

# Tariff Design Advisory Group

November 15, 2019

## Transition

- Transmission planning
- Coal phase-out
- Tariffs & cost allocation

## Transformation

- How electricity is produced, consumed and exchanged
- Consumer expectations
- Industry disruptors & beyond
- Technology advancement



# AESO Stakeholder Engagement Framework

## **OUR APPROACH TO STAKEHOLDER ENGAGEMENT:**

Stakeholder engagement is conducted strategically and in a coordinated manner such that the organization is compliant with its legislative and regulatory obligations, and stakeholders are provided with a consistent and meaningful experience.

*PRINCIPLE ONE: INCLUSIVE AND ACCESSIBLE*

*PRINCIPLE TWO: STRATEGIC AND COORDINATED*

*PRINCIPLE THREE: TRANSPARENT AND TIMELY*

*PRINCIPLE FOUR: CUSTOMIZED AND MEANINGFUL*

## Discussion:

- What's working with Tariff and TDAG engagement?
- What could be improved?

## Identified items:

- Reconsider TDAG membership with removal of capacity cost allocation scope
- Meeting frequency and length to efficiently align with key information sharing and decision points
- Continued development and sharing of tools to evaluate options

# Tariff Redesign Objectives

# Where are we?

## And how did we end up here?

- Transmission costs are sunk and costs are high
  - Little efficiency to be valued in reducing incremental build
- Regulatory construct: postage stamp and load only tariff
  - Look for new ways to achieve efficiency within existing regulation and legislation
  - New technologies (i.e. energy storage) are stretching the fit within regulatory construct
  - Commission suggests that the AESO has more legislative discretion than currently using
- Future build is primarily driven by factors other than load
  - Very limited efficiency can be incorporated given our rigid regulatory construct
- Customers have made investments (sunk costs)
  - Fairness is critical and also may be efficient
- Current pricing signals do not align with planning signals
  - Commission directed AESO to review bulk and regional tariff design
  - Customers are responding to the price signal but hasn't materially impacted the build

# Tariff Redesign Guiding Objectives

## 1. Effective Long Term Price Signals

- Efficient use of the transmission system by aligning price signals and planning signals
  - Optimization of existing system
  - Optimize future build (cost/benefit)
- Flow through of transmission cost signals to end-use customers
  - Where possible and applicable
  - Align transmission signals and communicate “information” to DFO rate design



## 2. Facilitate Innovation and Flexibility

- Adaptive and agile
- ISO tariff not a barrier to innovation
- Provide optionality
- Reduce “command & control” and allow customer innovation
- Use pilot or phased in approaches





## **3. Reflect accurate costs and value of grid connection and services**

- Value the “products” of the AIES (reliability, access to markets, voltage, frequency, . . .)
- Fairness for all customers and technologies connecting to the grid
- Minimize or eliminate cross-subsidies

## **4. Explore options within legislation and regulation**

- Postage stamp (including rates and rate classes)
- Interruptible rate – locational option like an “anti DOS”
- Provide a range of alternatives within existing legislation and regulation

## **5. Path to change that is effective and minimally disruptive**

- Transmission rates will enable, or be an asset to, the AB economy
- Use pilots or phased in approaches

