

# Stakeholder Comment Matrix – Dec. 10, 2020

## Bulk and Regional Tariff Design Stakeholder Engagement Session 4



<b>Period of Comment:</b> Dec. 10, 2020 through Jan. 12, 2021	<b>Contact:</b> Tony Martino, Dan Thackeray
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Instructions:

1. Please fill out the section above as indicated.
2. Please respond to the questions below and provide your specific comments.
- 3. Please submit one completed evaluation per organization.**
4. Email your completed comment matrix to [tariffdesign@aeso.ca](mailto:tariffdesign@aeso.ca) by **Jan. 12, 2021**.

***The AESO is seeking comments from Stakeholders on Session 4. Please be as specific as possible with your responses. Thank you.***

	Questions	Stakeholder Comments
1.	Please comment on Session 4 hosted on Dec. 10, 2020. Was the session valuable? Was there something the AESO could have done to make the session more helpful?	The session held on Dec 10, 2020 was well organized, well attended and allowed for reasonable opportunities for the various parties to ask questions and seek clarification.
2.	Do you have a view on whether an embedded or marginal cost allocation approach will more appropriately meet the AESO's rate design objectives? Why?	While there are various pros and cons to both embedded and marginal cost allocations, where possible and where practical, preference would be to assess cost allocations based on marginal costs that results in costs (and in turn tariffs) being assessed in real time and with a view towards where current and future costs are being incurred. However, it is important to note that with increases in AESO revenue requirement now being a slower rate, relative to the growth experienced over the last number of years, that embedded cost allocation is still going to be relied upon with respect to many aspects of AESO's tariff.
3.	<ul style="list-style-type: none"> <li>a) Do you have a preference for any of the mitigation options presented at Session 4? Why or why not?</li> <li>b) Do you know of any additional mitigation options that have worked in other contexts and might be applicable here. Please specify.</li> <li>c) What do you think the AESO's needs to achieve with its mitigation(s)? Why?</li> </ul>	<ul style="list-style-type: none"> <li>a) Mitigation processes that minimize disruption are highly important. While many options are available, any type of grandfathering provisions will be difficult to administer. As such, bill credits carried out through a transitional process appear to strike the most appropriate balance.</li> <li>b) There are many mitigation options that have been utilized in other contexts (for example, rate caps, grandfathering, revenue to cost ratio (R/C) bands (for example, 95% to 105% R/C) and so forth. However, for these purposes, transitional bill credits appear most suitable.</li> <li>c) The AESO needs to achieve a balance between the status quo rate design and the alternative rate design and that allows for various stakeholders to adjust to the transition while administering appropriate cost recovery and providing efficient price signals. The objective is to ensure that stakeholders, who have made economic decisions based on the current tariff structure, are able to adjust to a change in tariff structure over time.</li> </ul>

	Questions	Stakeholder Comments
4.	<p>Are you supportive of the areas of agreement presented at Session 4? Why or why not? The areas of agreement presented include:</p> <p><b>Efficient Price Signals</b></p> <ul style="list-style-type: none"> <li>• Price signals matter               <ul style="list-style-type: none"> <li>○ Tariff charges provide incentives for customer behavior</li> </ul> </li> </ul> <p><b>Cost Responsibility</b></p> <ul style="list-style-type: none"> <li>• Recognize that more than just load behavior drives transmission development</li> <li>• We are dealing with an evolving system               <ul style="list-style-type: none"> <li>○ Current and future use may differ from what was that originally planned</li> </ul> </li> </ul> <p><b>Minimal Disruption</b></p> <ul style="list-style-type: none"> <li>• Transmission costs have risen               <ul style="list-style-type: none"> <li>○ Tariff charges are more important now than ever before</li> </ul> </li> <li>• Minimize disruption, mitigate rate shock               <ul style="list-style-type: none"> <li>○ It is not in anyone’s interest to reduce the number of ratepayers</li> </ul> </li> </ul>	<p>In general, ATCO Electric is supportive of the areas of agreement presented at Session 4 and provides the following comments:</p> <p><b>Efficient Price Signals:</b></p> <p>This area of agreement illustrates that parties are cognizant and fully aware of the importance of price signals in incentivizing efficient customer behavior. All parties appear to appreciate that efficient usage behavior improves system reliability and helps minimize the cost of the Alberta transmission system in the long run.</p> <p><b>Cost Responsibility:</b></p> <p>The system continues to evolve, and parties understand that transmission costs need to be attributable to both load customers and generation customers. As well, the system needs to reflect the current state as well as the future state of transmission development.</p> <p><b>Minimal Disruption:</b></p> <p>Finally, and most importantly, it is positive that all parties appear to fully appreciate the importance, in the event of fundamentally changing a tariff structure, of minimizing disruption, and ensuring that rate shock is mitigated. All parties appreciate and agree that potential reductions in load and/or increased grid defection, resulting from an improper tariff structure, are issues that need to be addressed.</p>

