

Tariff Design Advisory Group

Session 9 - Summary



April 15, 2019, 9:00 am to 1:00 pm, AESO Offices

Discussion Materials

Prior to the session, the following discussion materials were provided by email to TDAG members:

- Meeting agenda
- Draft TDAG Meeting Notes March 6, 2019 (sent April 1, 2019)
- Presentation: Capacity Cost Allocation Analysis (CCAA) WG Update (sent April 14, 2019)

Attendees

Representative	Company or Organization	Present?	Alternate	Present?
Demand rate payer representation				
Residential, farm and commercial consumers				
Richard Stout	UCA	Teleconference	Megan Gill	No
Mark McGillivray	ENMAX	Yes	David Lenz	No
Raj Retnanandan	CCA	Yes	Dustin Madsen	No
Dan Levson	AFREA	Yes	Dave Butler	No
Industrial Consumers				
Vittoria Bellissimo	IPCAA	Yes	Richard Penn	No
Grant Pellegrin	Cenovus	Yes	Horst Klinkenborg	No
Demand Response				
Colette Chekerda	ADC	No	Christian Lenci	No
Surendra Singh	Alberta News Print	Yes	Christian Lenci	No
Combined Load and Generation				
Dale Hildebrand	Dual Use Customers	Teleconference	Myles Fox	No
Kris Aksomitis	Cogeneration Working Group	No	Travis Tuchscherer	No
Distribution Facility Owners				
Janene Taylor	ENMAX Corporation	Yes	Tony Martino	Teleconference
Leland Jernberg	FortisAlberta	Yes	Gerald Zurek	
Representatives-at-large				
Ed de Palezieux	Devon Energy	Teleconference	Rick Cowburn	Yes
Bryan Krawchyszyn	TransCanada Pipelines	Yes	Mark Thompson	No
Other interested parties				
Transmission Facility Owners				
Hao Liu	AltaLink	Yes	Rob Senko	Teleconference
Generators (includes renewables)				
Colin Robb	Capital Power	No	Akira Yamamoto	Yes
Energy Storage				
Patricia Phillips	Energy Storage Canada	No	Steven Oldale	No
Representative-at-large				
Tory Whiteside	Distributed Generation Working Group	Teleconference	Leonard Olien	No

Representative	Company or Organization	Present?	Alternate	Present?
AESO				
Doyle Sullivan	AESO	Yes		
LaRhonda Papworth	AESO	Yes		
John Martin	AESO	Yes		
Trushal Umrana	AESO	No		
Facilitator				
Matt Gray	AESO	Yes		
Karla Reesor	Moving Forward	No		

Guests: None

Agenda

Time	# min	Agenda Items	Presenter
9:00 am – 9:05 am	5 min	Introduction <ul style="list-style-type: none"> • Welcome (members, presenters) • Session overview and objectives <ul style="list-style-type: none"> ○ Discuss themes, other relevant points arising from feedback ○ Determine work plan impacts • WG updates • Review and approval of March meeting notes • Update on Action Items 	Matt Gray, Facilitator
9:05 am – 10:05 am	60 min	Discussion item: Feedback on March 13 session Roundtable for each TDAG member to raise feedback (their own, their constituents,' and other points) for discussion Desired Outcome: Determine impacts to work plans	All
10:05 am – 10:20 am	15 min	Break	
10:20 am – 10:50 am	30 min	Discussion item: Feedback on March 13 session (cont'd)	All
10:50 am – 11:20 am	30 min	Information item: Capacity Cost Allocation Analysis WG Update <ul style="list-style-type: none"> • Chair presentation 	John Martin
11:20 am – 11:35 am	15 min	Discussion item: CCAWG Recommendation (Time blocks) <ul style="list-style-type: none"> • TDAG Discussion Desired Outcome: Decision on recommendation	Matt Gray

11:35 am – 11:50 am	15 min	Information item: Capacity Cost Allocation Terms and Conditions WG Update • Chair presentation	Richard Stout
11:50 am – 12:05 pm	15 min	Information item: Transmission Tariff WG Update • Chair presentation	LaRhonda Papworth
12:05 pm – 12:15 pm	10 min	Review of conclusions, action items and next steps	Matt Gray
12:15 – 12:45 pm	30 min	Lunch	
		Session adjourned	



