

Stakeholder Comment Matrix – March 25, 2021

Bulk and Regional Tariff Design Stakeholder Engagement Session 5



Period of Comment: March 25, 2021 through April 15, 2021	Contact: Kurtis Glasier
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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 **April 15, 2021**.

The AESO is seeking comments from Stakeholders on Session 5. Please be as specific as possible with your responses. Thank you.

	Questions	Stakeholder Comments
1.	Please comment on Session 5 hosted on March 25, 2021. Was the session valuable? Was there something the AESO could have done to make the session more helpful?	<p>Heartland Generation found Session 5 to be valuable.</p> <p>Further comments regarding recommendations to enhance stakeholder engagement efficiency are found in response to question 17.</p>
2.	Please comment on Technical Information Session II hosted on March 31, 2021 (if you attended). Was the session valuable? Was there something the AESO could have done to make the session more helpful?	<p>The Technical Information Session II was valuable, and the focus of this session on using the bill impact tool was particularly useful. Heartland Generation would be supportive of further technical information sessions as the tariff design evolves through the consultation and approval process. Going forward it would be helpful for the AESO to create an archive of the bill impact tools as they are changed and improved, as well as a log of changes as part of the tool itself.</p>
3.	Are you supportive of the AESO's preferred rate design? Why or why not?	<p>While there are refinements that will likely be made throughout the consultation and approval process, Heartland Generation is generally supportive of the AESO's preferred rate design. However, Heartland Generation appreciates that this preferred rate design may not be the only rate design in the public interest.</p> <p>Further, the AESO should provide analysis conducted by itself or its expert consultant, NERA Economic Consulting, to support the preferred rate design. The questions submitted by the Alberta Utilities Commission ("AUC") on April 7, 2021 form a good basis for the type of analysis and information that would be helpful to stakeholders.</p> <p>For example, slide 35 of the AESO's presentation is used as a basis for the larger "energy charge" component of the preferred rate design. Heartland Generation may agree with the conclusion that "demand at coincident peak is not the only driver of bulk transmission system utilization"; however, this analysis seems incomplete to conclude that a flat energy charge is the only reasonable billing determinant to allocate the remaining transmission costs.</p>

Questions	Stakeholder Comments
<p>4. Do you believe the AESO's preferred rate design meets the AESO's rate design objectives? Why or why not?</p> <ul style="list-style-type: none"> a) <u>Reflect Cost Responsibility</u> (Cost recovery is based on cost causation, reflecting how transmission customers use the existing grid*) b) <u>Efficient Price Signals</u> (Price signal to alter behavior to avoid future transmission build) c) <u>Minimal Disruption</u> (Customers that have responded to the 12-CP price signal and invested to reduce transmission costs are minimally disrupted) d) <u>Simplicity</u> (Simplicity and clear price signals while achieving design objectives) e) <u>Innovation and Flexibility</u> (ISO tariff provides optionality for transmission customers to innovate while not pushing costs to other customers) <p>*AUC Decision 22942-D02-2019 **Proposed rate design must fit within current legislation</p>	<p>Heartland Generation is supportive of the changes to the rate design objective of "Reflect Cost Responsibility" as it now correctly prioritizes cost causation over "benefits". Efficient transmission cost allocation and proper price signaling needs to be grounded in how an individual market participant's utilization of the grid impacts overall transmission costs. The first two rate design objectives (cost responsibility and efficient price signals) should be characterized as the critical design elements, as failure to achieve either of these principles cannot be corrected by meeting the other objectives. Heartland Generation believes it is possible that the preferred rate design meets, or at least is attempting to meet, these two critical design elements.</p> <p>Further analysis and expert evidence would be needed in order to determine whether the preferred rate design meets these rate design objectives. In general, the AESO has identified that demand and energy are both drivers of transmission costs on the system. Therefore, it is entirely consistent with cost causation to allocate the costs of the transmission system according to these relevant cost drivers. In theory, the marginal transmission costs of these cost drivers would produce the most efficient price signals; however, this could result in the incorrect collection of transmission costs.¹</p> <p>The latter three objectives (minimal disruption, simplicity, and innovation and flexibility) are important from an implementation perspective and, properly applied, will avoid unnecessary rate shock to consumers. The preferred rate design, by maintaining the previous tariff rate design components and billing determinant terminology, appears to meet these implementation objectives. This is exemplified through the materials for Technical Session II, whereby the output of the Bill Impact Tool clearly shows the line item changes between the two rate designs.</p>
<p>5. Are there considerations that the AESO should include, exclude and/or modify in its preferred rate design to better achieve the AESO's rate design objectives? Please specify and include your rationale.</p>	<p>The preferred rate design currently allocates the same transmission signal for the "energy charge" across all hours. In other words, besides from the coincident peak demand hour, transmission is valued at all other hours equally. This finding does not appear to reflect the reality of the transmission system.</p> <p>Heartland Generation appreciates that the transmission regulation details how transmission costs can be allocated (e.g., all regions are allocated the same postage stamp rate). The AESO should explore if there are other ways to assess the energy charge than through a flat charge across all hours. There are likely sets of energy charges that better reflect the value of the transmission system as it varies throughout the day and system demands.</p>