<p>5.</p>	<p>Are you supportive of the areas of disagreement presented at Session 4? Why or why not? The areas of disagreement presented include:</p> <p><b>Efficient Price Signals</b></p> <ul style="list-style-type: none"> <li>• Are status quo price signals are efficient? <ul style="list-style-type: none"> <li>○ Price signals in tariff have reduced the cost of energy to other load</li> </ul> </li> <li>• Are price signals forward looking? <ul style="list-style-type: none"> <li>○ Price signals are efficient to the extent changes in customer behavior reduce the need for future transmission costs</li> </ul> </li> </ul> <p><b>Cost Responsibility</b></p> <ul style="list-style-type: none"> <li>• Is the primary objective cost causation, or cost responsibility?</li> <li>• Does the initial rate design still achieve goal of cost causation since transmission costs have risen and load behaviour has not influenced those costs?</li> </ul> <p><b>Minimal Disruption</b></p> <ul style="list-style-type: none"> <li>• Now is not the time for change or time to stop the bleeding? <ul style="list-style-type: none"> <li>○ Economic climate, policy uncertainty, change impacts a few very negatively and many slightly positively</li> </ul> </li> <li>• Does rate mitigation need to be permanent or will customers adapt if temporary?</li> </ul>	<p>ATCO Electric considers the areas of disagreement presented at Session 4 to be areas that need to be resolved and offers the following comments.</p> <p><b>Efficient Price Signals</b></p> <p>Efficient price signals are extremely important, but the price signals must also be fair and widely available to be adopted by all stakeholders. The current Coincident Peak (CP) price signal is not widely available to allow for proper responsiveness by all stakeholders.</p> <p>While CP price signals may be forward looking, other prices signals, such as NCP, are also forward looking and, more importantly, are not discriminatory and provide fair treatment and opportunity for responsiveness across all stakeholders.</p> <p><b>Cost Responsibility</b></p> <p>While cost responsibility is an important cost allocation objective, ultimately more weighting should be accorded to the principle of cost causation when it comes to determining cost allocations.</p> <p><b>Minimal Disruption</b></p> <p>While the Alberta Economy has been negatively impacted lately and while there is concern with respect to making changes to AESO tariff structure during these challenging times, it is expected that by the time a new tariff is implemented, the economy may stabilize. As well, the concept of providing transition bill credits is a solution towards addressing any potential material bill impacts to stakeholders.</p>
<p>6.</p>	<p>Are there considerations that the AESO could include in its rate design proposal that would move you to at an area of agreement on any of the areas of disagreement (refer to question 5 above)? Please specify.</p>	<p>No. There are no other considerations in addition to those discussed above that the AESO should include in its rate design proposals.</p>

<p>7.</p>	<p>Are you supportive of the areas of agreement for energy storage presented at Session 4? Why or why not?</p> <p><b>Energy storage areas of agreement:</b></p> <ul style="list-style-type: none"> <li>• Energy storage is unique in that it is not the producer or the end consumer of electric energy, nor is it the transmitter</li> <li>• Energy storage can participate in Alberta’s electricity use-cases by providing <ul style="list-style-type: none"> <li>○ Energy Price arbitrage</li> <li>○ Operating Reserves</li> <li>○ Non-wires solutions for transmission deferral</li> </ul> </li> <li>• Energy Storage should be treated in a fair, efficient, and openly competitive (FEOC) manner</li> </ul>	<p>In general, ATCO Electric agrees with the areas of agreement noted and offers the following comments.</p> <p>Energy storage is unique in that it is not solely a producer or consumer of electric energy.</p> <p>All three cases – energy price arbitrage, operating reserves and non-wires solutions are markets within which energy storage operates</p> <p>FEOC principles should be applied for Energy storage solutions relative to the totality of the electricity market.</p>
<p>8.</p>	<p>Are you supportive of the areas of disagreement for energy storage presented at Session 4? Why or why not?</p> <p><b>Energy storage areas of disagreement:</b></p> <ul style="list-style-type: none"> <li>• Is energy storage a user of the grid or a component of the grid or both?</li> <li>• Does energy storage use the network for the Alberta specific use-cases?</li> <li>• Should energy storage pay for inflows and outflows like every other network user or not?</li> <li>• Should energy storage pay for one or more of administration, operations and maintenance, pod, regional, bulk charges?</li> </ul>	<p>The areas of disagreement that are listed summarize the areas of contention from the session. These are areas that would benefit from a wider, more direct consultation on the policy direction of energy storage within the tariff, as the inclusion of energy storage in the current review introduces additional contention. See additional comments below:</p> <ul style="list-style-type: none"> <li>• Energy storage may be a user of the grid (e.g. energy price arbitrage), a component of the grid (e.g. non-wires alternative), or conceivably for some applications may be viewed as both.</li> <li>• There was no agreement on use cases, nor payment structures on in and out flows from energy storage facilities</li> <li>• Payment structures for various cost components have not been agreed to, and would benefit from a more direct review with impacted stakeholders in isolation of the tariff review.</li> </ul>
<p>9.</p>	<p>Are there considerations that the AESO could include in its rate design proposal that would move you to at an area of agreement on any of the areas of disagreement for energy storage (refer to question 8 above)? Please specify.</p>	<p>As ATCO Electric stated in comments provided to the AESO in the previous stakeholder session, treatment of these types of facilities within the tariff need to be broached with caution and examined thoroughly to avoid unintended consequences associated with policy change. The AESO should consider a thorough review of the application of Energy Storage <b>in isolation</b> of this rate design consultation in order to assess all implications impacting energy storage connections (which would include an assessment of rate design for these types of customers).</p>

10	Do you have any comments on the AESO's proposed stakeholder engagement process, including the mitigation process, for the remainder of the Bulk and Regional Rate Design engagement?	See notes in (9) above. ATCO Electric maintains that a separate, focused review on energy storage as a facility would be beneficial for the AESO in tariff design.
11	Do you have additional clarifying questions that need to be answered to support your understanding?	ATCO Electric has no further clarifying questions at this time.
12	Additional comments	ATCO Electric has no additional comments at this time.

Thank you for your input. Please email your comments to: [tariffdesign@aeso.ca](mailto:tariffdesign@aeso.ca).