

# Participant-Related Costs for DFOs (Substation Fraction) and DFO Cost Flow-Through Technical Session 2A

May 14, 2020

In accordance with its mandate to operate in the public interest, the AESO will be audio and video recording this session and making the recording available to the general public at [www.aeso.ca](http://www.aeso.ca). The accessibility of these discussions is important to ensure the openness and transparency of this AESO process, and to facilitate the participation of stakeholders. Participation in this session is completely voluntary and subject to the terms of this notice.

The collection of personal information by the AESO for this session will be used for the purpose of capturing stakeholder input for the Participant-Related Costs for DFOs (Substation Fraction) and DFO Cost Flow-Through Technical Sessions. This information is collected in accordance with Section 33(c) of the *Freedom of Information and Protection of Privacy Act*. If you have any questions or concerns regarding how your information will be handled, please contact the Director, Information and Governance Services at 2500, 330 – 5th Avenue S.W., Calgary, Alberta, T2P 0L4 or by telephone at 403-539-2528.

# Welcome and Introductions

- The AESO's top priorities are the health and well-being of our employees and stakeholders and continuing to meet the electricity needs of all Albertans
- All business meetings with external stakeholders will be via phone or webinar indefinitely (this includes stakeholder engagement sessions)
- Based on stakeholder feedback, the AESO's own security assessment and the use of Zoom for governments, post-secondary institutions and other companies, the AESO has decided for now to continue using Zoom for our stakeholder engagements until such time that face-to-face engagements are allowed
- The AESO will continue to monitor developments and provide updates to our stakeholders as necessary
- For additional information, please visit the AESO website at [www.aeso.ca](http://www.aeso.ca) and follow the path Stakeholder engagement > Covid-19

- Purpose
  - Continue to build a common understanding of the purpose and application of participant-related costs for DFOs (substation fraction formula) and DFO cost flow-through;
  - Review proposed changes to high-level principles applicable to participant-related costs for DFOs and DFO cost flow-through; and
  - Present, discuss, and understand stakeholders proposals for participant-related costs for DFOs and DFO cost flow-through.

Time	Agenda Item	Presenter
8:00 – 8:10	Welcome, Introduction and Session Objectives	Stack'd / AESO
8:10 – 8:55	Overview <ul style="list-style-type: none"> <li>• Share revised approach and schedule</li> <li>• Outcomes from Technical Session 1</li> </ul>	AESO
8:55 – 9:05	Break	
9:05 – 10:50	Proposal Presentations <ul style="list-style-type: none"> <li>• DCG Consortium (25 Minutes)</li> <li>• URICA (25 Minutes)</li> <li>• FortisAlberta (25 Minutes)</li> <li>• Joint Q&amp;A (30 Minutes)</li> </ul>	Various Stakeholders
10:50 – 11:00	Break	
11:00 – 12:45	Proposal Presentations (continued) <ul style="list-style-type: none"> <li>• Lionstooth Energy (25 Minutes)</li> <li>• Solar Krafte (25 Minutes)</li> <li>• Canadian Solar Solutions (25 Minutes)</li> <li>• Joint Q&amp;A (30 Minutes)</li> </ul>	Various Stakeholders
12:45 – 1:00	Session Close Out and Next Steps	Stack'd / AESO

# Registration (as of May 6, 2020)

- Acestes Power
- Alberta Utilities Commission (AUC)
- AltaLink Management Ltd.
- ATCO Electric
- Blake, Cassels & Graydon LLP
- BluEarth Renewables
- BowMont Capital and Advisory
- Canadian Solar Solutions
- Capital Power
- Capstone Infrastructure Corporation
- City of Lethbridge
- DCG Consortium
- Denis Forest Consulting Inc.
- Dizrupt Energy
- Elemental Energy
- Enel
- ENMAX Corporation
- Empowered
- EPCOR Distribution and Transmission
- FortisAlberta Inc.
- Green Cat Renewables
- Hatch Upside
- Innogy Renewables Canada
- Lionstooth Energy Inc.
- Longspur Developments
- Plains Midstream
- PMC
- Power Advisory LLC
- RVM Developers
- Siemens Energy
- Signalta Resources Limited
- Solar Krafte
- Solar Power Investment Cooperative of Edmonton
- The City of Red Deer
- URICA

# Overview of Engagement Process



The background of the slide is a blue-tinted photograph of two hands shaking in a firm grip. The hands are positioned in the center-left of the frame. The background also features a faint, white, geometric network pattern of lines and dots, and a blurred cityscape at the bottom.