AESO DECISION-MAKING PROCESS

Meeting Notes

Time	Item
9:00 am	1. Introductions and overview of session <ul style="list-style-type: none"> Meeting notes from March 6, 2019 were approved with no revisions
	2. Discussion of feedback on March 13 session <ul style="list-style-type: none"> Roundtable: each TDAG member present was provided opportunity to discuss feedback TDAG members comments related to the following topics and themes: <ul style="list-style-type: none"> The RAM model <ul style="list-style-type: none"> The sufficiency of the RAM to accurately determine EUE hours and the reliance for determining weights/bins, The importance of improving its accuracy and how can it be modified for “fit for purpose” for cost allocation Criteria and definitions <ul style="list-style-type: none"> The need to establish definitions (and criteria) for economic and uneconomic bypass Pricing <ul style="list-style-type: none"> Avoid the risk of incentives leading to cross subsidies The need for a sufficient multiplier to be applied to high-priced hours to incent a response; That pricing off peak hours diminishes the price signal The need for a strong price signal for the on-peak block if we want any load to respond If the price in the on-peak is too high it may lead to unintended consequences Value: are we paying too high a price in the high weight bin for what we are getting in return (i.e. reduction in procurement volume benefit is much lower than the pay-out to price responsive load)? The need for tariff design to honour principles such as efficient pricing If load was able to participate on the demand side of the capacity market (and

	<p>therefore provide immediate response) then there would be less of a requirement to heavily weight the high-weight bin (or possibly not even require one)</p> <ul style="list-style-type: none"> ○ Regulatory review of ISO provisional rules application <ul style="list-style-type: none"> ▪ The potential for an AUC decision on ISO rules application to alter RAM model or how it is being used, as well as other AUC decision impacts ○ The capacity market regulation <ul style="list-style-type: none"> ▪ Perceived shortcomings: some members view it as inefficient; some question of the allocation of costs to exports ▪ limits the ability for an optimal tariff design ○ Holistic view of costs <ul style="list-style-type: none"> ▪ A preference to understand the whole view of costs (i.e., capacity, transmission and energy market) to avoid perverse incentives and unintended outcomes ○ Implementation: <ul style="list-style-type: none"> ▪ The risk that implementing capacity cost allocation design could be complicated if greater than 3 bins ▪ DFO approval/implementation may go beyond Cap Mkt go live date ▪ The need for coordinated communications and consistent messaging will be important for consumers to accept change ▪ The need for discussions with AUC to determine how DFO applications containing implementation measures (for the recovering capacity market costs) will be reviewed especially with the multiple DFO application's required.
	<p>3. Capacity Cost Allocation Analysis WG Update</p> <p>John Martin (Chair) provided an update regarding work completed since the industry session on March 13.</p> <p>Highlights:</p> <ul style="list-style-type: none"> • WG examined additional time block options, including two options with four time blocks. Details of the options that were examined are in the WG Update presentation. • Time blocks were re-named to “high-weight,” “medium-weight,” “light-weight” (in four-block options only), and “low-weight” to avoid confusion with other on-peak and off-peak terminology used by the AESO. • WG is advancing four-block option with year-round weekend daytime block as a recommendation to TDAG (see notes on next Agenda item below). “Light-weight” weekend block comprises hours between hour ending (HE) 8 to HE 23, with those hours shifted from the “low-weight” block in the “base” three-block option. • Next steps are to develop weights for these four blocks with consideration of: <ul style="list-style-type: none"> ○ All points raised in March 13 session and in feedback ○ A holistic view of all costs (i.e., energy, capacity, transmission) to the extent possible ○ Impacts on individual classes of consumers
	<p>4. Capacity Cost Allocation Analysis WG Recommendation</p> <p>John Martin presented the CCAA WG recommendation of allocating capacity market costs using four blocks. TDAG members supported the recommendation, on the condition that the WG address the following points:</p> <ul style="list-style-type: none"> • Reassess the reasonableness of the time blocks after weights are determined and after holistic review with energy market costs is completed • Provide an opportunity for Distribution system owners and retailers to assess whether four time blocks are practical for them to implement