¹ The total amount collected from marginal costs would total less than the total transmission costs, as it is a generally acceptable assumption that marginal cost is less than average costs.

6.	<p>Please describe any areas in which you are aligned with the AESO's preferred rate design.</p>	<p>After an initial assessment Heartland Generation believes that the concept of cost causation is theoretically contained within the preferred rate design. An efficient rate design will charge participants according to their impact to transmission costs and should therefore contain efficient price signals.</p>
7.	<p>Are the assumptions the AESO used for the rate impact reasonable? Is there additional information that would help improve your understanding of rate impacts?</p>	<p>At this time, Heartland Generation does not have comments about the AESO's assumptions made in order to assess the rate impact of the preferred rate design.</p>
8.	<p>Are you supportive of the AESO's consideration of modernizing DOS, including its suitability for an energy storage charging capacity? Why or why not?</p> <p>And if so, provide your comments on the consideration of the AESO's DOS eligibility requirements, including for energy storage.</p>	<p>Heartland Generation is supportive of a modernization of DOS. The AESO should explore the basis of opportunity service products in Alberta from an inclusive perspective (e.g., comparing DOS to intertie opportunity service rates, IOS and XOS). This would ensure alignment between all opportunity service products that currently exist and lay a basis for future opportunity service products.</p> <p>It is important that the AESO design improvements to DOS that are technology agnostic and available to all facilities that qualify, not just limited to energy storage.</p>
9.	<p>Please describe what components of the current DOS implementation (i.e., rate, terms, and conditions) limit the use of excess transmission capacity (i.e., capacity that would not otherwise be used under Rate DTS).</p> <p>How might those components of DOS be improved?</p>	<p>The consultation regarding improvements to DOS should be separated from the tariff design consultation. Heartland Generation believes that stakeholder consultation on DOS, and more broadly on opportunity service rates in Alberta, would be better addressed through a separate consultation.</p> <p>During Session 5, the AESO indicated that there were no explicit linkages between the preferred rate design and the energy storage tariff treatment or DOS modernization. Heartland Generation views these topics as separate and not intrinsically linked. Given the highly contentious nature of the tariff design, a separate consultation for the modernization of the opportunity service rates would be a better way to engage stakeholders on this insulated topic. This would also allow for a targeted discussion and materials to focus on those stakeholders seeking opportunity service and improvements to DOS, this is likely a subset of stakeholders currently involved in the bulk and regional tariff design consultation.</p>

