Updated 2018 ISO tariff application

May 29, 2018
BP Main Boardroom, AESO Offices

Disclaimer

The information contained in this presentation is for information purposes only. While the AESO strives to make the information contained in this presentation as timely and accurate as possible, the AESO makes no claims, promises, or guarantees about the accuracy, completeness, or adequacy of the information contained in this presentation, and expressly disclaims liability for errors or omissions. As such, any reliance placed on the information contained herein is at the reader's sole risk.

Updated 2018 ISO Tariff Application

Public

2018 ISO tariff application timeline review

September 2017	AESO files the 2018 ISO tariff application
January 19, 2018	The Commission suspends the 2018 ISO tariff application proceeding to direct the AESO to consult with stakeholders on (1) 12-coincident peak (cp) methodology and (2) DFO contribution issues
March 5, March 12, 2018 April 9, April 24, 2018	AESO consults on two issues
April 30, 2018	AESO files an update on consultation with the Commission and requests time to file an updated 2018 ISO tariff application given the amount of time passed since original filing and other items raised by stakeholders
May 29, 2018	AESO updates stakeholders on scope of application updates

Commission directed consultation from January 19, 2018

- AESO is proposing no changes to 2018 ISO tariff design resulting from the consultation since January 19 on tariff redesign
  - All tariff redesign or design work to occur in new consultation process outlined in April 30, 2018 closing letter to the Commission
- Revise consultation section to document or summarize consultation since January 19, 2018 Commission process letter regarding 12-cp methodology and DFO contribution issue
- Revise application to move tariff treatment of energy storage section and reports to tariff redesign process

Proposed amendments to application and terms and conditions

- The AESO is proposing to make a number of updates to the provisions in the ISO tariff terms and conditions
- The AESO is also proposing to update the application to provide background and context to all proposed amendments to the terms and conditions

List of updates

Proposed tariff	Original application
Subsection 3.2 and 3.6	Critical requirements and for contract amounts to include maximum anticipated net flow by individual feeder into the transmission system
Subsection 3.4(1)	ISO preferred alternative
Subsection 3.6	Earlier contract execution prior to Need Identification Document (NID) filing Planning certainty at time of NID filing and any GUOC or advancement costs payments
Subsection 4.2(2)	No provision for connecting isolated communities to the AIES as participant-related costs
Subsection 4.3(3)(b)	Defines avoidable construction costs
Subsections 5.3 and 5.5	Require additional clarity on Rate DTS contracts stage delay and impact on payment in lieu of notice (PILON) or Shared Costs
Subsections 11.2 and 11.3	Require additional clarity on causes eligible for peak metered demand waivers and process for the AESO to make determination on a waiver request

Rate STS contracts on DFO substations

Original application:

- In Section 3.2(2)(c) to require critical requirements including maximum anticipated flows by feeder in SASR
- In Section 3.6(2)(b) to require Rate STS contract levels to approximate maximum anticipated flows on feeders

Updated application:

- Additional clarity regarding background to maximum anticipated flows into transmission facilities
- Update application for high-level issues including POD function database and highlighting question of “what are local interconnections for DER”

ISO preferred alternative

Original application:

- In Section 3.4(1) the AESO determines the ISO's preferred connection alternative taking into account relevant factors

Updated application:

- Additionally, for Rate STS requests, require the AESO to consider **economic efficiency** as a relevant factor

  Economic efficiency means the optimal deployment and utilization of resources to achieve maximum overall value and least-cost production over the long term. Achieving economic efficiency may include comparing alternatives by assessing:

  - least-cost production [effective operation]
  - cost allocation based off of cost-causation [cost]
  - maximizing social welfare [public interest]
  - minimizing barriers to entry for market participants [competition]

Early contract execution

Original application:

- Subsection 3.6(1) - a Rate DTS or Rate STS must be executed before the AESO submits a Needs Identification Document (NID)

Updated application:

- Rate DTS or Rate STS contract must be executed before AESO submits a NID. Contract not effective until:
  - 30 days post permit & licence (P&L); and
    - Upon payment of Generator Unit Owner Contribution (GUOC) for Rate STS or advancement costs for Rate DTS (if applicable)
    - Contract can be cancelled before fully effective with no penalty
  - Additional conditions may be requested (and agreed to by the AESO) for any regulatory conditions beyond the market participant's control
    - Conditions can allow for an extension for up to one year post P&L

Early contract execution (cont'd)

Flow charts handout

1. *Connection project*
2. *Behind-the-fence project*

Planning certainty

Original application:

- Subsection 3.6(3) - a specific connection project must be included in forecasts and system plans upon the execution of a Rate DTS or Rate STS contract

Updated application:

- As above but additionally a MP can achieve "planning certainty" by executing a Rate DTS or Rate STS contract, and paying any GUOC amounts or advancement costs
  - As early as just prior to NID filing
  - And in the case of a BTF project, execute contract 30 days post study (confirmation of no tx facilities required)

Isolated communities connection as participant-related costs

- Decision 22125-D01-2018:

  The Commission understands ATCO Transmission's submissions in this proceeding and in Proceeding 22093 to suggest that the ISO tariff terms and conditions require amendment in order to grant it the relief it seeks in terms of cost classification. The Commission agrees and, consistent with its previous ruling in Proceeding 22093, the AESO's cost classification determination that all costs associated with the project are participant-related is approved on an interim basis, pending the final determination of the terms and conditions, related to Section 8, in the AESO's 2018 ISO tariff application.