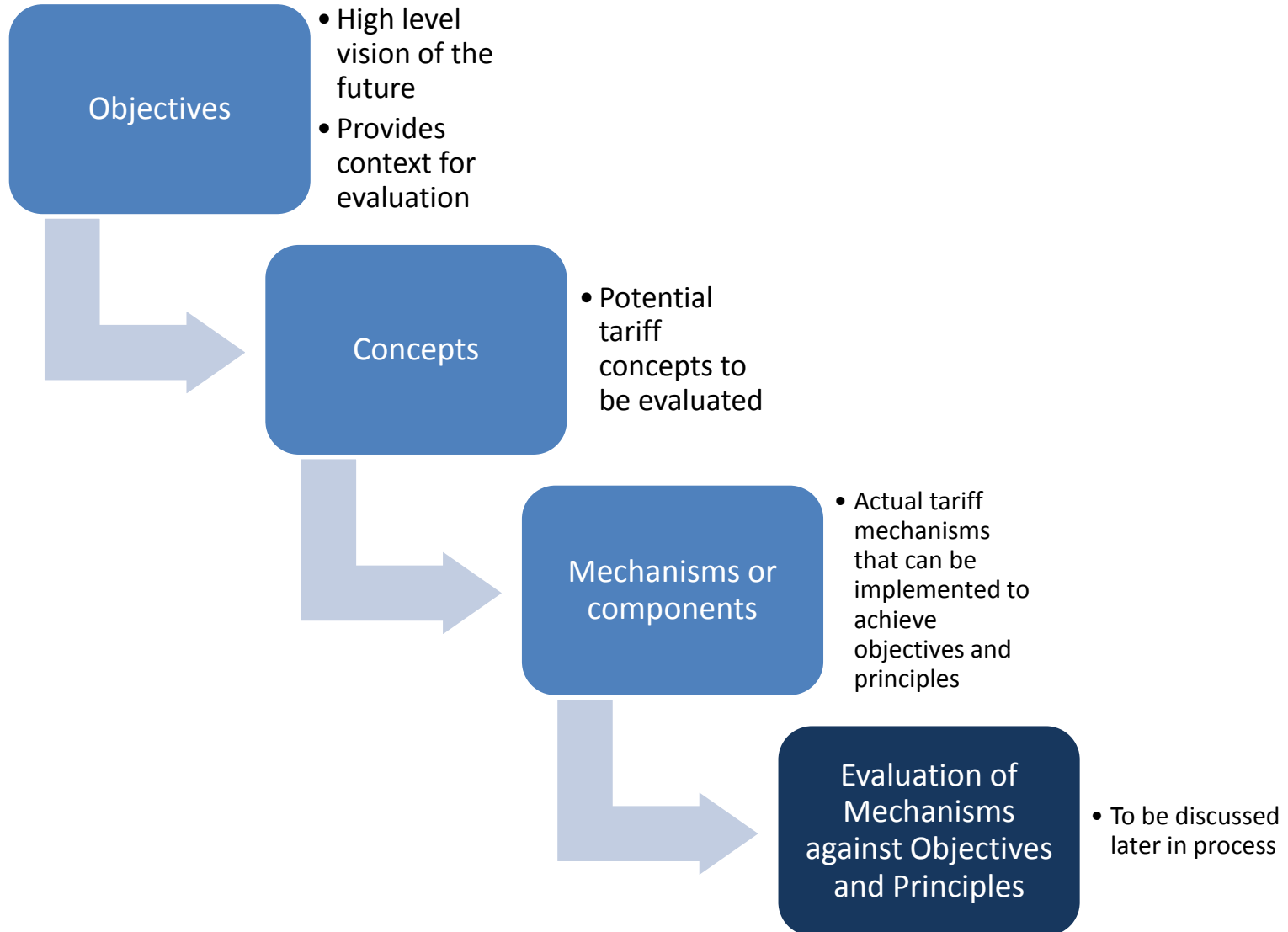
Develop a 2020 tariff application that results in transmission tariff pricing signals that:

- result in efficient long-term price signals to optimize current and future incremental transmission costs
- allow market participants to innovate and provide economic value to all of Alberta
- effectively reflect both the cost of transmission and the value created by having a connection to the AIES across transmission and distribution systems

- What is the impact of inefficient price signals on costs and reliability of the grid?
- Do different customer types (industrial, industrial with co-generation, distribution facility owner customers . . .) view transmission price signals differently?
- What opportunities do you see for the ISO tariff to be more adaptive, agile, flexible, allow innovation?

