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:**	Jordan Balaban
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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 in understanding the alternatives available and the AESO's assessment of the alternatives offered by participants.
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?	For the bulk cost allocation, Greengate views the existing embedded approach is the most reasonable. Alberta's system build has recently expanded substantially. If a marginal cost approach were used in such a bulk system with significant new and expanded capacity, the marginal cost of the next MW of capacity would likely be very low. This leaves an embedded approach as the more reasonable method to recover 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?	New projects should face the new rates immediately after their implementation. Mitigation should be implemented to cover a short-term period, phased in if appropriate, and designed to account for some of the sunk capital that was invested assuming the current CP design. Mitigation should be designed to avoid an artificially induced "rush" to meet deadlines imposed by the mitigation.

	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
		Greengate believes that price signals matter.
		Cost Responsibility
		Generation also cause wires development, and this should be recognized in the AESO's rate design for loads. The AESO should also design rates that recognize the unique value of storage.
		It is important that the next AESO tariff provide clarity to market participants after a lengthy examination of the bulk and regional tariff design. This should include a storage-specific rate that allows the system to plan for the value of current and future technology.
		Minimal Disruption
		Greengate believes that at this time, it is important to minimize disruptions and rate shock.

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
		
		Greengate acknowledges that disagreement exits over the efficiency of price signals with the Bulk charge. To be efficient the outcome of the pricing signal must create an appropriate response.
		
		Cost Responsibility
		
		Since much of the system costs have already been spent and the cost causation may not be clear, changes to rates must respond to other principles.
		
		Minimal Disruption
		
		Although policy uncertainty is a factor, rate changes cannot be delayed indefinitely. This is a source of uncertainty in itself, and can cascade into further policy uncertainty. After a period of three years on this bulk and regional process, it would be beneficial for market participants to understand how future rates will be structured.
		
		It is essential that a storage-specific rate be implemented in the next tariff application to create certainty for investors.

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.	

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
		Greengate is supportive in all areas of agreement.
		
		Energy storage has unique characteristics that make it reasonable to implement a storage-specific rate in the next tariff. Like other participants, Greengate shares the concern that regulated transmission and distribution facility owners will be the main, and possibly only, investors in stand-alone storage if a unique tariff treatment isn't created. The AESO should allow a competitive market to grow for storage.
		
		Additionally, load, generation, and provincial interties receive differential tariff treatment to accommodate and receive the value of their unique requirements. The system and ratepayers should receive the greatest value for storage, which would accommodate an efficient rate for storage characteristics and would not restrict the competitive landscape for storage.

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?	Although there are some areas of slight disagreement, Greengate believes that there is enough agreement to move a forward in the next tariff with a storage-specific rate. When used for arbitrage, storage could be considered a user, while it is a component of the grid when used as a non-wires solution or other grid support. It is not reasonable, however, to put it in either category in considering how it should be treated in the AESO tariff. It is an existing, and evolving technology that offers great value to the grid, and a unique rate should accommodate these properties. Among other participants, Greengate believes it is reasonable to view storage similarly to other opportunity services like DOS and XOS. In order to attract storage to the grid, storage rates should exceed the administrative costs of providing service but remain lower than the value of service to storage. Storage should pay STS-related costs. With storage paying an opportunity rate for charging and the STS rate for discharging, storage would pay for inflows and outflows.

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 principles of the AESO's opportunity rates (DOS and XOR) should be applied to design a storage-specific rate. In Decision 2007-106, the Commission's view of these opportunity rates is useful in considering the appropriate charging rate: "The DOS rate has traditionally been priced in a manner to entice customers who would not otherwise be willing to pay the full DTS rate to use the transmission system for certain portions of their energy requirement. While it is a discounted rate, the DOS rate has been designed such that customers would not be enticed to use the DOS rate as a replacement rate for the DTS rate for their base load" […] The XOS rates were designed to recover all variable costs and also a contribution to fixed costs, to reduce the average level of rates charged to other customers. The resulting costs attributable to Rate XOS 1 Hour and to Rate XOS 1 Month were presented in the Application." Storage rate design principles should include that opportunity rates are partially designed to attract assets. The storage rate should recognize that storage should pay for some fixed and variable costs. This approach is necessary and appropriate because storage offers value to the grid that other assets cannot provide.
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?	Frequent check-ins with Market Participants is requested so that the AESO's proposed filings have the most appropriate level of stakeholder consultation.
11	Do you have additional clarifying questions that need to be answered to support your understanding?	
12	Additional comments	

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