	<ul style="list-style-type: none"> Consider re-evaluating time blocks if the Commission decision on the AESO capacity market rules application materially affects the RAM analysis used for the unserved energy distribution Review the start and end times of the “light-weight” weekend daytime time block for reasonableness <p>The following additional points were made:</p> <ul style="list-style-type: none"> When only 1.4 % of energy usage is attributable to export, it is difficult to see why this should be an important consideration that would influence weights There are so many variables and uncertainties to consider in the cost allocation that there is no single correct answer
	<p>5. Capacity Cost Allocation Terms and Conditions WG Update: Recommendations</p> <p>Richard Stout (Chair) briefly discussed the current focus of the Terms and Conditions WG on determining details about managing capacity market revenues through a deferral account. John Martin indicated that past experience with other riders suggests that a quarterly adjustment to rates is preferred as it keeps costs and revenues in sync while avoiding the administrative burden of a shorter adjustment period.</p>
	<p>6. Transmission Tariff WG</p> <p>LaRhonda Papworth provided an update to members on the Tariff Design Working Group (TTWG). Chair duties for this working group will shift from Dale Hildebrand to LaRhonda. The TTWG will move forward with several studies in order to determine a recommendation for allocating bulk and regional transmission costs. AESO resources have and will continue to be constrained in order to service regulatory proceedings (ISO tariff and the ISO capacity market rules). In order to advance the tariff design work, the AESO will commission work with a consultant to develop a tariff overview. An update on precise studies, data requirements and timing will be provided at the next TDAG session on May 9.</p>
1:00pm	7. Meeting adjourned

Report on past action items

#	AG Action Items	Action by	Due Date	Status
Session 8, March 6, 2019				
Action Item 1 from S-6 (Jan)	Work with DFO reps to set scope for review of schedule implications	Trushal Umrana (AESO)	Feb 7	On-going
Action Item 2 from S-7 (Feb)	TT WG (Hao Liu AML and Grant Pellegrin, Cenovus) will meet with Dan Levson (AFREA) to discuss aspects of data collection	Hao Liu, Grant Pellegrin	When available	Complete

Action items assigned this session

#	AG Action Items	Action by	Due Date	Status
Session 9, April 15, 2019				
Action Item 1	Determine whether four blocks are manageable for DFO implementation	Janene Taylor	May 9	Not started
Action Item 2	Test magnitude of estimated deferral cost (5% or less) and quarterly rate adjustment (true-up) schedule with IPCAA members	Vittoria Bellissimo	May 9	Not started
Action Item 3	Follow up with Ed de Palezieux regarding comment about the AESO and generator outages	Matt Gray	May 9	In – progress (emailed to arrange phone call April 17)
Action Item 4	Develop proposal for AUC meeting regarding implementation and expectations for AUC approval of DFO tariffs as they relate to the new ISO tariff; present outline to TDAG	Doyle	May 9	Not started

Report on Decision Items

Session (S# + date)	(#)	AG Decision Items
2018		
August 17		<i>Advisory Group established</i>
S1- August 23	Decision Item 1	<i>Advisory Group approved Terms of Reference with changes</i>
S2 – September 6	Decision Item 2	<i>Advisory Group approved work plans with changes</i>
	Decision Item 3	<i>Data Requirements Working Group struck</i>
S3 – October 4	Decision Item 4	<i>Capacity Cost Allocation Analysis Working Group struck</i>
S4 – November 8	Decision Item 5	<i>Cost Causation Working Group work struck</i>
S5 – December 5	Decision Item 6	<i>Terms and Conditions Working Group struck</i>
	Decision Item 7	<i>Data Requirements Working Group concluded</i>
	Decision Item 8	<i>Transmission Tariff Design Working Group struck</i>
S7 – February 7, 2019	Decision Item 9	<i>Approved plan for studies and data collection proposed by Tariff Design Working Group</i>
S-9 - April 15, 2019	Decision Item 10	<i>CCAA WG recommendation of four time blocks accepted by TDAG</i>

Session (S# + date)	#	AG Decision Items
S-10 April 15, 2019	Decision Item 10	<i>Chair duties for TTWG assumed by LaRhonda Papworth</i>