*OUR ENGAGEMENT PRINCIPLES*

**Inclusive and Accessible**

**Strategic and Coordinated**

**Transparent and Timely**

**Customized and Meaningful**

- The AESO intends to:
  - engage with stakeholders regarding the issues to be examined and the action items to be undertaken, as identified in the technical session(s)
  - work towards the development of a joint proposal with distribution facility owners (DFOs) and distribution connected generation (DCGs) regarding a path forward based on the feedback gathered at the technical session(s)
- A joint proposal, if achieved, or individual proposals regarding the attribution and flow-through of transmission costs to DCGs would then be filed in the consolidated proceeding for consideration and determination by the Commission

- Objectives of the technical sessions(s) include facilitation of:
  - i. a common understanding of the purpose and application of the substation fraction formula;
  - ii. agreement on high-level principles applicable to the substation fraction formula including, for instance, cost certainty for DCGs, parity between transmission connected generation (TCGs) and DCGs regarding local interconnection costs, and certainty for DFOs regarding the flow-through of costs to be attributed to DCGs; and
  - iii. a common understanding of the financial impacts associated with the substation fraction and any associated flow-through of local interconnection costs to different stakeholder groups, including DCGs, TCGs, DFOs, and ratepayer.

# Alberta Utilities Commission (AUC) Participation in Working Sessions

# Overview of process schedule

<b>Session 1</b> <i>Feb. 27, 2020</i>	<b>Session 2A</b> <i>May 14, 2020</i>	<b>Session 2B</b> <i>May 28, 2020</i>	<b>Session 3</b> <i>June 2020</i>	<b>Session 4</b> <i>If required</i>
<p><b>Session objectives:</b></p> <ul style="list-style-type: none"> <li>• Clarify intent and understanding of participant-related costs for DFOs (Substation Fraction) and DFO cost flow-through</li> <li>• Review and collect input on high-level principles</li> </ul>	<p><b>Session objectives:</b></p> <ul style="list-style-type: none"> <li>• Review high-level principles</li> <li>• Summarize learnings from Feb 27 session</li> <li>• Presentations of stakeholder proposals for participant-related costs for DFOs (Substation Fraction) and DFO cost flow-through</li> </ul>	<p><b>Session objectives:</b></p> <ul style="list-style-type: none"> <li>• Summarize learnings from May 14 session</li> <li>• Stakeholders who presented proposals - address comments and evaluations</li> <li>• Group discussion on evaluation of proposals for participant-related costs for DFOs (Substation Fraction) and DFO cost flow-through</li> </ul>	<p><b>Session objectives:</b></p> <ul style="list-style-type: none"> <li>• Final discussion and evaluation of proposals</li> <li>• Share process for preparation of report for the AUC</li> </ul>	<p><i>Session objectives to be shared if additional session required</i></p> <p><i>This session would be held via webinar if required.</i></p>

The participation of everyone here is critical to the engagement process. To ensure everyone has the opportunity to participate, we ask you to:

- Listen to understand others' perspectives
- Disagree respectfully
- Balance airtime fairly
- Keep an open mind

- All attendees will join the webinar in listen-only mode and the moderator will have attendee cameras disabled and microphones muted
- When asking or typing in a question, please state your first and last name and the organization that you work for
- Two ways to ask questions during the Q&A portion if you are accessing the webinar using your computer or smartphone
  - If you would like to ask a question during the Q&A portion, click the icon to raise your hand and the host will see that you have raised your hand. The host will unmute your microphone, you in turn will need to unmute your microphone and then you can ask your question. Your name will appear on the screen but your camera will remain turned off.
  - You can also ask questions by typing them into the Q&A window. Click the “Q&A” button next to “Raise Hand.” You’re able to up-vote questions that have been already asked.