- Revise 2018 ISO tariff application to include discussion and background to AESO's position in the Sheridan 2085S connection NID
- Include provision in subsection 4.2(2) to classify the costs to connect isolated communities (as identified in *Isolated Generating Units and Customer Choice Regulation*) as participant-related costs

Avoidable construction costs

Original application:

- In subsection 4.2(3)(b) - a MP could pay “avoidable construction costs” in order to maintain an in-service date while system transmission facilities are under construction

Updated application:

- As above but a change in the calculation of “avoidable construction costs”:
  - Costs from the earlier in-service date of projects under construction;
  - Costs from the additional revenue requirement resulting from the system transmission facilities being in place at an earlier in-service date; and
  - A credit from the additional monthly Rate DTS bulk and regional revenue resulting from the earlier in-service date (up to the avoidable construction costs amount).

Avoidable construction costs (cont'd) - Case 1

Case 1: $25,000,000 project -> $5,000,000 savings "found"			
30 MW Project (75% coincident factor, 65% capacity factor)			
(add how many months/years of delay as an input to automate further)			
	Feb-2020	**Feb-2021**	**Comment**
Initial Project	$ 25,000,000	$ 25,000,000	
Additional cost	$ 5,000,000	$ -	
Total Project Capital Cost	$ 30,000,000	$ 25,000,000	
Additional rev req for $25 M	$ 2,500,000	$ -	portion (for the ISD timing difference only)
Total Cost Impact	**$ 7,500,000**	$ -	
DTS Revenue Credit	$ (4,072,800)	$ -	Extra monthly bills paid due to earlier in service date (includes only Bulk and Regional portion of DTS)
Net Charge to Cust	$ 3,427,200	$ -	Calculated to keep all others customers neutral
Rate Payer Impact	$ 25,000,000	$ 25,000,000	

Avoidable construction costs (cont'd) - Case 2

Case 2: $800,000,000 project -> $186,000,000 savings "found"			
30 MW Project (75% coincident factor, 65% capacity factor)			
ISD	**Feb-2020**	**Feb-2021**	
Initial Project	$ 800,000,000	$ 800,000,000	
Additional cost	$ 186,000,000	$ -	
Total Project Capital Cost	$ 986,000,000	$ 800,000,000	
Additional rev req for $800 M	$ 80,000,000	$ -	
Total Cost Impact	**$ 266,000,000**	$ -	
DTS Revenue Credit	$ (4,072,800)	$ -	DTS Credit to Rate Payers is very small and much smaller than avoidable costs
Net Charge to Cust	$ 261,927,200	$ -	
Rate Payer Impact	$ 800,000,000	$ 800,000,000	

Avoidable construction costs (cont'd) - Case 3

Case 3: $25,000,000 project -> $1,000,000 savings "found"			
30 MW Project (75% coincident factor, 65% capacity factor)			
ISD	**Feb-20**	**Jun-20**	
Initial Project	$ 25,000,000	$ 25,000,000	
Additional cost	$ 1,000,000	$ -	
Total Project Capital Cost	$ 26,000,000	$ 25,000,000	
Additional rev req for $25 M	$ 2,500,000	$ -	
Total Cost Impact	**$ 3,500,000**	$ -	
DTS Revenue Credit	$ (4,072,800)	$ -	
Net Charge to Cust	$ -	$ -	Avoidable Construction Charge is zero because DTS
Rate Payer Impact	$ 24,427,200	$ 25,000,000	*Rate Payer Impact is less with MP choosing to not delay ISD

Other updates

- Delay of Rate DTS stage
  - Payment in lieu-of-notice to add clarity regarding a market participant's request to delay a phase contract increase (subsection 5.3)
  - Share costs calculation to add clarity for calculations for when one market participant delays a phase contract increase and the increase of costs on the other market participant (subsection 5.5)
- Peak metered demand waivers to add clarity that load restoration activities refers to DFOs (subsection 11.2) and to make waiver request process more efficient (subsection 11.3) and

POD cost function (Option 4 – installed capacity) - Appendices F and G

- Fix up Option 4 to fix to Contract over Installed Capacity
- A number of other ‘installed capacity conversion’ errors to finalize Option 4 to meet the Commission's direction in Decision 3473-D01-2015 to thoroughly explore a POD cost curve to reflect installed capacity, rather than contract capacity
- Appendix F – *POD Cost Function Report* updated to reflect changes above

Rate Design

- The AESO is not proposing any change in bulk/regional tariff design in this application
- The AESO does not plan to update the 2018 ISO tariff application for rate design
- The applied for update was a mechanical update of 2014 Study and the AESO has used latest available information to update the 2014 Study.

Discussion

Next Steps

Next Steps

Timing	Step
June 1	AESO and CCA responses to CCA motion responses due
July 3-6	AESO plans to file updated application
Timing to be determined	AESO to kick off new consultation process as described in April 30th update to the Commission

Thank you