

<p>Period of Comment: Nov. 5, 2020 through Nov. 20, 2020</p> <p>Comments From: DCG Consortium</p> <p>The DCG Consortium is comprised of the following members: BluEarth Renewables Inc, Canadian Solar Solutions Inc., Elemental Energy Renewables Inc, Irricana Power Generation, RWE Renewables Canada Holding Inc. and Siemens Energy Canada Limited. This submission represents the consensus view of the group and is submitted on behalf of the group by Power Advisory LLC.</p> <p>Date: 2020-11-20</p>	<p>Contact: Christine Runge (Power Advisory)</p> <p>Phone: 403-613-7624</p> <p>Email: crunge@poweradvisoryllc.com</p>
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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 evaluation to tariffdesign@aeso.ca by **Nov. 20, 2020**.

The AESO is seeking comments from Stakeholders on Session 3 and the preferred rate design option proposals. Please be as specific as possible with your responses.

Questions	Stakeholder Comments
<p>1. Please comment on Session 3 hosted on Nov. 5, 2020. Was the session valuable? Was there something the AESO could have done to make the session more helpful?</p>	<p>The session was valuable but could have been better organized by topic. There were three presentations on storage and four on bulk and regional rates, and instead of being grouped by topic, the presentations rotated back and forth all day. It would have been more helpful and efficient if the presentations had been delivered in a more logical order.</p>

2. Please complete **Table 1: How Did Each Proposal Achieve the Rate Design Objectives** for each of the proposals presented at Session 3.

The ratings in the below table each have footnotes that relate to the numbers in this section.

1 – The DCG Consortium has added an additional row to the table related to the timing of the redesign. The DCG Consortium strongly agrees with Proposal 1 that this is not the appropriate time to engage in a major tariff redesign. To foster investor certainty, when and if any change is made to the bulk and regional rates, the new rate structure should be maintained in that form for 10+ years prior to being revisited again. This is extremely unlikely to be the case if the tariff is redesigned in advance of a review of the *Transmission Regulation* and resolution on a number of ongoing regulatory proceedings, including but not limited to the Distribution System Inquiry (Proceeding 24116) and the DCG Credit module for Fortis’ Phase II application (Proceeding 26090) (collectively, the “Ongoing Matters”).

2 – Proposal 3 freezes current rates for “customers that would see large rate increases.” Proposal 4 suggests a transitional mechanism that changes the rates gradually over 5 years. Both of these proposals are sub-optimal relative to waiting to redesign the bulk and regional rates until after the Ongoing Matters are finalized. Further, in the event that one of these proposals are adopted, they cannot be designed to only apply to large industrial load customers as this would be unfair and discriminatory. Those load customers are not the only businesses in Alberta that have made investments based on the price signals in the transmission tariff. There are also DCGs in Alberta that have made capital investments based on DCG Credit expectations. Any grandfathering or transitional mechanism must be applied more broadly, such that DCGs are also protected by this rate mitigation scheme. In the event that any change to the status quo is filed with the Commission by the AESO, the DCG Consortium supports the use of a grandfathering mechanism that protects existing investments.

3 – Proposals 3 and 4 both suggest replacing the 12CP charge with an un-ratcheted NCP charge. This is not cost causal. Sending an incentive to lower individual monthly NCP charges is likely to create behavioral changes, but that behavior would not reduce the future needs of transmission infrastructure development.

During their presentations, the consumer groups argued that there are no price signals that can be sent to load, instead stating that this is not a cost causation exercise, but rather a cost allocation exercise. This is incorrect. While under the current system, generation development is expected to drive the majority of short-term future transmission expansion, there are also behaviors of aggregate Alberta load that could lead to increased future transmission spending. Accordingly, as the tariff is paid by load, the tariff rates should be designed to disincent undesirable behavior and incent desirable behavior towards the goal of minimizing future transmission costs to the extent possible.

