

# Stakeholder Comment Matrix – March 25, 2021

## Bulk and Regional Tariff Design Stakeholder Engagement Session 5



<b>Period of Comment:</b> March 25, 2021 through April 15, 2021	<b>Contact:</b> Shannon Fehr
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<b>Date:</b> 2021/04/15	<b>Email:</b> Shannon.fehr@westfraser.com

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 **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
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?	The session was helpful to know the details of the AESO preferred DTS rate design. As most of earlier sessions on this topic, the session lacked the detailed analysis in support of their preferred rate design. It was a complete surprise to see what AESO now proposing as their “preferred design” compared to their direction a few months ago. The preferred design is supported with no credible analysis presented. It is frustrating to stakeholders that the input on rate design that is provided was neither integrated nor addressed in this session.
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?	Yes, the session was useful. Thank you for providing the “Bill –Impact Assessment Tool”. It would have been useful to provide forecasted future cost to see the real impact going forward. Issuance of the underlying assumptions and the data used for the analysis completed would have been useful prior to the session so stakeholders could ask focused questions on the design of the experts presenting.
3.	Are you supportive of the AESO’s preferred rate design? Why or why not?	No. West Fraser does not support the AESO’s preferred rate design. West Fraser is a member of ADC and supported the rate design submitted by ADC. AESO has not provided evidence that supports the need to change the current rate design. The proposed rate design is not supported by a cost causation study that has been shared with stakeholders. The rate design does not value the efficient use of the grid by high load factor customers, nor does it value the value of demand response that is provided by flexible loads.

Questions	Stakeholder Comments
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<p>4. 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"> <li>a) <u>Reflect Cost Responsibility</u> (Cost recovery is based on cost causation, reflecting how transmission customers use the existing grid*)</li> <li>b) <u>Efficient Price Signals</u> (Price signal to alter behavior to avoid future transmission build)</li> <li>c) <u>Minimal Disruption</u> (Customers that have responded to the 12-CP price signal and invested to reduce transmission costs are minimally disrupted)</li> <li>d) <u>Simplicity</u> (Simplicity and clear price signals while achieving design objectives)</li> <li>e) <u>Innovation and Flexibility</u> (ISO tariff provides optionality for transmission customers to innovate while not pushing costs to other customers)</li> </ul> <p>*AUC Decision 22942-D02-2019</p> <p>**Proposed rate design must fit within current legislation</p>	<p>West Fraser does not believe that AESO's preferred rate design meets their rate design objectives;</p> <ul style="list-style-type: none"> <li>a) <u>Reflect Cost Responsibility</u> The current rate design is based on cost causation while AESO's preferred rate design is moving away from this core objective. Lower the cost of transmission to those who use power during system peak with low load factor is opposite to the principal of cost causation.</li> <li>b) <u>Efficient Price Signals</u> Again the current rate design has a price signal to avoid/minimize future transmission build. The AESO's preferred rate design is diluting that signal by a) lowering the co-incident peak charge and b) by increasing the charge of energy irrespective of time of day usage. Many facilities like ours have spent millions of dollar to improve plant flexibility to practice of time of day usage to manage both energy and transmission cost. Time of day use has been encouraged all over the world to minimize the need for both generation and transmission.</li> <li>c) <u>Minimal Disruption</u> Having the transmission cost increase over 50% for large industrial consumers is not a minimal disruption. By mitigating these increases to a 10% for a limited period does not achieve the objective of minimal disruption. For a high energy intensive industry like ours, 10% increase is a material. A 50% increase after the end of mitigation period will be devastating.</li> <li>d) <u>Simplicity</u> The AESO's preferred rate design is no simpler than the current design since it is retaining all the charges. In fact, it is introducing more complexity by using 5 year rolling average of co-incident peak charges.</li> <li>e) <u>Innovation and Flexibility</u> The preferred rate design is moving away from innovation and flexibility. A simple example is the fixed charges on energy irrespective of the time of use. The flexibility will be achieved by having higher charges during peak hours for consumers to reduce their energy usage.</li> </ul>
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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>There are many considerations that could have made, including:</p> <ul style="list-style-type: none"> <li>a) Reviewing the efficiency of maintaining the 12 CP method. Other CP methods, including the 5 CP method and the ADC rate design submittal could result in more efficient economic outcomes.</li> <li>b) Simplifying the CP charge method proposed (ie: remove the 5-year average)</li> <li>c) Use cost-causation principles to value energy-based charges</li> <li>d) Creating a rate class for industrials that have high load factors or provide demand response</li> </ul>
6.	<p>Please describe any areas in which you are aligned with the AESO's preferred rate design.</p>	<p>The tariff should be based on cost-causation principles.</p> <p>There should not be regional cost signals like regional CP used to allocate cost.</p>
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>The assumptions and methodology used by AESO for dividing bulk system charges in to demand and energy based on load and generation profile of various planning regions (40+ regions with arbitrary boundaries) is not based on sound reasoning. There will likely be perverse outcomes of providing a price signal that affects load but can only be affected by generation.</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>No Comment.</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>No Comment.</p>

10	<p>Do you have any comments on the AESO's targeted engagement approach for mitigation discussions?</p>	<p>The need for mitigation discussions raises many questions, such as:</p> <ul style="list-style-type: none"> <li>• If mitigation for the most impacted customers, then how will the tariff design allow for cost shifting to customers that benefit, if the costs are avoided?</li> <li>• If the most affected customers are price sensitive, how would an increase in transmission cost greater than \$0/MW be acceptable for any period of time?</li> <li>• Where does this money come from if increased cost is avoided through mitigation?</li> </ul>
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"> <li>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</li> <li>2. <u>Adapt with design and rates</u>: Ensure options are adaptable to changes to the proposed design and forecast rates</li> <li>3. <u>Consistent application</u>: Mitigation options can be applied consistently across all impacted loads and not be individually defined</li> <li>4. <u>Administrative simplicity</u>: Feasible to implement with current tools and systems</li> <li>5. <u>Mutually acceptable</u>: Account for feedback from broad stakeholder group</li> </ol>	<p>The AESO should not assume that customers that require mitigation will be able to accept any cost increase.</p>
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>	<p>Mitigation on a temporary basis is not feasible.</p>

13	<p>Are you in favour of some type of mitigation? Why or why not?</p> <p>If you are in favour of some type of mitigation, how would you assess whether a proposed mitigation approach is acceptable?</p>	<p>The preferred mitigation should be the part of rate design such as interruptible rate.</p>
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>	<p>West Fraser supports flexibility.</p>
15	<p>Do you have any additional implementation considerations the AESO should consider?</p>	<p>Participants should be eligible for cost recovery.</p>
16	<p>Do you have additional clarifying questions that need to be answered to support your understanding?</p>	<p>The data that has been requested in the consultation sessions has not been provided. Please provide the information that has been requested.</p>
17	<p>Additional comments</p>	<p>AESO should not proceed with its preferred rate design for a number of reasons;</p> <ul style="list-style-type: none"> <li>• During this pandemic the main focus should be on managing our businesses. It is not the time to take resources/time from our main business of making goods and keeping Albertan employed.</li> <li>• AESO has not done/shared any study/analysis to justify the need of changing current tariff design.</li> <li>• AESO assumptions/analysis for their proposed design does not meet the level of study needed for such a major change.</li> <li>• AESO have not done any study of the impact of design change on the Alberta economy/job and its competitiveness.</li> </ul>

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