# Stakeholder Comment Matrix – Sept. 24, 2020

## Bulk and Regional Tariff Design Session 2

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| **Period of Comment:** | Sept. 24, 2020 through Oct. 8, 2020 | **Contact:** | Kurtis Glasier |
| **Comments From:** | Heartland Generation Ltd. (“Heartland Generation”) | **Phone:** | (587) 228-9617 |
| **Date:** | [2020/09/23] | **Email**: | Kurtis.Glasier@heartlandgeneration.com |

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 **Oct. 8, 2020**.

***The AESO is seeking comments from Stakeholders with regard to the following matters:***

| | Questions | Stakeholder Comments |
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| 1. | Please comment on Session 2 hosted on Sept. 24, 2020. Was the session valuable? Was there something the AESO could have done to make the session more helpful? | Heartland Generation appreciates the opportunity to meaningfully engage with the AESO and other stakeholders prior to the filing of the Independent System Operator (ISO) Tariff, expected in March 2021. |
| 2. | Are you supportive of the proposed engagement approach for the AESO's Bulk and Regional Tariff Design? Why or why not? Please be as specific as possible. | Heartland Generation is in favour of the engagement approach as outlined by the AESO in the 2020-2021 Plan for ISO Tariff-Related Activities; comments in support of this process were submitted to the AESO on October 6, 2020 in reply to the AESO's request for feedback.<br><br>On slide 17, the AESO states that it intends to "Supply stakeholders with analysis tools for bulk and regional cost recovery impact analysis." Heartland Generation suggests expanding the analysis to include efficiency analysis of a given rate design. Stakeholders should be given the tools to assess the market efficiency of a chosen rate design, not just the resulting impact to customer rates. |
| 3. | Do you support the AESO's perspective that 12-CP (status quo) is not a reasonable continued outcome of the Bulk and Regional Tariff Design? Please be as specific as possible. | Heartland Generation does not agree with this characterization. Before impugning the currently approved, just and reasonable ISO Tariff the AESO should provide substantiated evidence. The AESO claims that 12-CP is "an inefficient signal that is driving increased behavior to reduce consumption, or develop on-site generation to self supply, during the 12-CP hours without a corresponding reduction in system costs as they are mainly sunk." However, the degree to which system costs are sunk is, presumably, the same today as it was at any time in the past.<br><br>It appears that customers have responded to the Alberta Utilities Commission (AUC) approved, and previously AESO-endorsed, 12-CP price signal as intended. Despite its claims, the AESO has failed to produce any factual evidence that this response is inefficient. Indeed, in the 2014 Tariff proceeding, the AESO provided extensive evidence supporting the 12-CP methodology for recovering Bulk System costs that is still in use today. |

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| | | Specifically, as shown in the following excerpt from AUC Decision 2014-242, it confirmed that the Bulk System is planned for system peak, and that it is both desirable and rational for customers to reduce their load to avoid that system peak:<br><br>127. With respect to the AESO proposal to continue the use of the 12 CP method, the Commission notes the testimony of Mr. Martin that the existing rate design appropriately allocates costs based on cost causation:<br><br>Yes. The 12CP method seems to reflect one of the major considerations for planning and developing the transmission system. The system is studied and developed under system peak conditions, which would be coincident peak in the CP terminology: winter system peak, summer system peak. And it charges customers for the cost of the system based on their contribution to that system peak. If a market participant contributes a greater share to that system peak than other market participants, then the contribution of the greater share should lead to greater costs being charged. A perfectly flat load profile that an industrial customer can sometimes almost achieve, contributes 100 percent of the load to that system peak and pays a fair share of the bulk system based on that contribution. I think the issue is for market participants who can respond to the system peak signal and be able to reduce their load during the periods in which system peak usually occurs. So those customers end up paying somewhat less towards the bulk system because they're not on peak. So that seems like a reasonable outcome to me and a fair reflection of cost causation to the allocation of cost. Doesn't seem like favouring one party over the other.<br><br>Based on the AESO's evidence, the Commission concluded that customers who reduce their load to avoid system peak are not "gaming the system," but rather appropriately responding to the price signal that is given to them:<br><br>124. The Commission considers that when viewed in context, Mr. Martin is not stating customers are gaming the system. Rather, they are responding to the price |

