly impactful at challenging time for the economy and is intended to lay out the path to the future. It is hard to believe that issues that have spanned more than half a decade can be resolved through a consultation process that will take place over six months.</p> <p>While we agree that having a target date of March 31, 2021 (for the application to the AUC for bulk and regional rate design) is helpful for planning purposes, we also think that it is important to conduct a meaningful consultation that address current tariff issues in a manner that is comprehensive and create the framework that can enable efficient investment over the next few decades. A consultation that results in piece meal proposals isn’t a solution.</p> <p>The challenge of a tariff design that progresses as separate parts is that those parts don’t necessarily fit well when put together – this is something that we currently face with respect to the different frameworks for distribution and transmission. Furthermore, the uncertainty created by a tariff design that is constantly in flux is very challenging for market participants.</p> <p>We recommend that Tariff Modernization be treated as a key priority and the timing of the regulatory filing should be viewed as flexible and contingent on achieving a thorough consultation and design.</p>
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<p>3. Do you support the AESO's perspective that 12-CP (status quo) is not a reasonable continued outcome of the Bulk and Regional Tariff Design? Please be as specific as possible.</p>	<p><b><i>The AESO should maintain an open-mind to ensure it maintains objectivity in evaluating alternatives to 12-CP</i></b></p> <p>TransAlta supports the review of the bulk and regional tariff rate design and we believe that this is best done with an open-mind. In this regard, we are open to considering 12-CP or other alternatives for allocating bulk system costs. It is unnecessary to predetermine that a change is necessary (as is suggested by this question). Frankly, it is concerning that the AESO has already entrenched itself in its perspective. The AESO should maintain greater objectivity so that it can fairly evaluate alternatives to the current design.</p> <p>It should be noted that the AESO proposed maintaining the 12-CP rate design as recently as 2018 in the ISO tariff filing. The AESO's sudden change in perspective from "no changes are proposed" to "a change must be made" in such a short span of time is difficult to reconcile.</p> <p>We have yet to see evidence that confirms that outcomes from any alternative are better, fairer, or more consistent with rate design principles than with 12-CP. In fact, the consultation has only begun to explore what alternatives may look like and have only shown that costs would be allocated differently with the AESO's book-ends. A change should not be pursued for the sake of change but rather on its merits.</p> <p>We do agree that 12-CP does allocate a significant amount of cost through a relatively simple mechanism. We also agree that the 12-CP appears to provide a strong tariff/price signal. We wish to explore whether the current tariff signal incentives is truly inefficient and not aligned with reducing costs or future transmission needs given that the transmission system has vastly expanded at a rate that far outstripped load growth. It is a better approach to clearly identify the source(s) of the problem(s) to drive to the appropriate solution(s) rather than to create a solution and try to rationalize it by working backwards.</p>
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<p>4. Are the AESO's bookends A and B reasonable starting points for the Bulk and Regional Tariff Design, considering future determination of modifications and mitigation? Why or why not? Please be as specific as possible.</p>	<p><b><i>The book-ends are a non-coincident and coincident designs. The AESO risks making an decision that will be considered arbitrary if the change is not based on strong evidence of cost causation and/or correlation.</i></b></p> <p>We believe that the bookends as identified are a non-coincident design or fixed charged approach and a coincident peak design. We could further expand the book-ends to included demand vs energy, coincident demand vs non-coincident demand, and cost-causation drivers vs. benefit receipt factors. We are not convinced that the AESO's specific proposal of regional peak or 120-days is truly the book end; it is merely a variant of many different approaches that can be taken to a coincident peak design.</p> <p>We also think it is important to spend some time seeing how the costs are reclassified between bulk and regional to inter-regional and intra-regional categories as a test if those reclassifications are appropriate from the perspective of cost drivers. It may also be useful to explore whether there are also other approaches to classify transmission investment according to cost drivers. For example, (1) investments that are driven by demand-driven transmission planning, which could be further subcategorized as inter-regional and intra-regional categories, and (2) investment driven by other planning factors like public policy factors (e.g. renewable development and/or critical transmission infrastructure).