- Using a 2-in-1/PC/MAC Computer
  - Hover your cursor over the bottom area of the Zoom app and the Controls will appear.
  - Click “Raise Hand” and the host will be notified that you would like to ask a question.
  - Click “Lower Hand” to lower it if needed.
  - You can also ask questions by tapping the “Q&A” button and typing them in. You’re able to up-vote questions that have been already asked.
- Using Smartphone
  - Tap “Raise Hand.” The host will be notified that you've raised your hand.
  - Tap “Lower Hand” to lower it if needed.
  - You can also ask questions by tapping the “Q&A” button and typing them in. You’re able to up-vote questions that have been already asked.



- If you are accessing the webinar via conference call
  - If you would like to ask a question during the Q&A portion, on your phone's dial pad, hit \*9 and the host will see that you have raised your hand. The host will unmute your microphone, you in turn will need to unmute your microphone by hitting \*6 and then you can ask your question. Your number will appear on the screen.
- Phone controls for attendees
  - To raise your hand, on your phone's dial pad, hit \*9. The host will be notified that you've raised your hand.
  - To toggle between mute and unmute, on your phone's dial pad, hit \*6.

# Technical Session 1 Outcomes

- All parties considered the technical session and breakout session to be valuable
  - AESO also agrees that the session was informative and helpful
- Although some concerns were raised about the inability of telephone conference attendees to participate, and expressed interest in the next webinar and its format
  - AESO is using the Zoom video conferencing tool for this session
  - AESO will seek feedback from stakeholders after today's session

- An additional principle is that of simplicity and ease of implementation, which the AESO has incorporated into its level-setting document
  - New Principle 5
- Upfront transparency of costs at the time the investment decision is made is of utmost concern for DCG
  - Addressed in Principle 3 and new Principle 5
- Agreement that the current demand and supply-related cost allocation is not appropriate in many situations and should be replaced
  - Current methodology does not achieve, on balance, the principles identified

# Stakeholder feedback on session 1: Content (cont'd)

- Strong support for eliminating “future liabilities” that the DCG has not triggered
  - Addressed in Principle 3
- Questions on whether the AESO would be conducting a jurisdictional review
  - Alberta is unique, there are no comparable jurisdictions
- Further discussion on clear definitions or understanding of key terms
  - Clarity and further understanding added to level-setting document
- All parties discussed the urgency of addressing the topic and expedited resolution
  - The AESO is working towards responding to the AUC’s direction as soon as possible and discussed further in next steps

- The AESO, after review of stakeholder comments and further questions arising from Session 1, has made some updates to the ‘*Summary of Level-Setting Information*’ document
- Updates include and will be discussed further in this presentation:
  1. Principles: further clarity on Principle 3 and an additional Principle 5 added regarding ease of understanding and implementation;
  2. Explanation and illustration of ISO tariff treatment options available to transmission-connected generation for their connection substation, specifically for transformation facilities required to connect to the AIES; and
  3. Minor edits for clarity and consistency.
- The updated ‘*Summary of Level-Setting Information*’ document was posted with edits red-lined on May 7, 2020

# Review High-level Principles

- Parity between transmission interconnection costs calculation for transmission connected customers and distribution connected customers while enabling effective price signals to ensure the optimal use of existing distribution and transmission facilities
  - Fairness
  - Effective price signals



- Market participants should be responsible for an appropriate share of the costs of transmission facilities that are required to provide them with access to the transmission system (may include paying a contribution towards facilities paid for by other customers and refund to the customer that paid)
  - Fairness
  - Cost causation