10	<p>Do you have any comments on the AESO’s targeted engagement approach for mitigation discussions?</p>	<p>Heartland Generation does not have specific comments regarding the targeted engagement approach for mitigation; it appears logical given that the largest impacts from the preferred rate design will be concentrated on a few participants, for the AESO to work directly with those participants. However, Heartland Generation is curious about the method of approval for mitigation plans and whether this will be through specific AUC approval or whether the AESO will apply to the AUC for broad discretion in its ability to create mitigation plans.</p>
11	<p>Are there further considerations that the AESO should include, exclude and/or modify in the mitigation option starting principles? Please specify and include your rationale.</p> <ol style="list-style-type: none"> 1. <u>Limit the rate impact for customers</u>: Mitigate rate impact to under 10 per cent increase to a party’s transmission bill for initial stage of transition 2. <u>Adapt with design and rates</u>: Ensure options are adaptable to changes to the proposed design and forecast rates 3. <u>Consistent application</u>: Mitigation options can be applied consistently across all impacted loads and not be individually defined 4. <u>Administrative simplicity</u>: Feasible to implement with current tools and systems 5. <u>Mutually acceptable</u>: Account for feedback from broad stakeholder group 	<p>The AESO may want to consider whether a percentage increase should be the only threshold to access mitigation. For example, a less than 10 per cent individual impact could still be millions of dollars and reasonable to enter a mitigation plan to avoid excessive rate shock. It may be worthwhile for the AESO to include a dollar figure threshold alongside the individual percentage increase.</p>
12	<p>Based on the AESO’s mitigation options assessment, are there further considerations that the AESO needs to include, exclude and/or modify (e.g., temporary versus permanent)? Please specify and include your rationale.</p>	<p>At this time, Heartland Generation does not have specific comments regarding the targeted engagement approach for mitigation.</p>

13	<p>Are you in favour of some type of mitigation? Why or why not?</p> <p>If you are in favour of some type of mitigation, how would you assess whether a proposed mitigation approach is acceptable?</p>	<p>In general, Heartland Generation is not opposed to some type of mitigation, on the basis that the mitigation does not create a favorable outcome for those subject to it; by extension, the mitigation plans should not create an unfavorable outcome for the rest of the market by allowing a market participant to entirely avoid paying the just and reasonable rate. Mitigation plans should be used to smooth the effects of a rate design change, not avoid or deter the rate impact entirely.</p>
14	<p>In your view, should the AESO provide participants with more flexibility to adjust contract capacity, specifically by way of a contract reset period with the implementation of new rates and/or a PILON waiver if the contract level has not changed in the previous five years?</p>	<p>Heartland Generation fully supports the changes to PILON. This change allows the PILON signal to further align with AESO transmission planning timelines and produces a more efficient outcome. These amendments to PILON should proceed regardless of the bulk and regional tariff design changes. This initiative to align transmission planning with requirements when contract capacity is reduced or terminated will reduce regulatory red tape.</p>
15	<p>Do you have any additional implementation considerations the AESO should consider?</p>	<p>The AESO should consider how to best implement the 5-year trailing average of monthly coincident peak. The current methodology will put an increased significance on the first year that the preferred rate design is implemented; there exists the possibility that the first year of implementation may be an outlier year regarding coincident peak demand. Does the AESO intend to allow for case-by-case mitigation should a participant be able to demonstrate that during the implementation years the evaluation (average of less than five-years) is not representative of expected five-year average?</p>
16	<p>Do you have additional clarifying questions that need to be answered to support your understanding?</p>	<p>Heartland Generation does not have any specific clarification questions at this time; however, the AESO's planned responses to the questions submitted by the AUC on April 7, 2021 will provide valuable insight into the preferred rate design. Heartland Generation is in favor of the AESO responding to these questions prior to filing its ISO Tariff application.</p>

17	Additional comments	<p>The amendments to PILON and exploration of opportunity service rates are distinct issues that does not necessarily connect to the Bulk and Regional Tariff Design. Heartland Generation proposes that these two initiatives should be separated from the overall tariff design consultation, into their own focused stakeholder engagements. Simply put, these issues should be considered separately and should not form a part of the “Bulk and Regional Tariff Design” application to the Alberta Utilities Commission (AUC).</p> <p>It is worth noting that Heartland Generation is supportive of both initiatives, however there is a risk of these topics getting muddled in the more complex and contentious bulk and regional tariff design proceeding.</p> <p>It is recommended that the AESO examine how best to engage with stakeholders now that it has been identified that DOS modernization and changes to PILON are not intrinsically linked to the bulk and regional tariff design consultation. It would be preferred to migrate the work already conducted as part of the tariff design consultation related to these initiatives to separate consultations. These consultations could begin immediately and could be filed with the AUC along a different timeline.</p>
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Thank you for your input. Please email your comments to: tariffdesign@aeso.ca.