

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: Blair Wood
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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 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 valuable and Conoco appreciates the AESO's consultation work on the tariff. The AESO reviewed many tariff concepts in the session, it would have been helpful to outline the process the AESO will use going forward on reaching its recommended tariff design.
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?	Conoco views the embedded cost allocation approach to be most appropriate. Alberta has recently greatly expanded its bulk transmission system. The marginal cost allocation approach will therefore likely lead to a very low level of cost for an additional MW of new load. Therefore, the marginal cost is likely small, and we are left with allocating based upon an embedded approach for most of the cost. Bulk transmission comes in large blocks and therefore a marginal cost approach is likely not useful.
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>Conoco supports a mitigation approach that does not extend for a significant period. Conoco recognizes that a change in rates will impact some firms significantly. However, to be fair to all ratepayers, tariff adjustment should be made within a reasonable time period (i.e. <5 years). Conoco is open to a transition rate design, which may allow for the same rates to be charged to all ratepayers, while slowly reducing the dependence on 12 CP.</p> <p>The mitigation should allow firms that have sunk capital assuming the current CP design, to recover some these costs. The mitigation should not allow for ongoing subsidization of these market participants longer than a reasonable defined term.</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>Conoco agrees that price signals matter. However, the price signals and resulting behaviour must make economic sense overall for Alberta ratepayers. If a price signal transfers costs from one customer group to another, then the price signal must also add more value to all ratepayers that it costs.</p> <p>Cost responsibility- Conoco agrees that generation additions also drive transmission costs in addition to load growth. Therefore, any tariff design must recognize responsibility to pay the cost of these additions from load only customers.</p> <p>The use of the grid is evolving with more generation being constructed and some generation added closer to the end use customers. The rate design must take into account the economics presented to participants inherent in the transmission rate design.</p> <p>The largest problem from a transmission perspective facing all Alberta load customers' is the very high cost of transmission. Therefore, Conoco agrees that given this high cost, tariff design is extremely important. To give correct economic signals to load customers, a new rate design is required. Conoco agrees that some mitigation of rate increases, caused by the transition to a new rate design, should be mitigated. However, Conoco reiterates that this mitigation should have a reasonable term. The AESO may want to explore ways of allowing price responsive loads to add value for all ratepayers by designing further opportunities such as expanding LSSi or looking at non-wires alternatives from loads to defer further regional transmission expansion.</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>Conoco recognizes there are areas of disagreement in the tariff design discussions.</p> <p>Conoco believes that the current CP design is not efficient since it has created a significant response to very little benefit to all load customers. While this load response to CP may impact pool price in the hour of response, the value of the load response to pool price could be significantly greater if these price responsive loads focused solely on the pool price as opposed to the CP charge.</p> <p>While the load response has likely impacted the peak demand in the Province, there is no evidence that this response has deferred or eliminated transmission capital costs. The AESO has previously forecasted significant load growth, which lead to a significant expansion of the transmission grid. It is not clear that the AESO's load forecast was impacted at all by the response to 12 CP.</p> <p>Ideally, a rate design is based upon the principle of cost causation. However, where clear responsibility for a cost is unclear, such as the bulk costs, then other rate design principles must be relied upon. In these cases, cost responsibility and fairness must be considered. Any amount of load behavior cannot reduce transmission costs that have already been sunk.</p> <p>It is reasonable for the AESO to consider all of the policy initiatives currently underway as context for any rate design changes, including the Governments discussion on self-supply and export. However, this consultation on Bulk and Regional charges has gone on for over 3 years. It is now important for the AESO to apply to the Commission for a proposed rate design and for the Commission to clarify the future rate design in Alberta. Further delay in a rate design will impact customer cost analysis and lead to delays in capital spending a decline in economic growth.</p> <p>Conoco views that any rate mitigation should be temporary. If a customer cannot function under the new design then the Customer can apply for a load specific rate with the Commission.</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>Conoco is in agreement with most of the AESO's considerations. Conoco awaits the AESO's specific rate design proposal.</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>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 	<p>Conoco is aligned with the areas of agreement on energy storage.</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>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? 	<p>Conoco has the following opinions on areas of disagreement on energy storage.</p> <p>Energy storage is a user of the grid for activities such as arbitrage, but if relied upon for transmission services, then storage could be a component of the grid.</p> <p>Storage should be viewed like other types of opportunity services, such as export and DOS. Storage should also pay STS costs. In that way, storage should pay for inflows and outflows like every other network user.</p> <p>As stated in Commission decision 2007-106 when discussing opportunity rates:</p> <ul style="list-style-type: none"> • “P86 “The Board considers that opportunity service should be priced at no less than incremental variable cost of providing the opportunity service, and that opportunity service rates should also reflect the value of the opportunity service to the customer. “ <p>Therefore, the AESO should consider storage pricing at levels higher than the administration costs of providing the rate, but lower than value of service to storage (in order to attract storage to the grid).</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.	The AESO should view energy storage as an opportunity rate. Then the AESO should use the principles and calculations used in determining the export and DOS rates in creating a reasonable storage tariff. The AESO must understand the cost of storage and its value in order to design a rate that will create value for Alberta consumers.
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 should clarify its process for determining the appropriate rate design for Bulk and Regional rates.
11	Do you have additional clarifying questions that need to be answered to support your understanding?	
12	Additional comments	Thank you for the opportunity of providing our input.

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