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:**	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 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?	At this stage of the engagement the information provided is still very high level without any analysis and study (e.g., cost of service study) to support the AESO's proposals.
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?	The embedded costs cannot be ignored. Cost causation and rate design must consider what created the costs in the first place. A marginal cost approach is appropriate for incremental costs, not embedded costs. Tariff price signals need to address both embedded and incremental costs.

3.	a) Do you have a preference for any of the mitigation options presented at Session 4? Why or why not? b) Do you know of any additional mitigation options that have worked in other contexts and might be applicable here. Please specify. c) What do you think the AESO's needs to achieve with its mitigation(s)? Why?	The significant increase in transmission bulk system investment is a combination government policy (e.g., *Transmission Regulation* requiring congestion free system), government fiat (e.g., Bill 50 directing critical transmission investment) and poor transmission planning decisions (e.g., SATR building transmission to serve wind generation that has not materialized). These transmission system costs were not caused by or built for price responsive customers or cogenerators. Therefore, rate mitigation measures need to be permanent to price responsive and cogenerators customers impacted by large rate increases. The rate mitigation measures should be commensurate with the level of rate shock imposed. If the proposed rate increase amount to severe rate shock (e.g., a rate increase to any one customer greater than 20% more than the average rate increase to all customers in aggregate) then 12 CP should be retained for existing customers. The DUC discourages utility tariffs that differentiate between existing and new customers. So called "grandfathering" creates administrative issues that are exacerbated over time and can be patently unfair to either existing or new customers. In our view, grandfathering has no place in Alberta's competitive electricity markets. However, faced with severe rate shock, grandfathering may be a requirement. Perhaps an appropriate mitigation option to severe rate shock would be for the AESO to develop two DTS type rates – one that applies to existing customers (12 CP for mitigation) and one for new customers (with a new AUC approved rate design). Large rate increases (severe rate shock) should not be rolled in over time; rate mitigation needs to be sustainable and permanent. We note the following from the AESO's January 4, 2021 Stakeholder Newsletter: > The AESO recognizes that the concept of bookends, shared at our Sept. 24, 2020 session, and associated rate impacts has created much angst and concern among certain stakeholders. We want to take this opportunity to clarify that it has never been the AESO's intent to move forward with a one-time +100 or +130 per cent rate increase to broad groups of customers in our bulk and regional rate design development. While this clarification is welcome, revised tariff designs that result in severe rate shock will need to be justified based on sound cost of service study results and industry standard rate design principles. To date, we have not been provided with proper justification for the rate increases proposed by the AESO. If large rate

		increases are found to be justified, then permanent rate mitigation (i.e., 12 CP) is required for those customers faced with severe rate shock.

	Questions	Stakeholder Comments

4.	Are you supportive of the areas of agreement presented at Session 4? Why or why not? The areas of agreement presented include:
	
	Efficient Price Signals
	• Price signals matter
	  ○ Tariff charges provide incentives for customer behavior
	
	Cost Responsibility
	• Recognize that more than just load behavior drives transmission development
	• We are dealing with an evolving system
	  ○ Current and future use may differ from what was that originally planned
	
	Minimal Disruption
	• Transmission costs have risen
	  ○ Tariff charges are more important now than ever before
	• Minimize disruption, mitigate rate shock
	  ○ It is not in anyone's interest to reduce the number of ratepayers
		Efficient Price Signals:
		
		12 CP provides a very strong price signal that we continue to believe is appropriate for future tariffs. All of the other tariff proposals will have a weaker price signal that will lead to increased transmission investments over time and higher power pool prices (as price responsive loads will be less motivated to reduce demand during times of the system coincident peak).
		
		Cost Responsibility:
		
		The major transmission build was intended to provide congestion free transmission primarily for renewable generation, increased reliability and provisions for future load growth - these reasons lead to firm loads being cost responsible. The major transmission build was not driven by price responsive loads or cogenerators, yet the AESO believes these customers should be subject to astronomical rate increases.
		
		Until the Transmission Regulation is revised, load pays for transmission wires costs, regardless of why the costs were incurred.
		
		Minimal Disruption
		
		As noted above, there should be mitigation for existing customers who will be subject to severe rate shock. A fair and appropriate mitigation option to severe rate shock is for the AESO to develop two DTS type rates – one that applies to existing customers (12 CP for mitigation) and one for new customers. However, the DUC remains concerned that any new tariff design that discourages new load from connecting to the Alberta grid will not help lower transmission tariff rates over time.

5.	Are you supportive of the areas of disagreement presented at Session 4? Why or why not? The areas of disagreement presented include:
	
	Efficient Price Signals
	• Are status quo price signals are efficient?
	  ○ Price signals in tariff have reduced the cost of energy to other load
	• Are price signals forward looking?
	  ○ Price signals are efficient to the extent changes in customer behavior reduce the need for future transmission costs
	
	Cost Responsibility
	• 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?
	
	Minimal Disruption
	• Now is not the time for change or time to stop the bleeding?
	  ○ 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?
		Efficient Price Signals:
		
		DUC submits that 12 CP price signals are efficient and forward looking.
		
		Cost Responsibility
		
		Both cost causation and cost responsibility should be utilized for rate design.
		
		DUC disagrees that 12 CP has not influenced transmission costs - in the absence of 12 CP transmission investments could have been even higher.
		
		Transmission investments have been driven by factors in addition to peak loads – this does not negate the reasons why 12 CP continues to be the appropriate rate design for Alberta in the future.
		
		Minimal Disruption
		
		The DUC does not understand how a rate design change will “stop the bleeding”. Shifting costs from one group of transmission customers to another will do nothing to reduce past or future transmission investments. Alberta electricity consumers need new load to help pay for the transmission that has been built – the AESO’s proposed tariffs will result in load reductions and discourage new investment that could lead to load growth.

6.	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.	Until the Alberta government provides clear policy direction that a transmission rate design change is required the AESO should not be proposing radical tariff changes that will financially impact the province (jobs, taxes, economic growth and prosperity, etc.).

7.	Are you supportive of the areas of agreement for energy storage presented at Session 4? Why or why not?
	
	Energy storage areas of agreement:
	• 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
	  ○ 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
		The AESO should start from the premise that load pays for all transmission costs except losses. If for example, energy storage can provide competitive ancillary services, then the AESO should find innovative ways to procure these services. To the extent energy storage competes with other generators for the provision of electricity, the DUC echoes IPPCA's perspectives:
		• Energy storage-related transmission costs should be based on cost causation.
		• Treatment of energy storage projects needs to be fair to other entities, and consistent, in order to provide certainty and stability for potential investors.
		• The AESO should consider modelling and reporting on energy storage projects in Alberta, including metrics to evaluate their use of the transmission system. This reporting should be made publicly available.

8.	Are you supportive of the areas of disagreement for energy storage presented at Session 4? Why or why not? **Energy storage areas of disagreement:** • 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?	See 7 above. Concessions for energy storage may be appropriate for the provision of lower cost ancillary services. The AESO has provided special provisions for different types of generations to accommodate their unique attributes, for example, the lack of wind dispatchability.
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.	Energy storage should be enabled in a manner that provides value to Alberta electricity 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?	Rate mitigation is critical for Alberta at this juncture and should be determined before any further tariff development is pursued.
11	Do you have additional clarifying questions that need to be answered to support your understanding?	The DUC continues to not understand the AESO's rational for pursuing the proposed rate design at this time, and in the absence of an industry standard cost of service study.
12	Additional comments	If the proposed tariff changes are politically driven, then please make public the Alberta government's policy directives.

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