Stakeholder Comment Matrix – March 19, 2020

Bulk and Regional Tariff Design Session 1 – March 13, 2020

Period of Comment:	March 19, 2020 through April 9, 2020	**Contact:**	[redacted]
Comments From:	The Alberta Direct Connect Consumer Association (ADC), the Industria Power Consumers Association of Alberta (IPCAA) and the Dual Use Customers (DUC), collectively referred to as " the Industrial Customers	**Phone:**	[redacted]
		Email:	[redacted]
Date:	2020/04/09		

Instructions:

1. Please fill out the section above as indicated.
2. Please respond to the questions below and provide your specific comments.
3. Email your completed comment matrix to tariffdesign@aeso.ca by **April 9, 2020.**

Three Tariff Design Options presented at the session:

- Option 1: Rate reflects costs.
- Option 2: Rate reflects benefits.
- Option 3: Hybrid – Rate reflects both cost and benefit.

Five Tariff Design Guiding Objectives presented at the session:

1. Effective long-term price signals.
2. Facilitate innovation and flexibility.
3. Reflect accurate costs of grid connection and services.
4. Explore options within legislation and regulation.
5. Path to change that is effective and minimally disruptive.

The AESO is seeking comments from Stakeholders with regard to the following matters:

	Questions	Stakeholder Comments
1.	Please comment on the Engagement Session 1 webinar facilitated by the AESO on March 13, 2020. Was the session valuable? Was there something we could have done to make the session more helpful? Please advise and be as specific as possible.	Under the circumstances, the webinar was acceptable, however the nature of the consultation requires a better ability to ask clarifying questions and seek understanding. This is a complex matter and interaction with AESO staff on examples of how the options would work and how to determine the cost consequences to consumer bills is an essential component.
2.	Please comment on the pros, cons and tradeoffs of **Option 1: Rate Reflects Costs.** Do you have additional clarifying questions that need to be answered to support your understanding? Do you feel anything was missed or would present a significant obstacle or impact with this option? If yes, please be as specific as possible.	With the information provided, it is difficult to determine the benefits of this rate option over the current DTS tariff design. Further information that needs to be provided includes: 1. Timing of inter and intra regional peaks: What is the coincidence of the timing of these peaks with the current CP? Is there a significant departure that warrants consumers to have to monitor multiple peaks? 2. What is the magnitude of the peaks for the 6 planning areas? For example, is there one large customer that because of their size is always setting the peak? If the load is a flexible load, what value is the tariff awarding for flexibility? 3. Visibilty of peaks: What tools would the AESO need to develop to allow customers real-time visibility of intra and inter regional peaks? They do not exist today and customers have developed their own tools to approximate the DTS load. This would be near impossible for planning areas in the absence of real-time DTS load visibility by area. 4. Would there be ratchets or contract minimums on inter and/or intra regional costs? 5. On what cost causation basis did the AESO determine that a cost split of 50/50 for intra and inter regional costs is appropriate? How would the AESO propose to determine the cost split between intra- and inter-regional costs and what analytics would support this? 6. What modelling has the AESO completed on the tariff impact to different customers, specifically price responsive loads and dual use customers? Overall, if this option is to “reflect costs”, please provide the analysis to classify and

		allocate costs.
3.	Please comment on the pros, cons and tradeoffs of **Option 2: Rate Reflects Benefits**. Do you have additional clarifying questions that need to be answered to support your understanding? Do you feel anything was missed or would present a significant obstacle or impact with this option? If yes, please be as specific as possible.	This rate option suggests that there is no benefit to the system of avoiding the coincident peak. Will the AESO complete a historical review of how high the system peaks would have been in the absence of the strong existing CPD price signal and what the impact to the transmission system would have been without it? The transmission assets are by nature a fixed cost. The concept of relying on variable charges in this option ignores the fact that coincident demands, not consumption, drive incremental transmission investment. An energy charge would send the signal that all hours of the year are equally important in terms of their impact on transmission investment, when, in fact, it is the hours of system stress that drive transmission investment. Having this significant energy charge is counter-productive because it frustrates the goal of maximizing the use of existing transmission assets. This tariff design would be particularly harmful to high load factor consumers – the most efficient users of the transmission system, relative to those that contribute to the system peak with significantly less energy use. In addressing the AESO's pros of this option, we have the following comments: 1. We disagree that this option encourages efficient use of the transmission system due to the variable rate component. 2. We disagree that there is no cross subsidy in this tariff, as the variable rate, by nature, will result in a cross subsidy between high and low load factor customers. Other comments: Strong locational signals for generation are needed to minimize future transmission build. With the upcoming renewal of the Transmission Regulation, discussions on potential cost-sharing options should be considered. Overall, if this option is to "reflect benefits", please provide the analysis to clearly identify the benefits and the perceived value they provide to AESO customers.
4.	Please comment on the pros, cons and tradeoffs of **Option 3: Hybrid – Rate Reflects Cost and Benefit.** Do you have additional clarifying questions that need to be answered to support your understanding? Do you feel anything was missed or would present a significant obstacle or impact with this option?	This Hybrid option does not appear to have a strong or clear enough price signal to modify consumer behavior to reduce incremental investment in future transmission. It seems complicated and it is not clear the benefit it achieves over the current tariff. Overall, this option is a hybrid of Option1 and Option 2, neither of which, in our view, have been appropriately analyzed and vetted; therefore, we submit that Option 3 cannot be deemed to be an appropriate "middle ground".

