

Stakeholder Comment Matrix & Proposal Evaluation – Nov. 5, 2020

Bulk and Regional Tariff Design Stakeholder Engagement Session 3



Period of Comment: Nov. 5, 2020 through Nov. 20, 2020	Contact: Richard Stout
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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 evaluation to tariffdesign@aeso.ca by **Nov. 20, 2020**.

The AESO is seeking comments from Stakeholders on Session 3 and the preferred rate design option proposals. Please be as specific as possible with your responses.

Questions	Stakeholder Comments
1. Please comment on Session 3 hosted on Nov. 5, 2020. Was the session valuable? Was there something the AESO could have done to make the session more helpful?	<p>It was helpful to understand the full range of proposals being made for Bulk and Regional Tariff Design especially with regard to emerging issues related to distributed intermittent generation and energy storage facilities.</p> <p>Unfortunately, groups that insisted on making no changes to the 12CP tariff design from the very beginning have not moderated their position and have now upped the ante by rejecting consideration of any tariff change mitigation.</p> <p>In terms of comparing basic tariff and cost allocation options following three years of technical analysis and working group discussions these stakeholder sessions on possible tariff structures are now past the point of diminishing returns.</p> <p>The AESO should instead focus on preparing a Tariff Application for March 2021 rather than June 2021. Remaining disagreements over tariff structure, cost allocations and cost causation can then be more effectively explored and resolved in an evidentiary process.</p>

Questions	Stakeholder Comments
	<p>There should be no concern related to the impacts of Covid-19 as there will be at least a two year delay before any new tariff would come into effect. With mitigation material bill impacts could be extended at least 5 years further into the future.</p> <p>A better purpose for further stakeholder sessions (such as the session on December 5th) would be for the AESO to share the system expansion driving factors and incremental cost data from transmission planning that was prepared for the transmission tariff working groups that were part of the earlier TDAG process first established to explore the Bulk and regional Tariff issues.</p> <p>Our recollection of those TTWG discussions are consistent with the 2020 Long Term Transmission Plan in that the accommodation of generation rather than load drives transmission costs, and that monthly 12CP load “peak clipping” has no discernable impact on future transmission costs. Therefore, basing load Tariffs on 12CP does not provide any worthwhile price signal in terms of bulk or regional transmission costs.</p> <p>We would appreciate if the next session can focus on cost causation and for the AESO to provide transmission cost data that supports these earlier findings of the TDAG technical working groups on transmission cost causation and quantifies the effects of changing load profiles using hourly system peak price signals.</p>
<p>2. Please complete Table 1: How Did Each Proposal Achieve the Rate Design Objectives for each of the proposals presented at Session 3.</p>	<p>Table I has been completed for the parties that made complete tariff proposals.</p> <p>Where a group (such as wind energy and distributed energy storage) have raised technology specific issues that have little bearing on cost causation and fair allocation of bulk and regional tariff costs (such as the “double-double” concern) we have not commented. This is not a dismissal of these newer tariff issues. It is recognition that they deserve separate consideration from the 12CP issue.</p> <p>The proposals of CWSAA, UCL, AML, Conoco and the CCA meet and reasonably balance the design objectives. No proposal using load billing determinants can be said to achieve the objective of providing “Efficient Price Signals”. This is because load changes of limited duration (such as monthly one-hour peak clipping) and reasonable magnitude in response to price signals in the transmission tariff have no discernable effect on present or future bulk or regional transmission costs.</p> <p>The regional tariff proposal of Suncor would be too disruptive, complex and unstable to be fairly administered, avoid controversy or garner broad customer</p>

Questions

Stakeholder Comments

support. It is also of dubious legality and would likely default to the Status Quo as Suncor has acknowledged.

The proposal of ADC, DUC, IPCAA is the status quo, as it was in 2017 prior to lengthy investigations into bulk and regional transmission cost causation. It clearly satisfies the objective of minimal disruption as there would be no change at all.

Equally clearly it does not involve any innovation or flexibility as no changes are considered. The status quo is simpler than the Suncor proposal and other possible regional variations, but it is not nearly as simple as an unratcheted NCP.

The status quo proposal does not reflect responsibility for existing transmission costs or causation of future transmission costs. Instead the status quo contains a price mechanism that results in shifting transmission costs to others without any overall cost reduction. This is not a justifiable or efficient price signal.

Status quo proponents discussed how transmission peak-clipping amplifies energy market responses (which may represent a distortion of the energy market). The objective in question however is to provide a **transmission** price signal and there is no beneficial transmission price signal in the status quo tariff.

In fact, no tariff proposals considered here can be said to provide efficient *transmission* price signals, as changes to load profiles of limited duration or reasonable magnitude have negligible impact on bulk transmission costs. The main transmission cost drivers are generation dispatch and constraint removal considerations that are not a function of practical load billing determinants.

The problem with the status quo is that the so-called “price signal” only causes cost shifting, without reducing future transmission costs. This should not be a surprise as 12CP was intended as an allocator of existing vertically integrated generation and transmission costs. It was not intended as a transmission “price signal” and has only recently been mischaracterized as such.

