

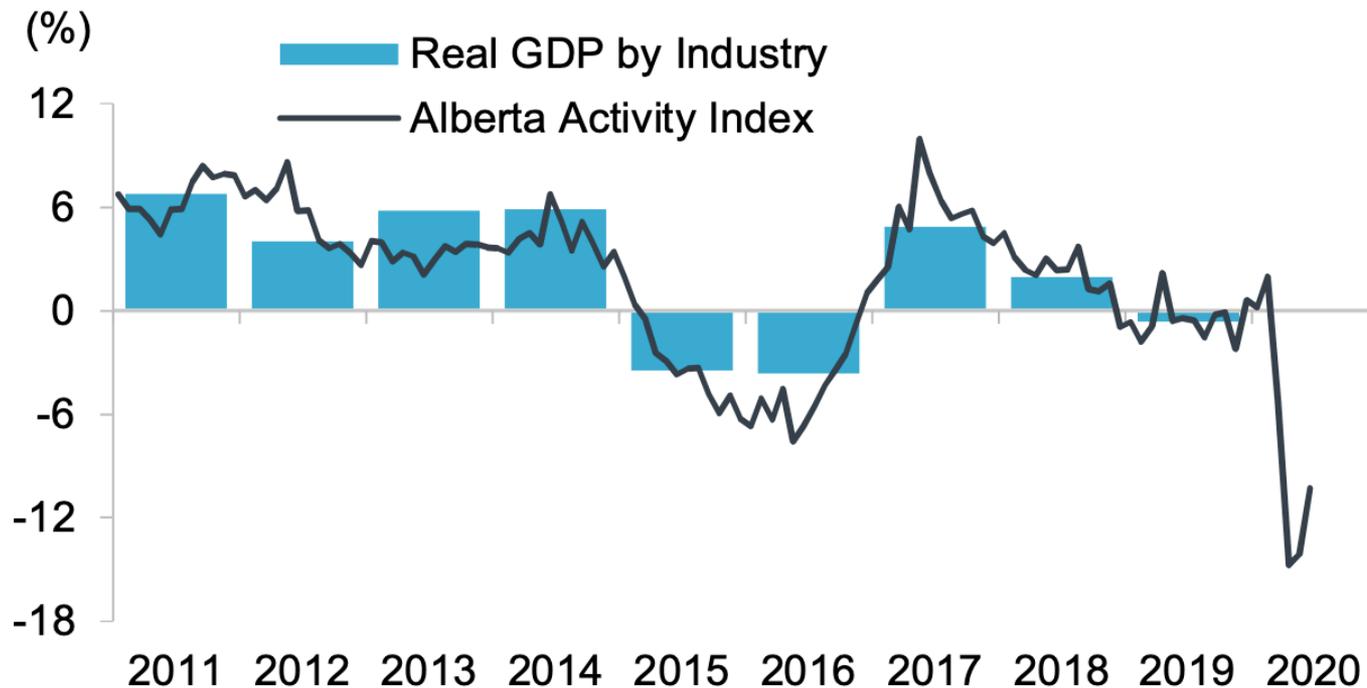
Alternative C
for AESO Tariff Consultation:
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Minimum Change Proposal

November 5, 2020

Alberta's current situation

ECONOMIC ACTIVITY

Year-over-year % change



Source: Statistics Canada, Alberta Treasury Board and Finance

The future is profoundly uncertain

- **The immediate future is profoundly uncertain**

- “the ongoing COVID-19 pandemic and related economic and financial market uncertainty/volatility continued to preclude the immediate successful resumption of the [GCOC] proceeding.”

[24110_X0486_2020-08-07 AUC letter - Proceeding status]

- “the Commission will continue to assess when, and under what conditions, the GCOC proceeding can resume as relevant factors and specific market conditions change.”

- **The longer-term future is profoundly uncertain**

- Many customers and industries will continue to struggle
- Major tariff changes would add unnecessary stress

Goals

- **Minimize customer disruption & uncertainty**
 - Now is not the time for major structural tariff changes
 - Propose freezing 12-CP benefits to existing loads for the foreseeable future
- **Consider tariff incentive schemes**
 - Load retention strategies to reduce future loss of load and avoid higher rates for the remaining customers
 - Provisions to attract new load and incent efficient use of the transmission system (e.g. expanded/modified use of DOS)
 - Subject to AUC approval

Minimum change proposal – Alternative C

Proposal makes minimal changes to the current 2018 rate design

- **Bulk charge - change from 12-CP to gross un-ratcheted NCP**
 - Uses traditional, well-understood NCP determinant currently on gross basis, as determined by AUC
 - Provides signals to encourage efficient use of the grid and provides customer cost management flexibility
 - NCP applies to all loads – however existing load to receive continued rate credits
- **Regional charge – continuation of current billing capacity design**
 - Reflects the approximate costs for minimum system use
- **Energy charge under both bulk and regional remains unchanged (same classification %)**

Minimize customer disruption & uncertainty

- **Minimize disruption for existing customers that would see large rate increases in moving away from current 12-CP tariff**
- **Shield existing users of 12-CP cost reduction option**
 - Use recent behaviour (2017-19 ?) to determine rate credits
 - Transmission peak-hour avoidance no longer required:
clear focus on energy market price response benefits all
 - Will require a broader stakeholder discussion on precisely how a shielding mechanism will work
- **For How Long ?**
 - UCA/CWSAA/Conoco support beginning credit phase-out once economy has stabilized
 - AML supports a permanent credit mechanism

Other design options for consideration

- **Consider longer-term credits based on customer business stress**
 - AUC approval on a case-by-case basis (load retention rates)
- **For non-wires alternatives, use an area-specific short term contract (instead of the tariff)**
- **Expansion of existing Demand Opportunity Service (DOS)**
 - Make more attractive to customers to use any surplus on the system
- **Load Attraction rate**
 - Apply a discount to the bulk/regional rates
 - Apply to loads above existing contract levels or for new loads
 - Available where incremental transmission would not have to be built for customers
 - Rate could be interruptible
 - Target new loads such as data centers, greenhouses, agricultural use, incremental industrial load growth

Alternative C against AESO's tariff design objectives

| AESO objective | Objective Description | Current State | Alternative C | Assessment of Alternative C |
|-----------------------------|---|---|--|---|
| Reflect cost responsibility | Cost recovery is based on the benefit and value transmission customers receive from the existing grid |  |  | Existing regional charge reflects the minimal use of the system. All customers pay the bulk charge based upon peak NCP usage. |
| Efficient price signals | Cost recovery is based on the benefit and value transmission customers receive from the existing grid |  |  | An un-ratcheted demand charge will allow customers to vary their use throughout the year and to reduce their costs. |
| Minimal disruption | Customers that have responded to the 12-CP price signal and invested to reduce transmission costs are minimally disrupted |  |  | Load customers who have responded to 12-CP price signals will be shielded from rate increases through credit mechanism. Rate impacts will be lower than AESO Bookends A and B. |
| Simplicity | Simplicity and clear price signals while achieving design objectives |  |   | Regional rate remains; bulk rate is similar to regional rate with no ratchet; energy ratio unchanged. Credit mechanism will require ISO system changes and/or manual calculations. |
| Innovation and flexibility | ISO tariff provides optionality for transmission customers to innovate while not pushing costs to other customers |  |  | The un-ratcheted demand bulk charge will allow customers to reduce their bills. Expanded DOS will provide customers with the choice to go above their contracted demand where surplus exists. Attraction rates will defray transmission costs to new load. |

Legend:  Achieves objective  Partially achieves objective  Does not achieve objective