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| | | signal appropriately – reducing load to avoid system peak and thereby reducing the need for bulk system expansion. The Commission agrees with the assessment of the AESO that the response of market participants to the coincident peak demand price signal demonstrates the effectiveness of the rate design rather than providing evidence of gaming the billing determinant.<br><br>Unlike in 2014, however, the AESO now appears to be claiming that the current 12-CP methodology has become invalid simply because of the magnitude of the resulting rate. |
| 4. | Are the AESO's bookends A and B reasonable starting points for the Bulk and Regional Tariff Design, considering future determination of modifications and mitigation? Why or why not? Please be as specific as possible. | Heartland Generation does not agree with the characterization of the proposed rate designs as “bookends” – instead, they are simply two possible rate design options among many, which will become apparent when stakeholders present their alternative designs. Unfortunately, it is difficult to assess options A and B because the AESO has provided little to no analysis with which to evaluate them. To be clear, the AESO’s diagrams from slides 34 to 37 do not count as analysis – they are merely subjective illustrations without any kind of empirical support. Further, the AESO’s so-called “sweet spot” is so qualitative and unsubstantiated as to be meaningless.<br><br>To more fully capture the range of possible rate designs, the Tariff design boundaries shown on slides 31-37 should be re-assessed. Heartland generation believes that possible rate design options would fall on a spectrum between those that are “less/more responsive to load behaviour” and those that have a “broad/specific application”. The “more responsive to behaviour” rates would be those with determinants that can be more easily managed by customers, such as coincident peak load and energy consumption; whereas the “less responsive to behaviour” rates would be those with determinants that can be less easily managed by customers, such as non-coincident load and a site connection itself. Likewise, the rates with a more “specific application” would be those based on determinants measured in fewer hours, whereas the rates with a more “broad application” would be those based on determinants measured in more (or all) hours. This spectrum is represented below: |

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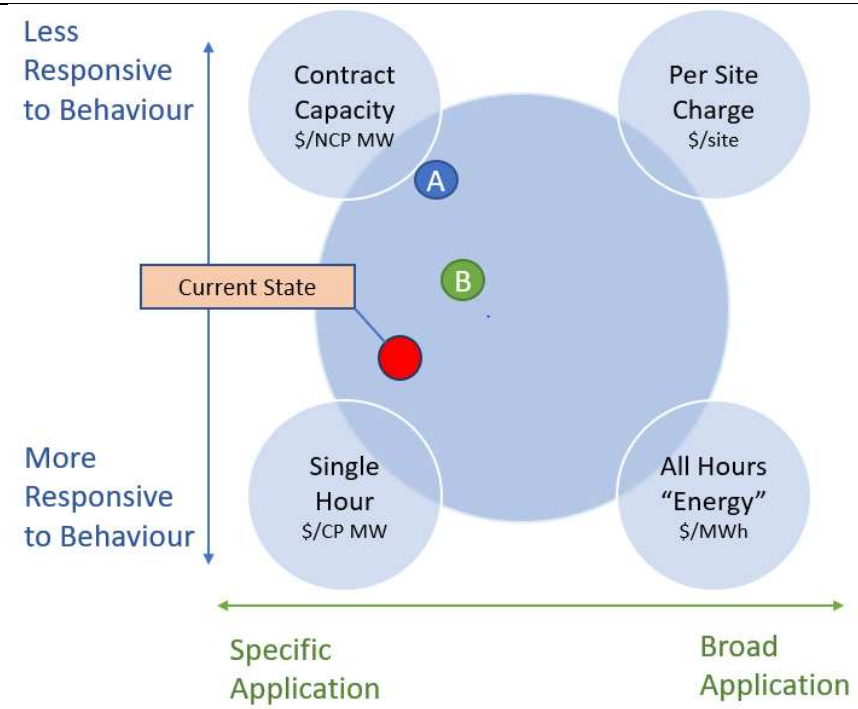
| | |  |
| 5. | Are their considerations or objectives relating to energy storage tariff treatment that you feel the AESO has missed? If yes, please describe and be as specific as possible.<br><br>Do you have additional clarifying questions that need to be answered to support your understanding? | Heartland Generation has no specific comments regarding energy storage tariff treatment at this time.<br><br>No, Heartland Generation has no additional clarifying questions at this time. |
| 6. | Additional comments | The AESO has proposed a rate design objective of "reflect cost responsibility," which it describes as follows: "cost recovery is based on the benefit and value transmission customers receive from the existing grid." Heartland Generation disagrees with this |

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| | | description because it leads one to believe that a rate should (or even could) reflect the benefits of receiving transmission service instead of the cost of providing that service.<br><br>Ultimately, the value a customer derives from receiving service is subjective, highly variable, and difficult to quantify; therefore, it is misleading to suggest that their rate would reflect it. Instead, the idea of "cost responsibility" is better described as "cost causation" – i.e. those who cause the cost are responsible for paying it. Cost causation is the principle that has been reflected in previous AUC proceedings and is a cornerstone for setting just and reasonable rates. Therefore, Heartland Generation proposes that the objective of "reflect cost responsibility" either be removed or changed to "reflect cost causation." |

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