

**Preamble:** EnCana wishes to know how the proposed DTS rate will provide an appropriate price signal to control load so as to reduce future demand-related costs.

**Reference:** Section 4.5.1 DTS Interconnection – System Costs

**Request:**

- a) If the Board approves the use of Billing Capacity to recover System Charges as proposed by the AESO in Section 4.5.1, please explain how the AESO will set each AESO customer's Billing Capacity in the initial month of implementation. (i.e. for each POD)
- (b) In respect of the demand-related System charges as proposed by the AESO, would the AESO agree that once a POD customer sets a ratchet in their Billing Capacity the incentive to control load is reduced considerably in all hours. Please explain, providing numerical and graphical examples.
- (c) In respect of the demand-related System charges as proposed by the AESO, would the AESO agree that once a ratchet is set there is little to no savings for high load factor customers to reduce their POD load below their contract capacity in any hour or any incentive for low load-factor customers not to raise the POD load up to their contract capacity in any hour? Please explain, providing numerical and graphical examples.

**Response:**

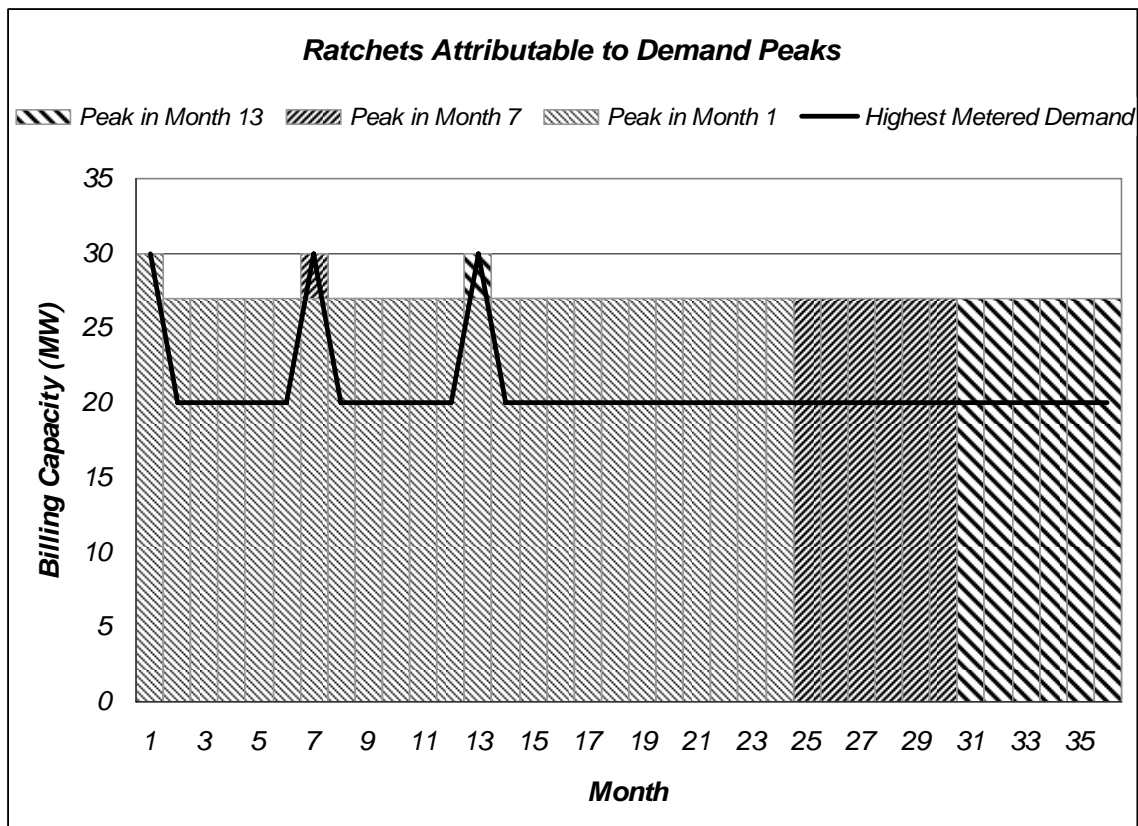
*Revisions to part (b) indicated in italics.*