	If yes, please be as specific as possible.	
5.	How effectively do you feel **Option 1: Rate Reflects Costs** meets the five Tariff Design Objectives? Please be as specific as possible.	The Industrial Customers submit that Option 1 does not align with the "stability and predictability of rates and revenue" rate design principle and the "practicality, such that rates are appropriately simple, convenient, understandable, acceptable, and billable" rate design principle. What the AESO is proposing will add significant tariff complexity that will only impact a few Direct Connect customers. We are not convinced that different regional prices would be compliant with the *EUA*. The Industrial Customers submit that now is not the time to be considering a tariff redesign or evaluating alternatives. Please see comments under Question 9.
6.	How effectively do you feel **Option 2: Rate Reflects Benefits** meets the five Tariff Design Objectives? Please be as specific as possible.	The Industrial Customers submit that Option 2 will be even more complex than Option 1 and introduce significant levels of subjectivity on how assets are categorized and benefits are derived. The third rate design principle will also not be met "fairness, objectivity, and equity that avoids undue discrimination and minimizes inter-customer subsidies." The Industrial Customers submit that now is not the time to be considering a tariff redesign or evaluating alternatives. Please see comments under Question 9.
7.	How effectively do you feel **Option 3: Hybrid – Rate Reflects Cost and Benefit** meets the five Tariff Design Objectives? Please be as specific as possible.	Similar to option 1, this rate design appears to add significant tariff complexity and the resulting regional based prices may not be compliant with the *EUA*. The Industrial Customers submit that now is not the time to be considering a tariff redesign or evaluating alternatives. Please see comments under Question 9.
8.	Do you have additional clarifying questions that need to be answered to support your understanding of the Tariff Design Objectives and corresponding assessment of the three Tariff Design Options presented at the session? If yes, please be as specific as possible.	The AESO needs to provide the underlying support for the rates in the workbook and how they relate back to cost causation. It is not clear whether the tariff proposals will be more or less disruptive to price responsive loads and what the cost impact is to dual use customers. Also, the rate options are complex and are a departure from the long term rate. What is the benefit of each of the rate options versus the existing tariff? Is it significant enough to disrupt the industry versus making some improvements to the current tariff? What elements of the tariff options will prevent grid defections or preserve the competitiveness of Alberta's electricity intensive and large industrial customers?

9.	Additional comments	The Industrial Customers strongly advise the AESO to postpone or reframe the tariff design objective and principles with a key purpose of aiding economic recovery once we are past the current oil price collapse, pending recession and COVID-19 crises. There is a tremendous potential for demand destruction. The AESO needs to take the time to model tariffs under potential demand destruction scenarios and work with all key stakeholders – Government, Agencies, Customers, DFOs and TFOs to urgently reduce the revenue requirement. The transmission tariffs are already unaffordable for many industrial customers – evidenced by the investments in on-site generation and demand response. If the tariffs were to increase further to compensate for demand destruction, Alberta's economy would experience further harm. There are careful considerations and choices facing industry. Rate increases and introducing unnecessary complexity with the changing of the DTS tariff will cause additional harm. For further consideration, consulting on and litigating the new tariff will consume time and resources that many companies do not have right now. At this point, resources are extremely scarce and most companies cannot allocate the appropriate resources to fully explore the tariff options. They are working on protecting their people, their cash flows and the viability of their businesses. Adding additional uncertainty to their opex costs would be detrimental. We should be focused on rate relief, not tariff redesign.

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