Considering the real time incentive, loads should not be incented to flatten their own individual load shape, as would be incented by an un-ratcheted NCP, but rather should be incented to flatten the aggregate load shape. The aggregation level needs to be determined based on transmission system planning. The AESO has

expressed that there is less value in a flat overall Alberta load shape (as incented by the 12CP) but that there may be value in flatter individual regional peaks (as proposed by Bookend B).

Even ignoring any real-time incentives that can be sent to load through something like a 12CP or regional CP charge, the tariff could still be designed to incent location of new industrial loads. The system would benefit from new loads that have some optionality in location choosing to locate in generation rich areas that are currently exporting electricity to other regions.

4 – The presenter of Proposal 4 argued that all hours contribute to a need for transmission which justified the use of an NCP charge. However, it cannot be the case that reduced consumption in all hours and in all areas is equally desirable. This proposal would incent a flat load shape for each customer, but this is less desirable than a flat load shape for the full system, as is currently incented by the 12CP charge. While the 12CP charge may not necessarily be the most desirable, it should be replaced with a new charge that incentes behavior that is determined to be desirable in the goal to minimize future transmission costs.

5 – It is unclear if Proposal 7 would be able to meet the criteria of minimal disruption. Analysis would need to be performed by the AESO to determine the level of the charges proposed. This analysis needs to be performed in order to move this conversation from the theoretical into a space where the proposal can be fully understood and discussed in consultation. The primary concern of the DCG Consortium is that too much of the costs would be driven into the customer charge category.

6 – Assuming the concern raised above regarding Proposal 7 was determined to be minimal (i.e. the majority of the bulk and regional charges continued to be avoidable rather than fixed preventing a significant increase in large industrial bills and a significant decrease in DCG Credits), then the DCG Consortium is supportive of this proposal. Assuming high charges for both the peak inflows and regional peak charges, this sends strong incentives. Specifically, the peak inflows incentive incentes industrial loads to locate in generation rich areas that currently often export electricity to other regions. At the same time, it would incent DCG to connect in regions that currently are often importing power from other regions. These incentives can help to minimize need for future transmission infrastructure.


















<p>3. Which rate design option proposal, including the AESO's bookends A and B presented at Session 2, did you prefer? Why?</p>	<p>The DCG Consortium prefers Proposal 1. While the status quo may not be the best outcome in the long run, maintaining the status quo until the Ongoing Matters are resolved is the only responsible path forward. Investor certainty and regulatory efficiency require that we do not waste time debating a new tariff structure only to have it changed again quickly thereafter. Further, given regulatory lag (the AESO has noted that this tariff may be in place by January 1, 2023), this tariff design may never be fully put into place if a new <i>Transmission Regulation</i> comes into place part way through the regulatory process. The current <i>Transmission Regulation</i> is set to expire at the end of 2021.</p>
<p>4. Does your preferred proposal meet all the rate design objectives?</p> <p>If not, what trade-offs does your preferred proposal create between the rate design objectives?</p> <p>Why are those trade-offs appropriate?</p>	<p>In the event that the AESO is unwilling to wait for the next <i>Transmission Regulation</i>, then the DCG Consortium supports some version of Bookend B (i.e. modifications to Bookend B should be further explored and the DCG Consortium will provide further comments in future comment matrices regarding preferable modifications as more information comes to light).</p> <p>The AESO should further explore Suncor's proposed peak inflow hour as a possible modification to Bookend B. However, until further information is provided, the DCG Consortium is unable to comment on if this proposal creates issues. Specifically, it would be important to understand the size of the three charges (120CP, peak inflow, and customer charge) in order to understand if this proposal is able to pass the test of 'minimal disruption.'</p>
<p>5. Which stakeholders are best served (or least impacted) by your preferred proposal? Why?</p>	<p>The DCG Consortium supports Proposal 7 as a theoretically sound approach to solving the problem. However, the DCG Consortium is concerned that too much of the transmission revenue requirement may be classified as a customer charge, which would be detrimental from a minimal disruption perspective.</p> <p>The DCG Consortium notes that Bookend A should not be considered any further. This bookend includes a complete lack of price signals. While a large portion of the transmission costs are sunk there will always be a portion of transmission costs that are future costs. These costs can be influenced and can be kept lower through behavior. Accordingly, removing all incentives from the tariff rates will serve to increase future transmission costs.</p> <p>Proposals 3 and 4 are likewise unacceptable for the reasons outlined in response to Question 2.</p>

