

Stakeholder Comment Matrix & Proposal Evaluation – Nov. 5, 2020

Bulk and Regional Tariff Design Stakeholder Engagement Session 3



Period of Comment: Nov. 5, 2020 through Nov. 20, 2020	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 evaluation to tariffdesign@aeso.ca by **Nov. 20, 2020**.

The AESO is seeking comments from Stakeholders on Session 3 and the preferred rate design option proposals. Please be as specific as possible with your responses.

Questions	Stakeholder Comments
1. Please comment on Session 3 hosted on Nov. 5, 2020. Was the session valuable? Was there something the AESO could have done to make the session more helpful?	Heartland Generation believes that Session 3 was valuable and appreciates that the ISO Tariff consultation is an important initiative. However, the session could have benefitted from greater categorization of the presentations/proposals. In Heartland Generation’s opinion there were two ways presentations could be categorized: fulsome approaches to bulk and regional tariff design, and proposed energy storage treatment. In future consultation sessions it may be beneficial to separate full bulk and regional tariff design proposals from those that are specific to only treatment of a single customer class or asset type.
2. Please complete Table 1: How Did Each Proposal Achieve the Rate Design Objectives for each of the proposals presented at Session 3.	<p><i>Instructions:</i> As per the example provided, please indicate how well Proposals 1 through 7 met each of the five Rate Design Objectives by pasting the appropriate coloured circle in the corresponding space. The legend defines and contains the coloured circles from which you can copy and paste into the table.</p> <p>Please provide comments or an explanation of how you came to your conclusions as appropriate.</p>

Questions	Stakeholder Comments
	<p>Heartland Generation was not able to evaluate Proposals 2, 5, and 6 because they are specific to energy storage and therefore difficult to evaluate using the provided design objectives.</p>
<p>3. Which rate design option proposal, including the AESO’s bookends A and B presented at Session 2, did you prefer? Why?</p>	<p>Heartland Generation prefers Proposal 1(ADC, DUC and IPCAA) for the following reasons:</p> <ol style="list-style-type: none"> 1. As explained by ADC, DUC and IPCAA, “there are many elements that have not been resolved and will ultimately impact the ISO tariff, including: <ul style="list-style-type: none"> • The Transmission Regulation being re-examined by government • Any AUC changes resulting from the Distribution System Inquiry (such as aligning transmission and distribution rates) • Government changes related to self-supply and export • Sub-station fraction and DCG credit issues” <p>In other words, there are currently many pending consultations that could materially impact the ISO Tariff. Consequently, Heartland Generation shares their concern that “a major tariff overhaul now will be followed by another overhaul when these elements are resolved.” The ongoing COVID-19 pandemic has put considerable stress on industries; therefore, it is important that investor confidence be maintained in this unprecedented time. It would be more efficient to have the bulk and regional tariff design after gaining more certainty regarding policy direction from the government and regulator.</p> 2. The AESO has not provided sufficient evidence to justify a departure from the current ISO Tariff design, which has been approved by the AUC as just and reasonable over consecutive applications. As shown by ADC, DUC, and IPCAA, the current rate design results in consistent response behavior by flexible loads; this suggests that it is working exactly as intended as a price signal for avoidable transmission costs. Furthermore, the AESO has not yet produced a cost of service study or any other analysis indicating that the current tariff design is defective.

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	<p>3. Any significant departure from the status quo, such as the AESO’s proposed “bookends,” risks exposing affected loads to rate shock. As shown by ADC, DUC and IPCAA, bookends A and B would increase transmission costs by 58% and 106%, respectively, for indicative industrial loads in the Northwest.¹ This result would have significant consequences for these loads.</p> <p>4. Given the circumstances, Heartland Generation agrees that the AESO and stakeholders should prioritize stability to encourage investment; the current economic and regulatory climate is not conducive to a major tariff overhaul.</p>
<p>4. Does your preferred proposal meet all the rate design objectives?</p> <p>If not, what trade-offs does your preferred proposal create between the rate design objectives?</p> <p>Why are those trade-offs appropriate?</p>	<p>As the status quo, Proposal 1 is necessarily simple and minimally disruptive; these are priority objectives given the circumstances, see response to question three above.</p> <p>The current tariff design does send a strong behavioural signal for customers to “innovate” in furtherance of being more “flexible” – an outcome that the AESO has supported in the past and the AUC has concluded “demonstrates the effectiveness of the rate design rather than providing evidence of gaming the billing determinant.”² This rate design can be further enhanced to meet this objective through the introduction of an opportunity service rate class; this opportunity service would be modelled after the import/export rate classes (rates IOS and XOS) and be extended to interruptible loads and energy storage assets that qualify.</p> <p>Further, the AESO is on the record as saying that the “system is studied and developed under system peak conditions,” and therefore “the 12CP method seems to reflect one of the major consideration for planning and developing the transmission system.”³ Given the lack of evidence to the contrary, it is difficult for stakeholders to conclude that the existing rate design no longer appropriately</p>

¹ ADC-DUC-IPCAA Rate Design Presentation, slide 17.