</p> <p>There is some intuitive appeal to consider using regional peak for intra-regional costs if it is true that these costs are caused and correlated with regional peak system demands. While it may be intuitively simple to assume this is true, if it is revealed that these costs have no correlation with regional peak system demand then we would question whether there is actually any cost causation. As noted in our comments submitted on April 9, 2020, we are concerned using a regional peak model due to the lack of any strong correlations observed in the 2017 and 2018 historical data as well as the lack of any transparency in real-time to regional load information.</p> <p>We also believe that the AESO should clarify how it makes makes planning decision to expand the inter-regional system as this could help to identify the real cost driver to inform the billing determinant that ought to be applied. In our example above, if investments are driven by other planning factors (category 2) then applying a peak demand billing determinant may not be appropriate allocation methodology because they are not really caused by a customer's contribution to peak demand – in such circumstances a non-coincident allocator could be more appropriate.</p> <p>At this point, we appear to be driving toward solutions without the benefit of the analysis described above. The AESO presentation included graphics that showed</p>
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	<p>different allocator types and attempted to show where the current state was relative to a “sweet spot”. While, to the AESO, this might “feel right”, we owe it to customers that are exposed to a dramatic increase to their bills that the change to tariff rates is evidenced-based and clearly justified based on concrete analysis. The true sweet spot is adopting a design that has the highly desirable characteristics and few/no undesirable characteristics. In this regard, the dimensions that we ought to measure and compare alternatives on are not bounded by different allocation methodologies but rather to the dimensions of the key ratemaking principles (Bonbright’s principles).</p>
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<p>5.</p>	<p>Are their considerations or objectives relating to energy storage tariff treatment that you feel the AESO has missed? If yes, please describe and be as specific as possible.</p> <p>Do you have additional clarifying questions that need to be answered to support your understanding?</p>	<p><b><i>FERC has laid out how to address unnecessary barriers to entry and provides groundwork for the path forward</i></b></p> <p>We note that there was little time spent discussing the considerations and objectives relating to energy storage during the stakeholder session. Rather than a discussion of the topics raised in the AESO’s materials, the time was spent disagreeing about the language the AESO uses to describe an old University of Calgary study, reviewing the AESO’s views about use cases, and hearing dissenting views that there should be any discussion about energy storage treatment. The session made no meaningful progress, which was a disappointing outcome.</p> <p>We view the critical objective to be an exploration of tariff mechanisms that reflect the costs caused by energy storage on transmission system and to remove barriers that may impede the participation in the market. A widely recognized barrier is the lack of interruptible rates for energy resources that have fully controllable load profiles and tariff treatment for energy storage resources that provide market service and can be directed or otherwise effectively controlled by the AESO as dispatchable load or generation resources (the full range of their combined load and generation profile).</p> <p>Fortunately, the AESO has the benefit of FERC’s decision. That decision explored the challenges with energy storage participation from markets with more experience with these technologies than Alberta. The barriers to entry and participation are similar between FERC jurisdictions as they are in Alberta (in fact, the challenges in Alberta may be more pronounced than those encountered in capacity market and locational based system designs). We believe that FERC’s decision is informative and relevant considerations for Alberta. In this regard, FERC’s tariff treatment approach lays out a groundwork of minimum changes that should be considered. Our view is that these approaches do not favour a technology type (fairness in the market design is also a concern for FERC) but rather an acknowledgment of the different characteristics of the technology.</p> <p>Respectfully, we believe that the starting point for the AESO’s consultation should be largely considering how to adopt similar FERC treatment in the areas where those align with the Alberta market framework.</p>
<p>6.</p>	<p>Additional comments</p>	<p>No additional comments at this time.</p>

Thank you for your input. Please email your comments to: [tariffdesign@aeso.ca](mailto:tariffdesign@aeso.ca).