

**Title:** RGUCC

**Preamble:** The AESO has proposed a new Section 14.6 with respect to Regulated Generating Units and RGUCC.

**Reference:** Application, Section 6, p. 38-39

**Request:**

- (a) Provide a detailed explanation of the methodology used for the calculation of RGUCC under the AESO's approved tariffs.
- (b) Confirm that RGUCC as originally developed was intended to represent a generic, not a site-specific, connection cost for Regulated Generating Units. If the requested confirmation cannot be provided, then provide a detailed explanation of what the RGUCC was intended to represent.
- (c) When was the RGUCC originally implemented?
- (d) Under the proposed section 14.6(c)(ii), will RGUCC be calculated from the date of re-energization until the end of the base life year, or from the date the Regulated Generating Unit was de-energized until the end of the base life year, or from the date when RGUCC was first charged respecting the Regulated Generating Unit until the end of the base life year, or over some other period of time? Provide a detailed explanation of your response, including the rationales behind your proposed approach.
- (e) Under the proposed section 14.6(c)(iii), will RGUCC be calculated from the Commercial Operating Date of the non-regulated Generating Unit until the end of the base life year, or from the date the Regulated Generating Unit was deenergized until the end of the base life year, or from the date when RGUCC was first charged respecting the Regulated Generating Unit until the end of the base life year, or over some other period of time? Provide a detailed explanation of your response, including the rationales behind your proposed approach.
- (f) Under the proposed sections 14.6(c)(ii) and 14.6(c)(iii), will RGUCC be calculated based on a per MW charge for the MWs of the re-energized facility or the non-regulated Generating Unit, as applicable, rather than the MWs of the original Regulated Generating Unit? Provide a detailed explanation of your response, including the rationales behind your proposed approach.
- (g) Under the proposed section 14.6(c)(iii), describe the AESO's treatment of a nonregulated generator ("Generator A") who adds additional capacity at a site within the base life of the original Regulated Generating Unit formerly located at the site, assuming the following fact scenario: A 600 MW Regulated Generating Unit is retired three years before the end of its base life year. Generator A then builds a non-regulated generating

unit having 100 MW of capacity on the site, and the capacity comes on line 2 years prior to the end of the base life year. Following that, Generator A constructs a second 100 MW non-regulated generating unit on the site which comes on line 1 year prior to the end of the base life year. Finally, Generator A constructs a third 100 MW non-regulated unit on the site which comes on line at the end of the base life year. Confirm that the RGUCC charged to Generator A under the proposed section 14.6(c)(iii) would be calculated based on 100 MW for 2 years (i.e., the first unit) and 100 MW for one year (i.e., the second unit), with no RGUCC being charged in respect of the 100 MW of capacity provided by the third unit. If this interpretation is incorrect, provide a detailed explanation of the RGUCC calculation for the fact scenario provided.

- (h) Provide a detailed explanation of the AESO's position and underlying rationale for charging RGUCC to non-regulated Generating Units under the proposed section 14.6(c)(iii).
- (i) Has the AESO considered alternative approaches to that referenced in (h) above such as charging RCN or the incremental cost of connecting the non-regulated Generating Unit to the system? If not, explain why not. If so, provide a detailed explanation of the analysis undertaken by the AESO in that regard and the conclusions reached, including a detailed discussion as to why the AESO decided to reject those approaches in favour of the approach proposed in the Application.
- (j) Does the AESO agree that it would be inappropriate, and inconsistent with ratemaking principles, to charge non-regulated generating units two interconnection charges, one based on a system average cost (e.g., RGUCC) and the other based on a site-specific incremental cost (e.g., RCN or incremental cost of connecting)? If not, explain why not.

**Response:**

*Revisions to part (e) indicated in italics.*

- (a) The methodology employed by the AESO stems from EUB Decision 2000-1 dated February 2, 2000. Please refer to the response to Information Request BR.AESO-018 (a) for additional information.
- (b) Confirmed.
- (c) RGUCC was established as a placeholder in EUB Decision U97065 (pp 645-662) and confirmed as reasonable in EUB Decision 2000-1 (p 119).
- (d) Under section 14.6(c)(ii) of the proposed Terms and Conditions in the Application, RGUCC will apply from the date of re-energization until the end of the base life year. This is intended to align with the primary intent of the RGUCC — that is, to “level the playing field” for all generators participating in the energy market (as noted on page 37 of section 6 in the Application). On that basis, the RGUCC should only apply when the generator is operating, and not beyond the pre-determined base life year.
- (e) *Under the proposed section 14.6(c)(iii), the AESO intended that the RGUCC would apply from the start-up date of the non-regulated generating unit until the end of the base life year for the Regulated Generating Unit previously at that site. The intent was simply to ensure that any “re-used” interconnection facilities would attract RGUCC charges, in order to both contribute to offsetting transmission rates for all consumers (as the costs associated with the previous Regulated Generating Unit’s interconnection facilities are*

*still part of TFO ratebase) and also to put the new generator on a level playing field with other generators, as noted above.*

*Since filing the Application, however, the AESO was faced with a request from EPCOR to deal with precisely the circumstances it had intended to address with the provisions of 14.6(c)(iii) — those circumstances being a new generator constructed on a “brownfield” site, making use of the interconnection facilities previously utilized by a Regulated Generating Unit that had been decommissioned prior to its base life year. Given the actual case, and an opportunity to further consider what would be appropriate for such a new generator, the AESO determined that instead of continuing with RGUCC charges in respect of the re-used interconnection facilities, it would be more logical and equitable to charge the generator the replacement costs (RCN) for the re-used facilities. This was considered to be more consistent with the treatment of new generators who are required to pay for the cost of actual interconnection facilities, and removed the need to continue with the proxy interconnection costs provided by the RGUCC.*

*The AESO accordingly intends to revise its proposed Article 14.6(c) to reflect this approach. The revision will be filed shortly.*

- (f) Under the proposed section 14.6(c)(ii), RGUCC will be calculated based on a per MW of Maximum Rated Capacity (MCR) of the re-energized facility. This is in accordance with Rate Schedule STS, and is the same treatment that would apply had the generator not stopped operating for some period of time.
- (g) When the AESO filed its Application, it had intended that the treatment of the generator in the example provided would be that the RGUCC charged to Generator A would be applied to 100 MW for 2 years (i.e., the first unit) and 100 MW for one year (i.e., the second unit), with no RGUCC being charged in respect of the 100 MW of capacity provided by the third unit. However, as noted in (e) above, the AESO is of the view it is more equitable to apply RCN-D for the re-used facilities, instead of applying RGUCC to the new non-regulated generator.
- (h-i) Please see part (e) above.
- (j) Yes. Please also see part (e) above.