

Stakeholder Comment Matrix & Proposal Evaluation – Nov. 5, 2020

Bulk and Regional Tariff Design Stakeholder Engagement Session 3



Period of Comment: Nov. 5, 2020 through Nov. 20, 2020	Contact: Dale Hildebrand
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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
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>Given the pandemic-related constraints, the session was run well. It would have been helpful if the energy storage presentations could have been consolidated, since the messaging was fairly consistent.</p> <p>Allowing panelists to type in questions could save time.</p> <p>The moderator did a good job of allocating time to various groups.</p>
2. Please complete Table 1: How Did Each Proposal Achieve the Rate Design Objectives for each of the proposals presented at Session 3.	<p>Proposal 1 achieves the objectives and has been approved by the AUC on multiple occasions.</p> <p>DUC will not be providing a view on the energy storage proposals at this time. Energy storage should compete in a fair, efficient and openly competitive manner.</p> <p>Proposals 3 and 4 are enormously disruptive and are disconnected from cost causation. NCP is not an efficient price signal and the transmission system was</p>

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	<p>not built based for the NCP demand of all Alberta loads. The proposal means that every hour each month has the same impact on cost causation – this is simply not the case. NCP will lead to increased transmission investment and higher transmission tariff costs.</p> <p>Grandfathering all existing customers will establish a complicated settlement system and discourage any new investment, both in load additions and new cogeneration. The only way to reduce transmission tariff rates is to add new loads and increase billing determinants – NCP will do the opposite.</p> <p>Proposal 7 is an improvement on AESO’s proposals, but it is not simple, could be disruptive and may result in large fixed costs to smaller customers. If the AESO is considering moving forward with Proposal 7, it should be modelled to enable customers to fully understand the impacts on all customers.</p>
<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>DUC supports proposal 1:</p> <ul style="list-style-type: none"> • Undertaking a massive tariff overhaul (during a pandemic and economic downturn) without full knowledge of all the components will lead to instability and rate uncertainty. Rolling out a tariff overhaul during a pandemic is <u>IRRESPONSIBLE</u> • DUC emphasizes the following: <ul style="list-style-type: none"> ○ The timing for a change is pre-mature. There are many elements that have not been resolved and will ultimately impact the ISO tariff causing further revision, including: <ul style="list-style-type: none"> ▪ The Transmission Regulation being re-examined by government by the end of 2021 ▪ Government changes related to self-supply and net-export expected in the spring of 2021 ▪ AUC changes resulting from the Distribution System Inquiry (such as aligning transmission and distribution rates). Further proceedings expected in 2021.

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	<ul style="list-style-type: none"> <ul style="list-style-type: none"> ▪ AUC changes to sub-station fraction and DCG credit issues need to be addressed. ○ Alberta government policy for the past 25 years has been to encourage efficient and cost-effective on-site generation. The proposed tariff changes will impose significant new risks and erode investor confidence, leading to the development of more expensive forms of natural gas fired electricity generation. ○ You will hear from consumers that a change may require considerable mitigation if we want to keep price responsive loads operating in Alberta (and not leaving the province). ○ The AESO should work with both the DOE and AUC to resolve the issues impacting the Tariff.
<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>Yes. Please see table below.</p>
<p>5. Which stakeholders are best served (or least impacted) by your preferred proposal? Why?</p>	<p>All customers are impacted by the high transmission costs experienced in Alberta, created by what many consider to be a massive over-build of transmission. Based on the price signals being provided – electricity, carbon and wires costs - customers have been actively managing their risk in this area through efficient, on-site cogeneration and demand response. A proposal that disadvantages the consumers who actively manage their risk, with considerable investment, is unacceptable to DUC.</p> <p>It is not clear why sectors of the of the market, such as Transmission Facility Owners (TFOs), who do not pay transmission tariffs should be participating in this stakeholder engagement. The AESO should explain their rationale as to why they are allowing sectors that are not impacted to participate in this process.</p>

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<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>DUC cannot re-iterate enough that all customers are being impacted by the high transmission costs experienced in Alberta. For the AESO to simply try to allocate more costs to a subset of customers who are already in great financial difficulty does not seem sustainable. These customers may leave the grid, causing all other customers to pay more to cover costs that they previously covered.</p> <p>The AESO's proposed tariff design will not send an efficient price signal to reduce future transmission investment. All transmission load customers will end up paying higher delivered prices for electricity. This is not in the public interest.</p> <p>It is already evident that transmission costs continue to rise as DTS load – the load that actually pays the bill – is being eroded. Increasing costs on sectors that can actually respond will actually increase costs to the remaining consumers.</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>ADC, DUC and IPCAA did not specifically address energy storage issue in our proposal.</p>
<p>8. What are the challenges or unresolved questions with your preferred proposal?</p>	<p>There are minimal challenges with our proposal. This rate design has been approved previously on several occasions by the AUC. 12 CP is the standard in many jurisdictions in North America. The 12 CP price signal is strong and effective. Let 12 CP work.</p>
<p>9. Additional comments</p>	<p>We cannot stress enough that until all the unresolved elements are dealt with by the DOE and AUC, it is premature to undertake a major tariff change that will have to be re-done in a few years. This AESO initiative is undermining investment in Alberta at a time when investment in load is required to reduce the transmission costs to be borne by all sectors.</p> <p>Ultimately, the optimal way out of the dilemma of high transmission costs is increased demand, not a re-allocation that induces load to stop consuming or leave the province.</p>

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.
Reflect Cost Responsibility	Cost recovery is based on the benefit and value transmission customers receive from the existing grid								
Efficient Price Signals	Price signal to alter behavior to avoid future transmission build								
Minimal Disruption	Customers that have responded to the 12-CP price signal and invested to reduce transmission costs are minimally disrupted								?
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