

AUC Proceeding 22942

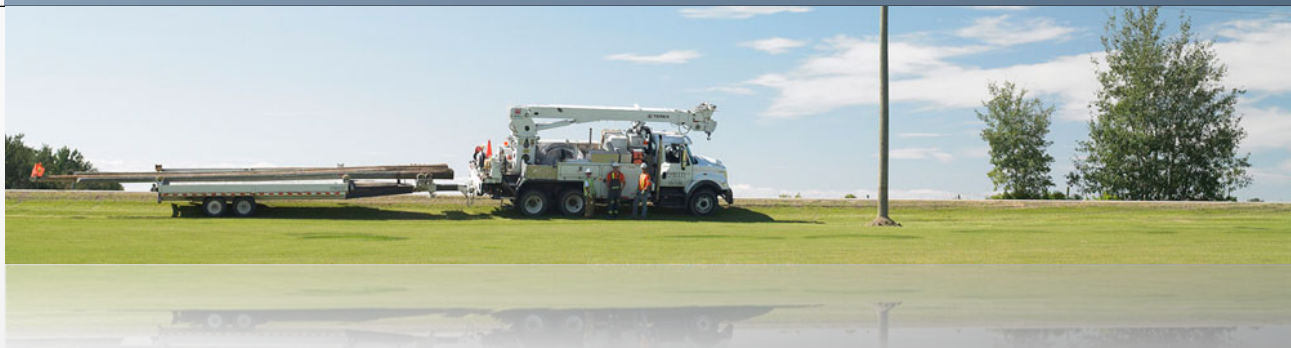
2018 ISO Tariff Application Consultation

AESO / Distribution Facility Owner (DFO)

Customer Contribution Issue

March 5, 2018

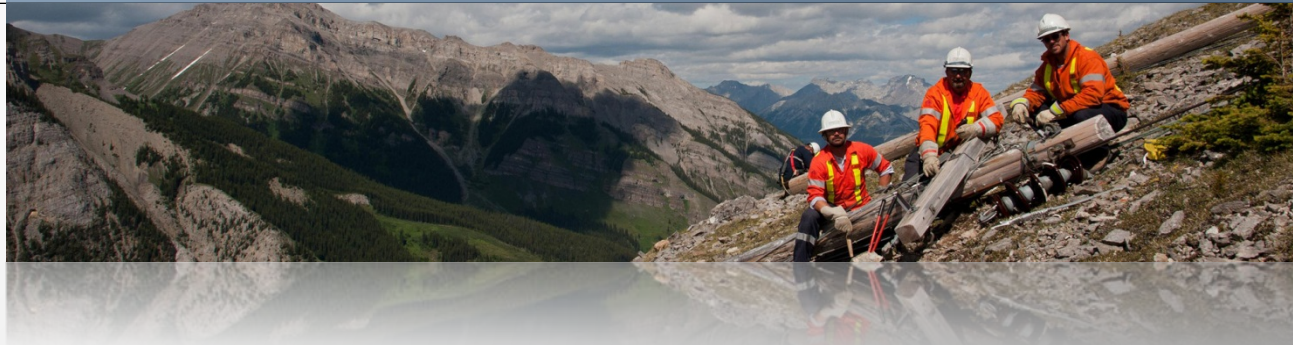




- Rider I is not a new issue; debate has extended over last decade
- ISO tariff must be applied in an open access, non-discriminatory manner
- Any reconsideration of Rider I needs to be evaluated within:
 - Broader ISO tariff contribution policy and industry tariff framework
- All about retaining efficient **Price Signals** to DFOs / End-Use Customers as they connect
 - Balance between pay now (contributions) or pay later (rates over time)
 - DFO value comes from acting as “conduit” for those transmission signals
- No ISO tariff application amendment or delay required within this AESO tariff proceeding process
- Recommend AESO pursue other avenues to reduce the magnitude of the AESO contribution price signal using principle-based approach



- Rider I - Amortization of AESO customer contributions; equates to 100% investment level for transmission facility owners (TFOs) / AESO
- Concept first introduced in a 2007 AML consultation on AESO tariff contribution policy, followed by:
 - 2009/2010 TFO General Tariff Applications, 2009 and 2011 Generic Cost of Capital Proceedings, AESO 2010 ISO Tariff Application, Utilities R&V of Decision 2011-474, AESO 2012 Rider I Application, AUC 2013 Utility Asset Disposition Proceeding...
- Debates around management fees; default / stranded asset risk to TFOs / other customers; mandatory/voluntary or opt-out/in terms, amortization/depreciation periods, and utility asset disposition (UAD) ensued.
- 2015 AESO Rider I consultation – proposed a non-discriminatory (voluntary for all) form of Rider I, pending default risk terms with TFOs...
- AML 2017/2018 GTA proposal; AUC struck on motion from FortisAlberta.