² AUC Decision 2014-242, para. 124.

³ AUC Decision 2014-242, para. 127.

Questions	Stakeholder Comments
	<p>allocates costs based on cost causation. Just because the resulting rate has gone up does not invalidate the underlying principles upon which the methodology is based.</p>
<p>5. Which stakeholders are best served (or least impacted) by your preferred proposal? Why?</p>	<p>All stakeholders are well served by continued investor confidence and application of Tariff rates under an AUC approved methodology. The 12-CP methodology, having been approved by the AUC, is just and reasonable and therefore serves stakeholders and the public interest.</p> <p>Additionally, Proposal 1 minimizes the risk of regulatory holdup. Customers and investors have made a number of commercial decisions in Alberta based on the prevailing ISO Tariff and inherent price signals. Some proposals, like Proposal 3, have inadequately tried to address this through vague “grandfathering” provisions. Any “grandfathering” provision would need to address a threshold which would cause a site to lose its grandfathered status, e.g. would minor modifications to the industrial processes create the significant risk of exposure to the new Tariff design.</p>
<p>6. a) Which stakeholders are most impacted by your preferred proposal? Why? b) What mitigations, if any do you recommend for those who would be impacted by your preferred proposal?</p>	<p>Proposal 1 is the status quo and therefore would not change the treatment that stakeholders receive today or require any mitigation measures.</p>
<p>7. a) How would energy storage resources be treated in your preferred proposal? b) Does your preferred proposal include specific elements in relation to tariff treatment for energy storage? Why or why not?</p>	<p>Heartland Generation believes that energy storage treatment does not necessitate changes to the overall bulk and regional tariff design. Energy storage, as it acts as both a load and supplier of electric energy may be appropriately handled by a rate class similar to the opportunity service available for imports/exports (e.g. IOS and XOS). The addition or modification to existing rate classes does not warrant changes to how the overall tariff allocates costs.</p> <p>Further, energy storage that is used for specific relief of congestion or as a non-wires alternative should not be addressed by the bulk and regional tariff design. These specific qualities that the energy storage is providing should be individually contracted for and paid directly, in much the same way the AESO contracts for Ancillary Services.</p>

Questions	Stakeholder Comments
8. What are the challenges or unresolved questions with your preferred proposal?	The current tariff design has been continuously approved as just and reasonable, was implemented on the grounds that it appropriately allocates costs based on cost causation, and, as the status quo, is most conducive to investor certainty and stability in an otherwise challenging economic climate. Evidence to the contrary has not been presented that would otherwise give rise to any unresolved questions. Unless there are specific concerns and supportive analysis, the forthcoming legislative review of the Transmission Regulation should be completed prior to fundamentally overhauling the Tariff.
9. Additional comments	Heartland Generation does not currently have additional comments.

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

Table 1: How Did Each Proposal Achieve the Rate Design Objectives

Objective	Description	Example	Proposal 1 ADC, DUC and IPCAA	Proposal 2 Energy Storage Canada	Proposal 3 CWSAA, UCA, AML, and Conoco	Proposal 4 CCA	Proposal 5 CanREA	Proposal 6 RMP Energy Storage	Proposal 7 Suncor Energy Inc.
Reflect Cost Responsibility	Cost recovery is based on the benefit and value transmission customers receive from the existing grid								
Efficient Price Signals	Price signal to alter behavior to avoid future transmission build								
Minimal Disruption	Customers that have responded to the 12-CP price signal and invested to reduce transmission costs are minimally disrupted								
Simplicity	Simplicity and clear price signals while achieving design objectives								
Innovation and Flexibility	ISO tariff provides optionality for transmission customers to innovate while not pushing costs to other customers								

*** Proposed rate design must fit within current legislation ***

Legend	Achieves objective	Potentially achieves objective with modification	Partially achieves objective	Potentially partially achieves objective with modification	Does not achieve objective