<p>6. a) Which stakeholders are most impacted by your preferred proposal? Why?</p> <p>b) What mitigations, if any do you recommend for those who would be impacted by your preferred proposal?</p>	<p>The DCG Consortium prefers a grandfathering approach that respects all sizeable capital investments that have been made in response to the existing transmission tariff. This includes industrial customers that have invested in on-site generation or price responsive load capabilities and it also includes all DCGs that have responded to the DCG Credits.</p> <p>As an alternative, the AESO could consider a transitional mechanism that applies equally to all Albertans as a mitigation approach. This involves developing the end state rate design and transitioning the rates from the current state to the end state through marginal year over year changes that prevent rate shock. The rates in each year would apply to all rate payers.</p> <p>This transitional mechanism will clearly show the final state of the rate design such that new investment can make investment decisions based on the final rate design, solving any incentive issues identified with the current design. In the meantime, it will allow existing customers who have made investments based on the existing tariff to reap some benefits of those investments for a number of additional years.</p> <p>A grandfathering approach is preferable to a transitional mechanism as it allows companies that have made substantial investments in response to the existing tariff to earn a return on those investments whereas a transitional mechanism will limit the benefits available to those companies.</p>
<p>7. a) How would energy storage resources be treated in your preferred proposal?</p> <p>b) Does your preferred proposal include specific elements in relation to tariff treatment for energy storage? Why or why not?</p>	
<p>8. What are the challenges or unresolved questions with your preferred proposal?</p>	

<p>9. Additional comments</p>	<p>To summarize, the DCG Consortium supports continuing with the status quo until the resolution of some or all of the Ongoing Matters. In the event that the AESO chooses to file for a change to its rate design in June 2021, the DCG Consortium supports a version of Bookend B. The DCG Consortium will provide further comments regarding which modifications to Bookend B are most preferable and why in a future comment matrix.</p> <p>Further, in the event that the AESO is filing for changes to its bulk and regional tariff design in 2021, the DCG Consortium supports the use of a grandfathering mechanism that protects investments that have been made in response to the existing tariff design. This would include grandfathering of both load customers as well as DCGs that have responded to the DCG Credits. If a grandfather mechanism is considered to be overly complex, a transitional mechanism would be an acceptable substitute.</p>
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Thank you for your input. Please email your comments to: tariffdesign@aeso.ca

Table 1: How Did Each Proposal Achieve the Rate Design Objectives

Objective	Description	Example	Proposal 1 ADC, DUC and IPCAA	Proposal 2 Energy Storage Canada	Proposal 3 CWSAA, UCA, AML, and Conoco	Proposal 4 CCA	Proposal 5 CanREA	Proposal 6 RMP Energy Storage	Proposal 7 Suncor Energy Inc.
Timing of Redesign			 1		 2	 2			
Reflect Cost Responsibility	Cost recovery is based on the benefit and value transmission customers receive from the existing grid				 3	 3			
Efficient Price Signals	Price signal to alter behavior to avoid future transmission build				 4	 4			 6
Minimal Disruption	Customers that have responded to the 12-CP price signal and invested to reduce transmission costs are minimally disrupted				 2	 2			5
Simplicity	Simplicity and clear price signals while achieving design objectives								
Innovation and Flexibility	ISO tariff provides optionality for transmission customers to innovate while not pushing costs to other customers								

*** Proposed rate design must fit within current legislation ***

Legend	Achieves objective	Potentially achieves objective with modification	Partially achieves objective	Potentially partially achieves objective with modification	Does not achieve objective
	