- Costs should not be allocated to a DCG customer after the DCG has energized, if the DCG is not directly causing those costs
  - Certainty of future costs
  - Stability
- **Addition:**
  - DCG participants should have cost certainty when making their final investment decision unless the DCG has caused those costs

- DFOs should be provided with reasonable certainty regarding cost treatment/recovery
  - Certainty of future costs
  - Stability

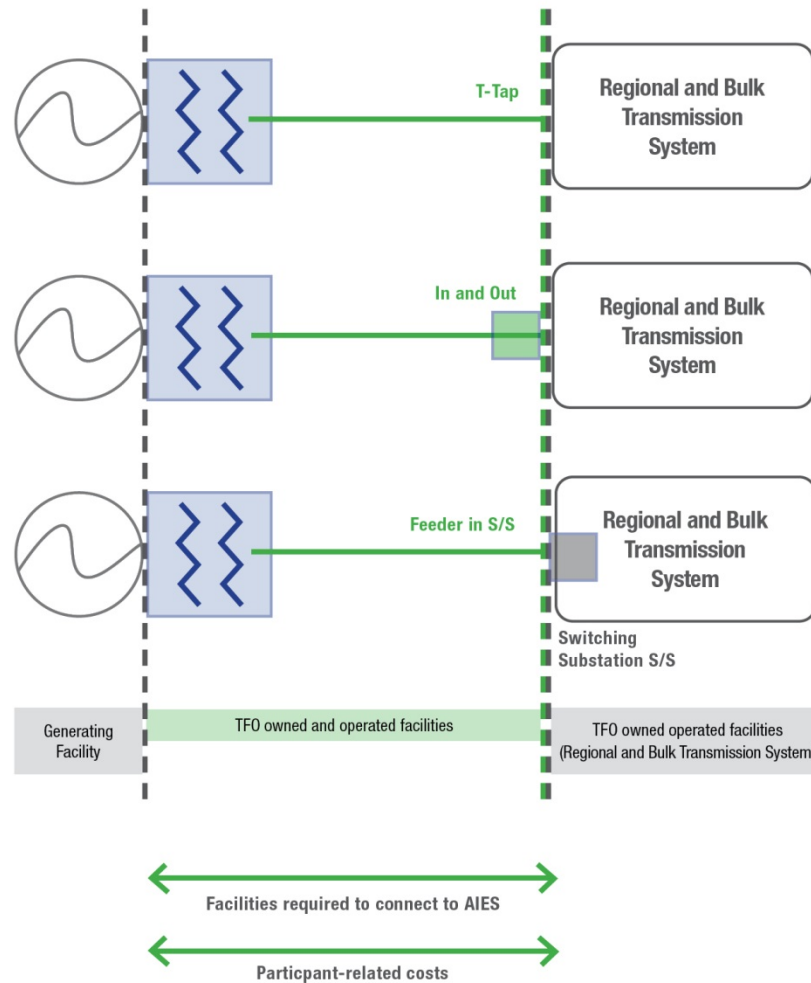
- Proposed tariff treatment and implementation should be easily understood
  - Simplicity
  - Stability

# Update to Level-setting Document

Differentiating two options available to transmission-connected generation for the costs of transformation facilities to enable connecting to the transmission system:

