

# 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> Grant Pellegrin
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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 was moderately valuable, although it is interesting to see what other parties' position is, it would be valuable to get more information from the AESO on the AESO's position and the supporting analysis and cost causation studies to justify the AESO's position.
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?	Both embedded and marginal costs need to be incorporated into rate design objectives, both past and future investment decisions impact the current and future transmission system and should be reflected in rate design.
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>	At this time CVE does not have a preferred mitigation option but offers that if needed; rate mitigation will need to be specific to the impacted customers, respecting their investments and the impact their actions have made in alleviating the need for transmission to be built. Rate mitigation will also have to work for those customers, many of which will compete in international markets and their cost structures need to be competitive to keep these industries, consumers and economic benefits in Alberta.

	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>Yes, Cenovus is generally supportive of these areas of agreement.</p> <p><b>Efficient Price Signals:</b></p> <p>Price signals are a critical aspect of rate design and have a long history of incenting behavior to maximize the value of the system for all customers – reducing use during peak periods, incenting use during off-peak periods etc. etc. 12 CP has been an effective method of encouraging customers to avoid using power during peak times, likely reducing the overall need for transmission build.</p> <p><b>Cost Responsibility:</b></p> <p>Whether directly built for load or built for new sources of generation that serves load, arguably generation and transmission are only built to sell to/serve load; or serve with a different product type (renewable). Regardless of reason it is clear in the Transmission Regulation that the cost responsibility is with loads receiving power from the T&amp;D systems.</p> <p><b>Minimal Disruption</b></p> <p>The rise in transmission costs was forecasted well in advance of our current situation and a known outcome of the investment in the transmission system. Minimal disruption is important, as is mitigating rate shock as the only long-term solution to lowering transmission costs is to increase provincial load, part of that is to retain the load we have.</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><b>Efficient Price Signals:</b></p> <p>Efficient price signals are an integral component of proper rate design, CVE believes the status quo price signals are efficient and point to the prevalent use of CP in many other markets as support for that statement.</p> <p><b>Cost Responsibility</b></p> <p>Both cost causation and cost responsibility are important factors in rate design.</p> <p>The AESO has not shown that the initial rate design has not lowered transmission costs, it has not been shown that transmission costs would not have been higher but for the rate design nor has it been shown that on-site cogeneration has not reduced the required transmission build</p> <p><b>Minimal Disruption</b></p> <p>Change for the sake of change is not necessary, cost causation and the proper allocation of costs should continue to be the focus of rate design. Tariffs are approved for certain periods of time and if changes are required should be implemented as necessary.</p> <p>Customers will continue to seek the most cost-effective solutions to satisfy their power requirements, both rate design and temporary/permanent mitigation will only work if the cost of electricity is competitive with alternatives. If the cost of electricity is not competitive with alternatives customers will find a way of adapting, including exiting the system if necessary. Both the ability to attract new load and retain existing load will be integral components of lowering transmission costs for all consumers.</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>The AESO should include any cost causation analysis that supports the proposed rate design proposal.</p>

7.	<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>Under the caveat that energy storage should pay transmission costs based on cost causation principles CVE generally agrees with these areas of agreement.</p>
8.	<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>There does appear to be disagreement amongst stakeholders in these areas</p>
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>	<p>Energy storage should be enabled with FEOC principles and tariff design based on cost causation in mind.</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?	Effective rate mitigation will be a complicated process to properly enable and a considerable amount of time and consultation with impacted stakeholders should be taken if rate mitigation is required.
11	Do you have additional clarifying questions that need to be answered to support your understanding?	CVE would like to see a cost of service study for the AESO's rational for pursuing the proposed rate design at this time
12	Additional comments	The review of the bulk system charges is going to be a time consuming and expensive process. There are other initiatives that could impact tariff charges going forward – Transmission Regulation, Self-supply & export, distribution inquiry to name a few. Resolving these issues should be done in advance to ensure whatever bulk system changes are required reflect any changes to those regulations.

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