- (a) Billing Capacity already exists in the AESO billing system for calculation of local system and point of delivery charges under the AESO's 2006 DTS rate. The existing values will simply also be used to bill system charges under the proposed DTS rate.
- (b) The AESO disagrees. If a peak load establishes a ratchet level which determines billing capacity in future months, demands in those future months could also establish a subsequent ratchet level which would apply after expiry of the initial ratchet. The customer therefore continues to receive an incentive to control load, avoid demand peaks, and strive for as flat a load profile as practical, as discussed in the response to Information Request IPCAA.AESO-028.

*For example, consider a customer with a contract capacity and usual metered demand of 20 MW who sets a demand peak of 30 MW every six months for eighteen months. Each 10 MW excursion above the normal metered demand will incur additional demand-related system charges of \$52,920.00 above the charges attributable to the previous peak and ratchet as calculated in the following table.*

Month	Billing Capacity Components			Ratchet Set by Peak in Month 1	Peak in Month 7		Peak in Month 13	
	Highest Metered Demand	Contract Capacity	Highest 24-Month Peak		Ratchet Set by Peak	Increase in Billing Capacity	Ratchet Set by Peak	Increase in Billing Capacity
1	30	20	30	30				
2	20	20	30	27				
3	20	20	30	27				
4	20	20	30	27				
5	20	20	30	27				
6	20	20	30	27				
7	30	20	30	27	30	3		
8	20	20	30	27	27	0		
9	20	20	30	27	27	0		
10	20	20	30	27	27	0		
11	20	20	30	27	27	0		
12	20	20	30	27	27	0		
13	30	20	30	27	27	0	30	3
14	20	20	30	27	27	0	27	0
15	20	20	30	27	27	0	27	0
16	20	20	30	27	27	0	27	0
17	20	20	30	27	27	0	27	0
18	20	20	30	27	27	0	27	0
19	20	20	30	27	27	0	27	0
20	20	20	30	27	27	0	27	0
21	20	20	30	27	27	0	27	0
22	20	20	30	27	27	0	27	0
23	20	20	30	27	27	0	27	0
24	20	20	30	27	27	0	27	0
25	20	20	30		27	7	27	0
26	20	20	30		27	7	27	0
27	20	20	30		27	7	27	0
28	20	20	30		27	7	27	0
29	20	20	30		27	7	27	0
30	20	20	30		27	7	27	0
31	20	20	30				27	7
32	20	20	30				27	7
33	20	20	30				27	7
34	20	20	30				27	7
35	20	20	30				27	7
36	20	20	30				27	7
<i>Total Increase in Billing Capacity (MW-months)</i>						45		45
<i>System Charge: Demand Component (\$/MW)</i>						\$1,176		\$1,176
<i>Increase in Costs (\$)</i>						\$52,920		\$52,920

The ratchet impact is also illustrated in the following figure.



- (c) A high load factor service would exhibit a reasonably flat load profile, which is the profile encouraged by the AESO's proposed system charge as discussed in the response to Information Request IPCAA.AESO-028. There would generally be little opportunity for such a customer to further reduce charges under any billing methodology, since approximately the same load would be "on the system" all the time. As well, high load factor customers generally experience minimal ratchet effects since their loads vary within a narrow range.

The request further asks about effects of reducing load below and raising load up to contract capacity. In general there should be minimal reduction in demand (\$/MW) charges if a customer operates below contract capacity. The transmission system is built, operated, and maintained in part in expectation of a customer utilizing the transmission system at the contracted level. Loads below contract do not materially reduce these costs.

Although there would be no reduction in the demand (\$/MW) component of the proposed system charge if a high load factor customer did reduce load below contract capacity, there would be a reduction in the usage (\$/MWh) component of the charge reflecting the customer's lower usage in the billing period.

Similarly, although there would be no increase in the demand component if a low load factor customer did increase load up to contract capacity, there would be an increase in the usage component reflecting the customer's higher usage in the billing period.