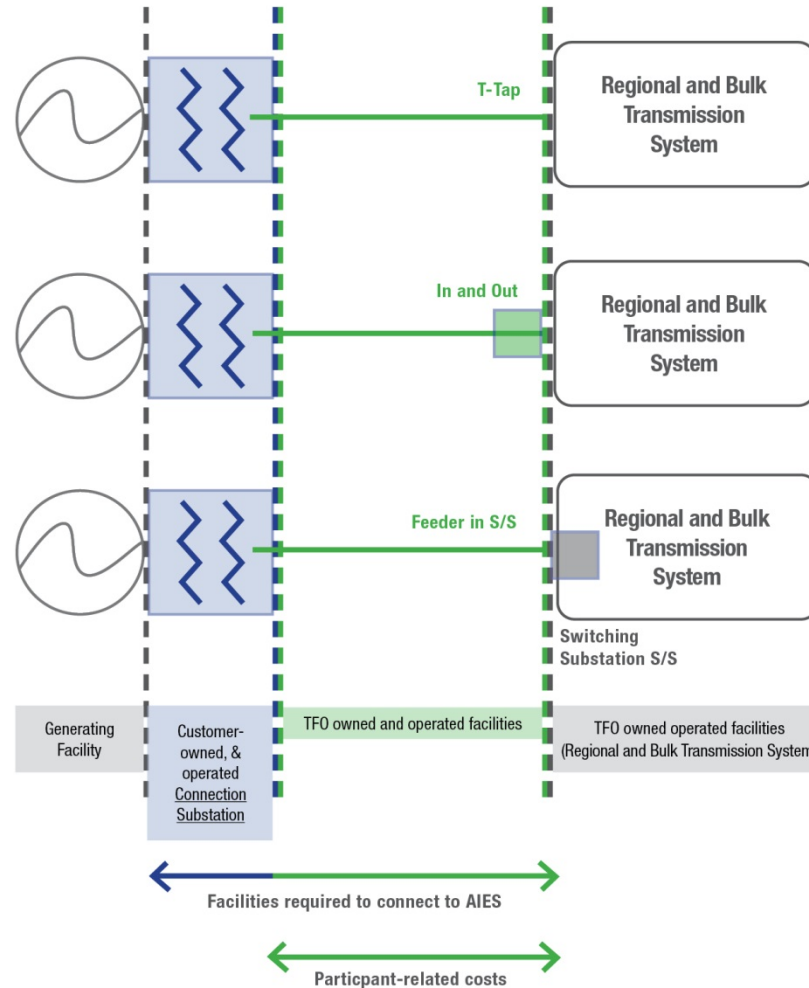
1. Generators can connect to the transmission system by requesting the TFO build the radial line and the stepdown transformation facilities [costs included in CCD]; or
2. Generators can request that the TFO build only the radial line and the generator is responsible (owns, maintains and operates) for the connection substation. [The costs to the generator of building its own facilities are not reflected in a CCD, they are directly incurred by the generator building the connection substation].

## TFO builds owns and operates connection substation



# Update #3 to level-setting document (con't)

GFO builds owns and operates connection substation





**Break**

# DCG Consortium Proposal

# URICA Proposal

# FortisAlberta Proposal

# Joint Q&A

**Break**

# Lionstooth Energy Proposal

# Solar Krafte Proposal



# Canadian Solar Solutions Proposal

# Joint Q&A

## Session Close-out and Next Steps

- We value stakeholder feedback and we invite all stakeholders to provide their evaluation of all of the proposals to the AESO via the questions set out in the **Proposal Evaluation Stakeholder Comment Matrix on or before May 20, 2020**
- The AESO will also be completing and posting their evaluation of the proposals
- The AESO will post all evaluations, including the AESO's, on May 21, 2020 on the AESO website at [www.aeso.ca](http://www.aeso.ca)

- Technical Session 2B will be hosted on May 28, 2020 from 8:00 a.m. to 12:30 p.m. The session will follow a similar format and registration is now available.
- The purpose of Technical Session 2B is the following:
  - Continue to build a common understanding of the purpose and application of participant-related costs for DFOs (substation fraction formula) and DFO cost flow-through;
  - Stakeholder proposals to respond to evaluation and comments after presentation on May 14 session; and
  - Group discussion to evaluate stakeholder proposals for participant-related costs for DFOs and DFO cost flow-through and determine if alignment on a joint proposal can be made or if multiple proposals will move forward.



- **Twitter:** @theAESO
- **Email:** [tariffdesign@aeso.ca](mailto:tariffdesign@aeso.ca)
- **Website:** [www.aeso.ca](http://www.aeso.ca)
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**Thank you**