

**Tariff Design for Capacity Market and Bulk and Regional Transmission Cost Allocation – Industry Update (March 13, 2019)**

<b>Period of Comment:</b>	March 14, 2019	through	April 10, 2019	<b>Contact:</b>	Clarke Lind
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*Please provide comments relating to the topics listed below in the corresponding box. For convenience, references to slides from the March 13 [Industry Update](#) where each topic was discussed are included in the table below. Please include any views about whether the content presented sufficiently addressed the topic, and provide any proposed alternative or additional approaches that should be considered.*

Slides	Topic	Stakeholder comments
<b>Tariff Design Consultation Process</b>		
5-11	AESO tariff design consultation approach, scope, and process.	
Capacity Market Cost Allocation Tariff Development Update		
15-20	Requirements of <i>Capacity Market Regulation</i>	
21-22	Resource adequacy model and unserved energy	
22	Distribution of expected unserved energy throughout the obligation period	
23-27	Bookend scenario analysis	
25	Observations on bookend analysis results	
26	Objectives for cost allocation rate design	
28-30	Development of 400-hr on-peak time block	

Slides	Topic	Stakeholder comments
31-32	Considerations for weights of time blocks	
33-34	Potential rate ranges	
34	Appropriate range of weight ratios to consider	
35-38	Additional considerations for rates	
39-43	Terms and conditions considerations	
40	Regulation does not permit penalties or incentives	
42	“Gross up” of POD metered volumes to adjust for distributed generation	
43	Preferred approach for deferral account true-up	
44	Allocation of capacity market costs to transmission losses	<p>According to the AESO’s March 13<sup>th</sup> <i>Tariff Design for Capacity Market and Bulk and Regional Transmission Cost Allocation</i> presentation, the cost allocation rate will be used to allocate capacity market cost in each time block to transmission losses. The total transmission line losses costs will equal the costs of losses in the energy market, plus capacity market costs.</p> <p><u>Clarification question:</u></p> <p>Under the current transmission line losses structure, Powerex is aware of situations when losses can be positive or a credit instead of a charge. Under the planned transmission line losses factor calculation, assuming losses are positive, would a market participant be receiving a capacity market credit for transmission line losses or it would it be capped at \$0/MWH?</p>
45	Capacity market cost allocation remaining work	

**Update on Bulk and Regional Transmission Cost Allocation**

Slides	Topic	Stakeholder comments
48-51	Bulk and regional transmission cost allocation current work, future work, and next steps	<p>Powerex appreciates the work conducted by the AESO, as well as the Tariff Design Advisory Group (TDAG) to develop the capacity cost allocation methodology. Powerex is aware that the Capacity Market Regulation was introduced in December, 2018 by the Province of Alberta, requiring capacity cost to be allocated across all services that receive electricity from the Alberta transmission system, including demand and export services. The export services include: (1) Export Opportunity Service (“XOS”); and Export Opportunity Merchant Service (“XOM”). According to the ISO tariff, the availability of XOS and XOM services occurs “only when sufficient capacity exists on the transmission system to accommodate the capacity scheduled for export.” Both services are opportunity products that can be recalled by the ISO and must be curtailed by the market participant when instructed by the ISO. Meanwhile, Demand Transmission service (“DTS”) is a non-recallable product.</p> <p>Powerex reminds the AESO of the original objectives established by the AESO to implement the capacity cost allocation rate design. Specifically, to achieve fairness, objectivity, and equity, while avoiding undue discrimination and minimizing inter-customer subsidies. It is unclear why a transmission Opportunity Service that is recallable for both transmission limitations and during an energy supply shortfall should be charged the same capacity rate as a firm transmission product.</p>
<b>Additional Comments</b>		
—	Please add any additional comments related to tariff design for allocating capacity market and bulk and regional transmission costs should be considered.	