

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 Comments From: Canada West Ski Areas Association Date: Jan. 12, 2021	Contact: Rick Cowburn Phone: (403) 397-8785 Email: rcowburn@vidya.ca
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	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?	“On September 14, 2017, the AESO filed an application for approval of its 2018 ISO tariff application.” We have now been at this for over three years. Everyone has said what they have to say, and the AESO has heard it all. All that is left is for the AESO to file the application, and for the Commission to rule.
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>Marginal cost makes sense in a generation context, when considering the cost of adding additional peaking capacity; the capacity market exercise explored this at great length.</p> <p>Marginal cost makes no sense in a transmission context. “What is the marginal cost of a piece of string?” No generic answer is possible – it depends on the specifics of the situation.</p> <p>For good reason, Alberta has never implemented a marginal cost based rate. Let us not expend resources on a vague, undefined concept that can only lead to endless debate and dispute.</p>

<p>3. 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>This is surely the most difficult issue facing this tariff application.</p> <p>In this stressed economic situation, it is essential that transmission tariff changes not have a material adverse impact on any party.</p> <p>However a continuation of the current 12CP methodology would have widespread adverse impacts as some customers take advantage of the opportunity to shift costs onto others.</p> <p>There are at least three broad approaches to mitigation:</p> <ul style="list-style-type: none"> • Grandfathered cost-transfers: Analyze past cost transfers achieved by individual customers & grandfather past levels of 12-CP response. <ul style="list-style-type: none"> ○ Grandfathering is administratively complex & arguably unfair. (Note AUC's abandonment of grandfathering re substation fractions in ID 25848, see also https://ablwg.ca/2019/12/02/further-thoughts-on-the-law-and-practice-of-grandparenting/) ○ However a backward-looking approach could demonstrably shield customers from disruption; a similar approach was implemented through deferral accounts in 2001 by the GOA to deal with the price explosion at retail market opening. This is perhaps the next best alternative after Rate Design. • Rate design: A rate design phase in would unfortunately continue the 12-CP cost-shifting incentives for some period of time at some reduced level. However this appears to be the most practically workable alternative. This need only apply to bulk charges, which could be divided into two pools, one pool recovered through the current 12CP method, one through another method (for example NCP). There are two billing determinants and two rates for bulk charges, and it's done. • Rate 'tinkering' through contract or ratchet changes seems unduly complex and unlikely to achieve balanced results. • Bill adjustment: This is just another way of looking at the rate design option. Consumption will change from month to month, and the resulting bill must change as a result. To calculate bill impacts one needs an 'old rate' and a 'new rate', whose difference can then be dealt with. This creates more billing and administrative complexity, with no obvious benefits compared to simply creating two bulk rate designs.
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Questions	Stakeholder Comments
<p>4. 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>Efficient price signals: The AESO’s planning documents demonstrate that generation additions, dispatch and line outages will be the primary drivers of most transmission system expansion. There is little point in implementing broad-based price signals for load at this time. Better to wait for the promised review of the T Reg, and see what emerges.</p> <p>Cost responsibility: User pay is the core concept of ratemaking, with usage being measured in various ways.</p> <p>In practice, no attention is paid to the historic drivers of facilities expansion, nor is that practical. The major exception is of course the Big Build, particularly CTI facilities, which were put in place as a matter of public policy and hence are a cost responsibility for all Albertans.</p> <p>Moving to an unratcheted NCP allocator & billing determinant would be one reasonable way of ensuring that all users contribute when they use the bulk system; retaining the regional charge’s two year ratchet ensures that occasional or ‘humalong’ cogen users make a fair contribution, retaining many of the flexibility benefits of the current 12-CP approach while mitigating its cost-shifting potential.</p> <p>Minimal disruption: Given the chaos created by COVID-19, minimizing disruption due to tariff changes deserves the highest priority. We need to stop the 12-CP created bleeding of costs between customers, while mitigating the impacts of phasing out this cost shifting – and that’s it. Customers need certainty as to future transmission charges, not creative constructs designed to benefit their proponents.</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>Efficient Price Signals: Truly efficient price signals should be targeted at new generation, not load. The money has now been spent, and what remains is a predictable squabble over who should pay, dressed up in fancy concepts like “economic efficiency” and “marginal pricing” to obscure the fundamental self-interest driving some proposals.</p> <p>Rather than seeking to create new ‘winners’ and ‘losers’, it is reasonable to accept the status quo for the moment and await further policy developments, particularly in this difficult economic situation.</p> <p>Cost Responsibility: Is a province-wide matter. The bulk of the bulk system costs were caused by provincial policy decisions, particularly CTI. Under the current legislation, generation pays essentially nothing for transmission, even though generation location is the fundamental driver of all transmission costs. Load-focused discussions of cost responsibility appear to be primarily driven by a desire to shift costs elsewhere, not by physical and legislative realities.</p> <p>Minimal Disruption: Now is not the time for change, other than to stop the bleeding.</p> <p>Permanent rate mitigation is impossible - all things must pass, and the Commission cannot permanently fetter its discretion. Permanent rate mitigation is just a way of avoiding the difficult decision as to how mitigation might be phased out. Certainty as to phase-out timing would be helpful to customers who need to plan their future activities.</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>There is an unbridgeable gap between those who benefit from 12-CP and those who are paying higher costs as a result. Three years of discussion have only served to harden positions. The Commission will have to decide; the industry cannot.</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>No comment</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>No comment</p>

9.	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.	No comment
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?	The AESO's open stakeholder engagement process and the diligent work of AESO staff is much appreciated. This has been a long and difficult journey with a fractious band. We await the AESO's application, which will be controversial no matter what.
11	Do you have additional clarifying questions that need to be answered to support your understanding?	To assess mitigation options, a POD-level database of monthly billing data is essential, as was suggested in CWSAA's earlier submission. All that would be required for status-quo based bulk tariff analysis would be each POD's monthly 12-CP demand and NCP demand, along with some corroborating data.
12	Additional comments	<p>Addition of precisely targeted transmission rates options would be useful, where possible within the legislation's straightjacket.</p> <p>Locally targeted behaviours such as interruptible load or generation schemes may be of benefit, provided that they meet specific local needs and result in demonstrable deferral savings (which will be rare).</p> <p>Broadly available options such as interruptible rates would however just recreate the familiar scenario of customers jumping onto the rate when risk of interruption is low, and migrating off of it when interruptions become necessary (recall Class III interruptibles from the 1980's).</p> <p>A focused discussion of reasonable rates options might be useful, as parties might then be less inclined to 'talk their book' and more open to pursuing options in the broad public interest.</p>

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