Distribution Wires

- Operate and maintain distribution (D) system
- Construct new and upgrade existing D facilities
- Connect load and generating customers

System Access Service (SAS)

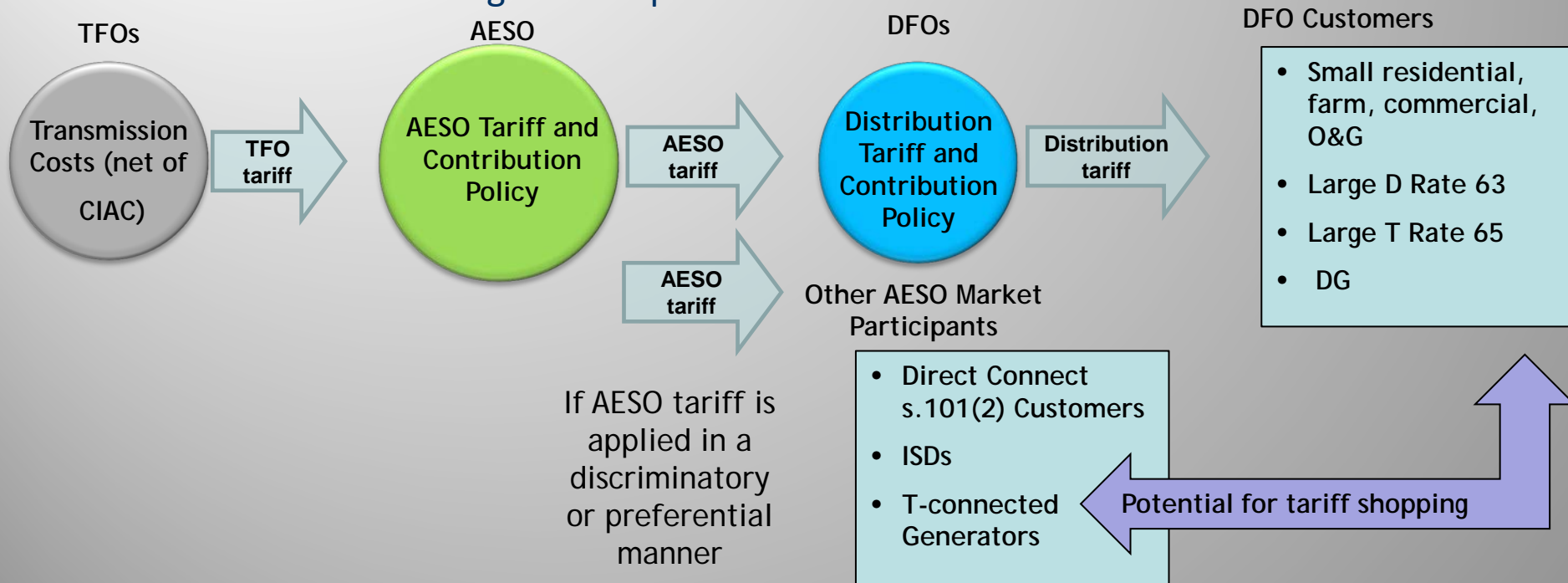
- **Arrange access to transmission for customers**
- **Financial settlement with AESO for SAS**

Meter Reading, Load Settlement and Distribution Tariff Billing

- Responsible for reading meters and sending consumption transactions to retailers.
- Determines the hourly energy usage from the power pool for each site for each retailer
- **Bill Retailers for their customers' T and D charges (Distribution Tariff)**



- Rider I proposal neglects consideration of, or context for, the broader tariff and contribution policy framework, in terms of how the AESO / DFO tariffs and policies should operate concurrently, and how AESO contribution price signals flow-through to end-use customers through the respective tariffs:





- **Balance** is required between paying now (contributions, leading price signal) and paying later (rates, lagging price signal)
- DFO's are in the closest proximity, to understanding the needs of its end-use customers.
- Value of DFO comes from acting as “conduit” for the AESO tariff price signals: Contracting for AESO SAS, optimized based on the transmission load/capacity requirements of the distribution system and its customers.
- If DFOs are singled out for mandatory Rider I treatment, effectively results in:
 - 100% TFO investment in all new DFO initiated projects
 - removes all leading price signals to DFOs/end-use customers.
- In the absence of a leading contribution price signal, potential for inefficiencies in system development; opens the door for larger market participants to:
 - request transmission facilities beyond their need, or
 - engage in “tariff shopping” between the AESO and distribution tariffs



- Review the principle-based approach and stakeholder consensus achieved in Proceeding 1162: 2012 AESO Construction Contribution Policy Proceeding, as a means of reducing the severity of the contribution price signal sent to all market participants (including DFOs).
- Decision 2012-362: “...the Commission remains of the view that, at the end of the day, providing an efficient price signal is considered a more important policy objective...”; others being intergenerational equity, cost causation.
- Industry should address the root cause of AML’s issue: i.e. underlying trend of rising contribution levels /insufficient transmission investment levels.
- DFOs can further investigate flowing through AESO contributions to large D-connected customers, to retain leading price signals to large connecting customers.



- Comments/Questions