

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: TransAlta Corporation	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>The session was helpful, informative and valuable. We have the following recommendations for future sessions:</p> <ul style="list-style-type: none"> • Walk through the analysis of the delivered cost of electricity. We would also like to see any historical analysis and results that the AESO has performed that compared the delivered cost of electricity against self-supply options. • Provide a cross jurisdictional comparison of tariff/pricing mechanisms used for electricity wires costs. The Navigant report was not specific to electricity transmission and provided background to many industries that are deregulated. In this respect, we found that the report provided limited insight into how other jurisdiction assess bulk and regional charges and how those compare to the tariff that is used in Alberta. It would be informative and helpful to get a comparison of how bulk and regional charges are handled in other jurisdictions to assist with the review of our bulk and regional system costs and tariff. More specifically, we would like to understand if our mix of bulk and regional system costs are comparable to other systems and what may have been drivers for any differences that are observed. • Reconsider the trade-offs. The trade-offs do not identify that a good price signal will optimize the utilization of the system, could increase efficient utilization and avoid uneconomic cessation when the system is surplus transmission capacity, and could accommodate/attract load growth without an increase in transmission costs – which breaks from framework that views rate design is a zero sum game e.g. a transmission cost saved by one customer increases the costs for another customer.
(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>There is no signal for region/area peak.</p> <p>The notion of improving the load response at an area/region level is predicated on the availability of a transparent signal for that load to respond to. This is unavailable today and therefore entirely theoretical.</p> <p>Additionally, the application of regional/area peak usage billing determinant has the potential to reduce the incentive to respond and further adds to the cost causation misalignment issue identified in the current system peak and postage stamp rate</p>

	<p>If yes, please be as specific as possible.</p>	<p>approach. Under the current approach, a large load still has an incentive to reduce consumption during system peaks. Large regional/area system loads lose the incentive to respond to signals because any shifting they do engage in would likely result in a in the regional/area peak shifting to an hour when they are not changing their behavior. In this respect, shifting to the regional/area model dilutes rather than enhances the incentive to engage in consumption behaviours that can help reduce future transmission cost.</p> <p><i>The Pearson’s correlation coefficients in the AESO’s analysis of hourly power flows and loads show no or weak correlations.</i></p> <p>The load to power flow correlations and Pearson’s correlation coefficients provided for 2017 and 2018 show no or weak correlations in many/most instances. We find it difficult to view this analysis as a demonstration that area/region peak is a reasonable proxy with flows. Indeed, the results for the total system, which we interpret as reflective of the current system peak approach, appear just as weakly correlated to flows as moving to a region/area approach. In this respect, a move to area/region seems no better than staying with the current approach.</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><i>Benefit should be defined from the customer’s (not supplier’s) perspective and should consider the substitutability of regulated wires service with self-supply</i></p> <p>The AESO has used the term “benefit” to imply fixed charges rather than savings enjoyed compared to an alternative supply. Historically, when transmission costs were low, it was a fair presumption that the benefits received from a grid connection was greater than the alternative cost of supply. However, the AESO’s analysis of the delivered cost of electricity and self-supply alternatives demonstrates that this assumption is no longer true and the cost of transmission service for certain customers exceeds the cost of available alternatives.</p> <p>We believe that it is very important and urgent for the rate design to consider the substitutability of regulated service through self-supply. The high cost of regulated service today and the downward trend in generation cost create a high risk of customers choosing to leave the system. This risk feeds back into vicious cycle where transmission rates will increase at the point where self-supply alternatives are most attractive (and the perceived value/benefit of the network system is lower than its substitutes).</p> <p>The rate design must carefully consider the cost of self-supply to avoid enhancing the signal to bypass the system. A tariff design that provides a load retention rate that charges no more than the cost to economic equivalent of bypassing the system is a way to ensure that the costs of regulated service are reflective of benefit received. It is</p>

		<p>better for centralized system to retain those customers even if those customers contribute less towards system costs than to lose those customers entirely.</p>
<p>(4)</p>	<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><i>The AESO should better explain how it categorized assets for load and generation.</i></p> <p>We request further information about how the AESO is categorizing transmission assets to load and generation, particularly for assets that serve dual purposes.</p> <p>The exercise of categorizing assets and assigning a rate treatment makes it easier to apply this approach. However, as stated above, the AESO should be careful not to create a fixed charge that is so high that it is more economic for customers to leave the system. In this respect, we would advise against prescribing what categories of costs should be assigned on a fixed or peak basis until the analysis is completed to show what the charges are signaling or incenting.</p>
<p>(5)</p>	<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>	<p>Our comments and ratings are made relative to the status quo:</p> <p><i>Objective: Effective Long-Term Price Signals - Lower</i></p> <ul style="list-style-type: none"> • There are no regional/area indicators of peak load or price signals to respond to in the current design. • The AESO's analysis does not show that there is any greater correlation between system peak versus regional/area peak to load flows. <p><i>Objective: Facilitate Innovation and Flexibility – Lower</i></p> <ul style="list-style-type: none"> • A non-transparent signal is less likely to be responded to and therefore provides limited value in incenting innovation and flexibility. <p><i>Objective: Reflect Accurate Costs of Grid Connection and Services - Lower</i></p> <ul style="list-style-type: none"> • Greater potential for mismatches and dislocations in price signals using a regional/area billing determinant and a postage stamp rate. <p><i>Objective: Explore Options with Legislation and Regulation - Lower</i></p> <ul style="list-style-type: none"> • Inconsistent with a concept of a postage stamp rate. <p><i>Objective: Path to Change that is Effective and Minimally Disruptive - Lower</i></p> <ul style="list-style-type: none"> • A significant spend on developing these systems will add to the transmission cost issue that we are trying to address.

(6)	<p>How effectively do you feel Option 2: Rate Reflects Benefits meets the five Tariff Design Objectives? Please be as specific as possible.</p>	<p>Our comments and ratings are made relative to the status quo:</p> <p><i>Objective: Effective Long-Term Price Signals - Lowest</i></p> <ul style="list-style-type: none"> • Provides no consumption signal that could mitigate/reduce future transmission build. • Likely to increase industrial customer interest to leave the system. <p><i>Objective: Facilitate Innovation and Flexibility – Lowest</i></p> <ul style="list-style-type: none"> • <i>Costs are largely unavoidable and therefore the incentive to innovate or respond in a flexible manner.</i> • System likely to lose flexibility if load is driven off the system. <p><i>Objective: Reflect Accurate Costs of Grid Connection and Services - Lowest</i></p> <ul style="list-style-type: none"> • Costs do not reflect consumption/usage of the system. <p><i>Objective: Explore Options with Legislation and Regulation - Lower</i></p> <ul style="list-style-type: none"> • Does not promote the efficient use of the transmission system. <p><i>Objectisve: Path to Change that is Effective and Minimally Disruptive – Lowest</i></p> <ul style="list-style-type: none"> • Negatively impacts all customers that have built processes and made investments into responding to the coincident peak signal.
(7)	<p>How effectively do you feel Option 3: Hybrid – Rate Reflects Cost and Benefit meets the five Tariff Design Objectives? Please be as specific as possible.</p>	<p>The hybrid approach will inherit the benefits and disadvantages of the two options above. In this respect, the hybrid option is likely have a rating between the two options. For example, we rank Option 1 above Option 2, the Hybrid option should be ranked between Option 1 and Option 2.</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>Our requests are included in the response above.</p>

(9)	Additional comments	No comments at this time.
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Thank you for your input. Please email your comments to: tariffdesign@aeso.ca.