ADC, DUC and IPCAA acknowledged that the only salient effect of 12CP is a significant cost shift from responding members to other consumers, which is exactly why they wish to avoid any correction of the tariff that would cause commensurate billing increases to a small group of beneficiaries.

Questions	Stakeholder Comments
<p>3. Which rate design option proposal, including the AESO’s bookends A and B presented at Session 2, did you prefer? Why?</p>	<p>We prefer the proposal of CWSAA, UCA, AML, Conoco, assuming it is implemented with a transitional arrangement to mitigate the rate impact on customers that benefit from the status quo for at least the first 5 years.</p>
<p>4. Does your preferred proposal meet all the rate design objectives?</p> <p>If not, what trade-offs does your preferred proposal create between the rate design objectives?</p> <p>Why are those trade-offs appropriate?</p>	<p>Yes. With the understanding that load-facing tariffs cannot provide an “efficient price signal” that could have any significant impact on future bulk or regional transmission costs</p>
<p>5. Which stakeholders are best served (or least impacted) by your preferred proposal? Why?</p>	<p>All stakeholders are best served by the preferred proposal provided a reasonable transition arrangement or rider is included.</p>
<p>6. a) Which stakeholders are most impacted by your preferred proposal? Why?</p> <p>b) What mitigations, if any do you recommend for those who would be impacted by your preferred proposal?</p>	<p>a) All stakeholders are impacted by any tariff including the status quo. Absent a transitional arrangement or rate rider to provide an “off-ramp”, those currently benefiting from monthly peak hour load reductions would be adversely impacted if 12CP is replaced by a different allocator.</p> <p>b) An arrangement to limit the billing increase from the date of implementation for at least five years is recommended. This could take many forms from an individually determined amount to reduce the net bill to historical levels, to a generic rate-rider based on the average impact to peak-clipping customers. It is difficult to be any more specific before the proposed new tariff is determined.</p>
<p>7. a) How would energy storage resources be treated in your preferred proposal?</p> <p>b) Does your preferred proposal include specific elements in relation to tariff treatment for energy storage? Why or why not?</p>	<p>a) This is an interesting issue that is sufficiently removed from the Bulk and Regional Tariff discussion to deserve separate discussion and consideration.</p> <p>b) In the preferred proposal it was assumed that energy storage resources arbitrage energy prices in response to the energy market that signals the system need for charge or discharge. It follows that the storage facility then operates as a load when charging and as a generator when discharging, paying the appropriate transmission tariff when operating as a load or generator. Depending on locational capacity and connection costs it was further assumed that the storage facility may qualify for opportunity rates such as DOS rather than pay DTS. All of which could best be discussed and resolved separately from the Bulk and Regional transmission allocation or 12CP issue.</p>

Questions	Stakeholder Comments
8. What are the challenges or unresolved questions with your preferred proposal?	<p>The most significant unresolved issue is the nature of the transitional or mitigation measures required to accommodate any move away from 12CP</p>
9. Additional comments	<p>As in the initial part 1 comments, it would be most helpful if the next session were to focus on determining how future transmission costs could be reduced, including the magnitude of savings and any relationship this might have with the structure of any load-facing tariff for use of the bulk and regional transmission system.</p> <p>It would also lead to a more efficient and effective process if the AESO filed its proposed tariff in March 2021 rather than a further 3 month delay until June 2021.</p> <p>The issue was raised by the AUC in 2017 and there has been exhaustive consultations and analysis in the intervening three years. It is clear now that the 12CP allocation does not meet the standards of cost causation or fair cost allocation for bulk and regional transmission costs and should be replaced. Nor does it provide any beneficial price signal.</p> <p>There is no reason to delay further as resolution now requires that positions be supported by evidence that can be tested in a public hearing. With adequate transition and mitigation measures the impact on customers will be delayed well beyond the expected impact of the pandemic and depressed commodity prices.</p>

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

Table 1: How Did Each Proposal Achieve the Rate Design Objectives

Objective	Description	Example	Proposal 1 ADC, DUC and IPCAA	Proposal 2 Energy Storage Canada	Proposal 3 CWSAA, UCA, AML, and Conoco	Proposal 4 CCA	Proposal 5 CanREA	Proposal 6 RMP Energy Storage	Proposal 7 Suncor Energy Inc.
Reflect Cost Responsibility	Cost recovery is based on the benefit and value transmission customers receive from the existing grid								
Efficient Price Signals	Price signal to alter behavior to avoid future transmission build								
Minimal Disruption	Customers that have responded to the 12-CP price signal and invested to reduce transmission costs are minimally disrupted								
Simplicity	Simplicity and clear price signals while achieving design objectives								
Innovation and Flexibility	ISO tariff provides optionality for transmission customers to innovate while not pushing costs to other customers								

*** Proposed rate design must fit within current legislation ***

Legend	Achieves objective	Potentially achieves objective with modification	Partially achieves objective	Potentially partially achieves objective with modification	Does not achieve objective