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:**	Erika Goddard
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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?	While the session was valuable, it is becoming increasingly apparent the AESO is proceeding with changes to B&R rate design, regardless of the areas where there remain material differences between stakeholders and the AESO, particularly the strongly expressed position by some that a change is not required and should not be pursued in today's economic environment. Any changes to B&R rate design must consider first and second order impacts. Load has responded to effective B&R price signals, as is evident in the relatively flat CMD over the years. It is important to note that it is not just increasing wires charges but also declining costs of on-site solutions, including energy efficiency and load management, that have driven investment, some of which would have occurred regardless of B&R rate design. Increasingly, the conversation has been shifting to those factors, other than load, that cause B&R wires growth (i.e., TCG, policy). A focus on "unwinding" the response to existing rate design by removing the link between load response and billing determinants, like CPD, is unlikely to resolve these concerns, and has the real potential to introduce new issues. The burden of proof is on the AESO. In order for further efficient and effective discussion, we must have quantitative studies, to justify the need for change,

		evaluate any rate design alternatives, and analyze both the impact and response from customers.
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?	No. It is our understanding that our market has historically used the embedded approach and so any change from using this approach would need to be supported quantitatively. To date, we do not believe this evidence has been provided. We note that the AESO has commented that rates under a marginal approach were not available at the time of Session #4. It is therefore premature to continue discussion on any alternative allocation approaches.
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?	We have a strong preference for a market where mitigation is not required. If mitigation is required, we prefer rate design mitigation options, specifically introduction of rate classes. Any mitigation options that include annual rate increases within an impact threshold or that would not come into effect until at least 2023, require careful consideration of the signal being sent to loads.

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
		We do not believe there is full support for these areas of agreement from all stakeholders. For example, there is strong support and agreement among a large group of attendees to maintain the status quo, an area of agreement not shown here.
		• **Efficient Price Signals:** Yes, price signals provide incentives for customer behaviour. However, tariff rate design signals only flow to Tx connected loads and DFOs. As such, these price signals are not effective on the other elements driving wires growth, nor is there alignment between Tx and Dx tariffs.
		• **Cost Responsibility:** We strongly disagree with the concept of cost responsibility or any concept that looks to assign cost based on value. The introduction of cost responsibility appears to be an unintended consequence

	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
		of factors other than load driving wires system cost increases. Our market has long relied on cost causation.
		
		As our market evolves, we must consider the future vision for the integrated electric system, and pursue change across the broader perspective, not just focus on what could resolve immediate concerns without consideration of longer-term impacts.
		
		• **Minimal Disruption:** Further to our comments above, we agree with a path forward that is minimally disruptive, noting that consideration of the broader perspective may suggest that remaining with the status quo, until such time that other impactful issues may be progressed or resolved, would also be minimally disruptive.

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?
		We do not believe there is full support for these areas of disagreement from all stakeholders.
		
		• **Efficient Price Signals:** In our view, there remains insufficient evidence to suggest a change from the status quo would be any better than any rate design alternatives.
		
		• **Cost Responsibility:** The primary mechanism for allocating costs should be based on cost causation.
		
		• **Minimal Disruption:** We agree, now is not the time for change, not only from an economic perspective, but also because the discussion to date has lacked sufficient quantitative analysis to justify the need for change, evaluate any rate design alternatives, and analyze both the impact and response from customers.

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.	Any rate design proposals must include sufficient quantitative analysis to justify the need for change, evaluate any rate design alternatives, and analyze both the impact and response from customers. An updated Cost of Service study remains outstanding. As it relates to the 2014 study, while Tx may be a long-term game, the evolving nature of our market, plus considerable changes in B&R tariffs over the past 7 years, suggests that an update, at a minimum, is required.

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
		We reiterate our previous comments on energy storage rate design – any tariff treatments that are afforded to energy storage would also need to be made available to other stakeholders that behave in a similar manner, including loads and generation.

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?	

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.	
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?	We must start to move from the theoretical to the analytical. Future discussion must include sufficient quantitative analysis to justify the need for change, evaluate any rate design alternatives, and analyze both the impact and response from customers. In doing so, it is inappropriate and premature to simply declare that maintaining the status quo is "off the table." To do so simply moves this inevitable discussion into subsequent regulatory proceedings, the cost of which is also borne by loads through regulatory cost recovery.
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.