

Stakeholder Comment Matrix – Dec. 10, 2020

Bulk and Regional Tariff Design Stakeholder Engagement Session 4



Period of Comment: Dec. 10, 2020 through Jan. 12, 2021	Contact: Surendra Singh
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Date: 2021/01/11	Email:

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 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?	<p>Since in next session on Feb 25, 2021, AESO is planning to present their preferred rate design, we were expecting that this session would have much more analytic work and detailed analysis of various aspects to justify if any changes are needed in the current tariff design. The session was heavy on high level concepts/ideas and lacked in any material/analysis/data supporting them.</p> <p>We are pleased to see that AESO is not pursuing the idea of dividing the province in to 6 regions as it would have very unfair with no opportunity to manage transmission charges for the flexible price response load in the North West region.</p>
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?	<p>AESO has not been able to provide any compelling reasons for changing from current practice of embedded cost. To make this decision, AESO should have initiated a similar study as was done by London Economic in 2014. The pros and cons of Marginal cost and Embedded Cost were carefully discussed in London Economic report. In the absence of any study/analysis, AESO should refrain making such as critical decision and therefore should continue to use embedded cost.</p>
3.	<p>a) Do you have a preference for any of the mitigation options presented at Session 4? Why or why not?</p> <p>b) Do you know of any additional mitigation options that have worked in other contexts and might be applicable here. Please specify.</p> <p>c) What do you think the AESO's needs to achieve with its mitigation(s)? Why?</p>	<p>The mitigation option has to be through "Rate Classes" as a part of "Rate Design". It would have been very helpful if AESO has included in their presentation some analysis/design criterion on such as Interruptible/Standby rate classes.</p> <p>AESO needs to recognize that there is a significant and real risk of large energy intensive industrial consumers leaving the grid to manage their electricity cost if significant changes in tariff design were to be implemented without proper rate mitigations through rate design. Large industrials leaving the grid completely is not in the interest of consumers with even higher transmission charges.</p>

	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>Efficient Price Signals</p> <ul style="list-style-type: none"> • Price signals matter <ul style="list-style-type: none"> ○ Tariff charges provide incentives for customer behavior <p>Cost Responsibility</p> <ul style="list-style-type: none"> • Recognize that more than just load behavior drives transmission development • We are dealing with an evolving system <ul style="list-style-type: none"> ○ Current and future use may differ from what was that originally planned <p>Minimal Disruption</p> <ul style="list-style-type: none"> • Transmission costs have risen <ul style="list-style-type: none"> ○ Tariff charges are more important now than ever before • Minimize disruption, mitigate rate shock <ul style="list-style-type: none"> ○ It is not in anyone’s interest to reduce the number of ratepayers 	<p>We are agreed that “Efficient Price Signal” is one of the key criterion for tariff design. And this has been the case since AUC directed AESO to use 12CP method for allocating Bulk system cost in 2005. It is clearly evident from slide 47 of AESO presentation in Session 4 that even though DTS contract MWs (and likely total energy usage MWh) have increased, the peak CMD demand load has not increased much. This is exactly what an efficient tariff design should do and that’s why CP method has been used in a large number of jurisdictions.</p> <p>Increased transmission cost does not change the fundamental principal of cost causation. We have been practicing our peak load management since CP charges were less than \$1500/MW. For some transmission lines, there may be some other reasons for building, but at the end of the day, it’s the load who pays the transmission charges and should be incented to minimize the need for future build.</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>Efficient Price Signals</p> <ul style="list-style-type: none"> • Are status quo price signals are efficient? <ul style="list-style-type: none"> ○ Price signals in tariff have reduced the cost of energy to other load • Are price signals forward looking? <ul style="list-style-type: none"> ○ Price signals are efficient to the extent changes in customer behavior reduce the need for future transmission costs <p>Cost Responsibility</p> <ul style="list-style-type: none"> • Is the primary objective cost causation, or cost responsibility? • Does the initial rate design still achieve goal of cost causation since transmission costs have risen and load behaviour has not influenced those costs? <p>Minimal Disruption</p> <ul style="list-style-type: none"> • Now is not the time for change or time to stop the bleeding? <ul style="list-style-type: none"> ○ Economic climate, policy uncertainty, change impacts a few very negatively and many slightly positively • Does rate mitigation need to be permanent or will customers adapt if temporary? 	<p>The current price signals including 12CP are efficient which in turn reduces the cost of all the consumers by eliminating and/or delaying the need of additional transmission.</p> <p>The current rate design is equally applicable today as it was in 2005 when approved first time and being approved several times since then.</p> <p>The problem is not the cost allocation method in tariff design; it is the total cost. It will do no good to lower the transmission cost of small consumers (residential/commercials) by a few dollars per month while rendering energy intensive large industrial load unviable by increasing their transmission cost by over 100% to 130%.</p> <p>We support the proposal put forward by ADC of nominating firm and non-firm load for bulk system charge with the expectation that non-firm load will be curtailed during system peak or pay much higher charge if failed to curtail. By this nomination, AESO will need to plan only for firm load during peak hours.</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>	

7.	<p>Are you supportive of the areas of agreement for energy storage presented at Session 4? Why or why not?</p> <p>Energy storage areas of agreement:</p> <ul style="list-style-type: none"> • Energy storage is unique in that it is not the producer or the end consumer of electric energy, nor is it the transmitter • Energy storage can participate in Alberta's electricity use-cases by providing <ul style="list-style-type: none"> ○ Energy Price arbitrage ○ Operating Reserves ○ Non-wires solutions for transmission deferral • Energy Storage should be treated in a fair, efficient, and openly competitive (FEOC) manner 	
8.	<p>Are you supportive of the areas of disagreement for energy storage presented at Session 4? Why or why not?</p> <p>Energy storage areas of disagreement:</p> <ul style="list-style-type: none"> • Is energy storage a user of the grid or a component of the grid or both? • Does energy storage use the network for the Alberta specific use-cases? • Should energy storage pay for inflows and outflows like every other network user or not? • Should energy storage pay for one or more of administration, operations and maintenance, pod, regional, bulk charges? 	
9.	<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>	

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?	We are concerned that there is not enough time from now to the filing with AUC for doing a thorough analysis of any changes. AESO should undertake a similar study as was done by London Economics in 2014. There is a need to have a strong quantitative support to justify any changes from current tariff design.
11	Do you have additional clarifying questions that need to be answered to support your understanding?	Please provide details as soon as possible on various rate classes such as Interruptible/standby.
12	Additional comments	So far AESO has not provided any solid support for changes other than their desire to change. The proposed changes are anything but modernization of tariff. We don't see any need to change the current design in any significant way.

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