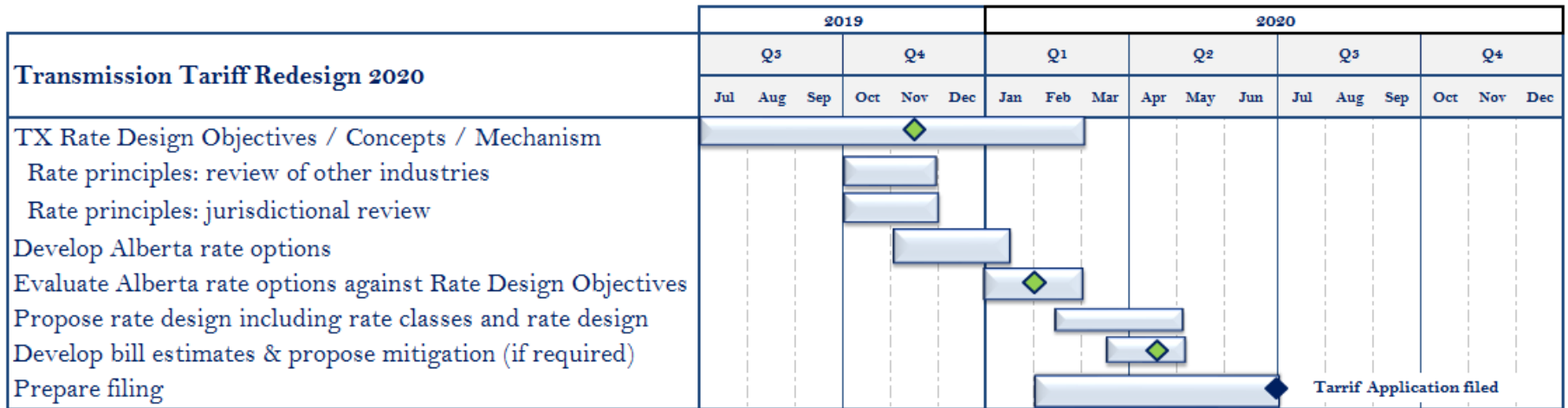
# Next Steps

## Objectives → Concepts → Tariff Mechanisms



# Schedule

# Schedule



Study	Description	Stage / Next steps
P1 – System Planning	<ul style="list-style-type: none"> <li>• Overview of costs, drivers and transmission planning in Alberta</li> <li>• Includes past and future system project costs</li> </ul>	TTWG Feedback
F1 – Tariff Design Overview	<ul style="list-style-type: none"> <li>• Historical ISO tariff design overview</li> <li>• Other industry pricing and tariffs review</li> <li>• Jurisdictional review including functionalization, classification, allocation and opportunity services review.</li> </ul>	In progress
F2 – Line Correlation Analysis	<ul style="list-style-type: none"> <li>• Correlation analysis of line power flow versus system load and regional load</li> <li>• First Stage: 240kV or greater lines or line segments</li> </ul>	Data presented to TTWG lead

Study	Description	Stage / next steps
A1 – Historical and Forecast Load, Historical Generation	<ul style="list-style-type: none"> <li>Hourly historical and forecast load, historical generation by market participant category, type and region</li> </ul>	Data posted on AESO website on September 11th
C1 – Classification – Average & Excess	<ul style="list-style-type: none"> <li>Cost classification can be achieved through analyzing line loading and determining average and excess line loading to create fixed, volumetric and variable classifications</li> </ul>	On hold
C2 – Classification – Minimum System	<ul style="list-style-type: none"> <li>Cost classification can be achieved through analyzing minimum system and optimum system to create fixed, volumetric and variable classifications</li> </ul>	On hold
C3 – Classification – Fixed and Variable	<ul style="list-style-type: none"> <li>Cost classification can be achieved through analyzing fixed and variable costs to create fixed, volumetric and variable classifications</li> </ul>	To be discussed at the next TTWG



Study	Description	Stage / next steps
R1 – Value of Service	<ul style="list-style-type: none"> <li>Review the value of electricity service to customers and their potential responses</li> </ul>	On hold
A2 – Rate Classes	<ul style="list-style-type: none"> <li>Alberta legislative and regulatory review of barriers and hurdles for new rates or rate classes</li> </ul>	To be discussed at next TTWG
R3 – Bonbright Review and Report	<ul style="list-style-type: none"> <li>Bonbright’s criteria of rate design and applicability to the transmission tariff</li> </ul>	Complete
R4 – Historical Coincident Peak Response	<ul style="list-style-type: none"> <li>Review past market participant response to monthly coincident peak pricing signal – monthly MWs and monthly dollars.</li> </ul>	In progress

Thank you