

Consultation on Scope of AESO 2017 Tariff Application

LaRhonda Papworth, Manager, Tariff Applications

Lee Ann Kerr, Tariff Manager

Raj Sharma, Senior Analyst

John Martin, Senior Tariff and Regulatory Advisor

August 19, 2015 — AESO Office, Calgary

Agenda

- Introduction and objectives (slides 1-3)
- Topics Currently in Progress (slides 4-8)
- 2014 Tariff Application Background (slides 9)
- Topics proposed for 2017 Tariff Application (slides 10-17)
- Cost Causation Study (slides 18-20)
- Rates Update (slides 21-24)
- Rider C and Deferral Accounts (slides 25-28)
- Other topics? (slide 29)
- Consultation process and next steps (slides 30-31)
- Discussion and wrap-up (slides 32-33)

Please feel free to ask questions during presentation

Objectives

- Familiarize stakeholders with topics identified by AESO for 2017 tariff application
- Identify additional topics (if any) for 2017 tariff application
- Identify concerns to be addressed for those topics
- Decide consultation process for development of application

Topics Currently in Progress

- Topics currently in progress will be included as approved in decisions resulting from those processes
- Directions 5-8 on advancement costs and related provisions
 - Currently before the Commission in Proceeding 3473
 - Decision expected in late August 2015
- Transmission constraint rebalancing charge
 - Currently before the Commission in Proceeding 20623
 - Decision expected by December 2015
- Interim loss factors in Rates STS, DOS, IOS, XOS
 - Currently before the Commission in Proceeding 790
 - Final loss factors expected to become available in 2016

Topics Currently in Progress (cont'd)

- Changes to ISO rule 505.2 (previously 9.5) on performance criteria for generating unit owner's contribution refund
 - Revision of the rule to adopt an availability criteria rather than energy production as the primary performance criteria
 - Pre-consultation notice to stakeholders posted August 6, 2015
 - Revised rule to be posted in late August in line with existing consultation process for development of ISO rules
 - Revised rule expected to become effective in late 2015
- 2015 tariff update
 - Update of rate and investment levels to reflect 2015 costs
 - Filed on August 18 (Proceeding 20753)
 - Proposed to be effective January 1, 2016

Topics Currently in Progress (cont'd)

- 2013-2014 deferral account reconciliation application
 - Reconciliation of deferral account balances for 2013 and 2014
 - To be filed by end of August
 - Request for interim settlement in November 2015
- 2016 tariff update
 - Update of rate and investment levels to reflect 2016 costs
 - To be filed Q1 2016
 - Expected to be effective April 2016

Topics Currently in Progress (cont'd)

- Terms and conditions alignment filing
 - Revision of tariff provisions to align with AESO initiatives and internal process refinements
 - Improving system access service agreement language
 - Updating provisions to accommodate the market participant choice initiative
 - Revisions to support transmission connected customers of distribution system owners
 - Revisions to support the abbreviated needs approval process
 - To be filed in Q4 2015
 - Expected to be effective April 2016

Topics Currently in Progress (cont'd)

- Energy storage initiative
 - AESO working with the University of Calgary to study the differences between storage and conventional load and generators – target completion is Q4 2015
 - Results from the study will inform study of cost and other impacts in order to accommodate energy storage in ISO tariff
 - Depending on outcome, potential revisions to accommodate energy storage in 2017 tariff application

2014 Tariff Application Background

- 2014 ISO tariff filed with the Commission in July 2013 and became effective July 1, 2015
- Some items to be discussed are in response to Commission directions in Decision 2014-242 on the 2014 ISO tariff application
- Directions 5-8 are still outstanding with a decision from the Commission expected in August 2015

Topics Proposed for 2017 Tariff Application

- Not proposing any major changes
- In response to Commission directions the AESO will address:
 - Contract capacity versus installed capacity for point of delivery cost function
 - 2017-2019 cost causation update
 - Rider C and deferral accounts
- 2017 revenue requirement will initially be a high-level estimate
 - Later updated with transmission facility owners' 2017 tariff applications
 - Later updated with AESO 2017 budget

- **Reason:** Respond to Commission directions
- The AESO sought clarification in the 2014 tariff compliance filing on the Commission Directions 5 to 8
- The Commission established a separate module in Proceeding 3473 in its clarifying letter on February 9, 2015
- Decision expected in late August
- AESO will implement and post revised tariff as required

- **Reason:** Respond to Commission directions
- In Decision 2014-242 the Commission directed:

The AESO is directed to use the full increased capacity made possible by an upgrade project. If the AESO cannot reasonably determine this capacity level for any given project, then the project should be excluded from the database.
- The AESO complied with this Direction but acknowledged that compliance had resulted in unanticipated impacts, as explored in certain information requests, and that the full impact would not have been clear during the 2014 tariff proceeding

Point of Delivery Cost Function (cont'd)

- The Commission found that the direction had “resulted in unanticipated effects” and implementation should be delayed until “the matter can be thoroughly explored”
- AESO considers two options should be explored
 - Cost function based on contract capacity
 - Cost function based on installed capacity
- Either option should apply to both greenfield and upgrade projects
- Must also consider impact of projects contracting for 0 MW capacity increases
- Should consider implications for cost recovery through rates and investment

Connection Project Database Update

- **Reason:** Update study that underlies tariff
- Update final costs where available for all projects in the connection project database
- Add new projects that have been granted permit and licence
- Update capacities based on outcome of option exploration
- The resulting point of delivery cost function will be used to update:
 - Rate DTS, *Demand Transmission Service*
 - Rate PSC, *Primary Service Credit*
 - Investment levels in section 8 of ISO tariff

Recovery of system-related costs if connection project is cancelled

- **Reason:** Address issue raised in proceeding
- The current ISO tariff provides the authority to collect from a market participant any connection project costs that were classified as system-related if the connection project is subsequently cancelled
- AESO will review and determine if additional clarification is needed
 - Further guidance may come from Commission decision on Directions 5 to 8

Reclassification of Participant-Related Costs as System-Related

- **Reason:** Add clarity to tariff provision
- The current ISO tariff provides the authority to reclassify participant-related costs as system-related and vice versa
- The tariff does not specify details of how the costs are to be classified as participant-related or system-related
- The AESO is proposing to add details on the calculation that are similar to the calculation when facilities are shared between two or more market participants
 - Based on years and MWs

- **Reason:** Address issue raised in proceeding
- The AESO will provide market participants with multi-year historical billing volume and service detail to enable consultation participants to analyze rate structure and impacts on a quantitative and objective basis
 - Raised in discussions after the 2014 tariff proceeding
 - Would include
 - Volume data (MWh, MW, coincident demand, substation fraction)
 - Service details (DTS, STS, direct-connect)
 - What data fields and what structure should be included?

2017-2019 Cost Causation Study Update

- **Reason:** Update study that underlies tariff
- The AESO included a 2014-2016 cost causation study prepared by London Economics International in its 2014 tariff application
 - The study established the inputs and methodology for a comprehensive cost causation study that used both capital and operating and maintenance cost data
 - A negotiated settlement process was used with participants and approved by the Commission
- The AESO proposes to update the study inputs itself using the identical methodology used for the 2014-2016 cost causation study
- Suggest consideration of negotiated settlement process

2017-2019 Cost Causation Study Update (cont'd)

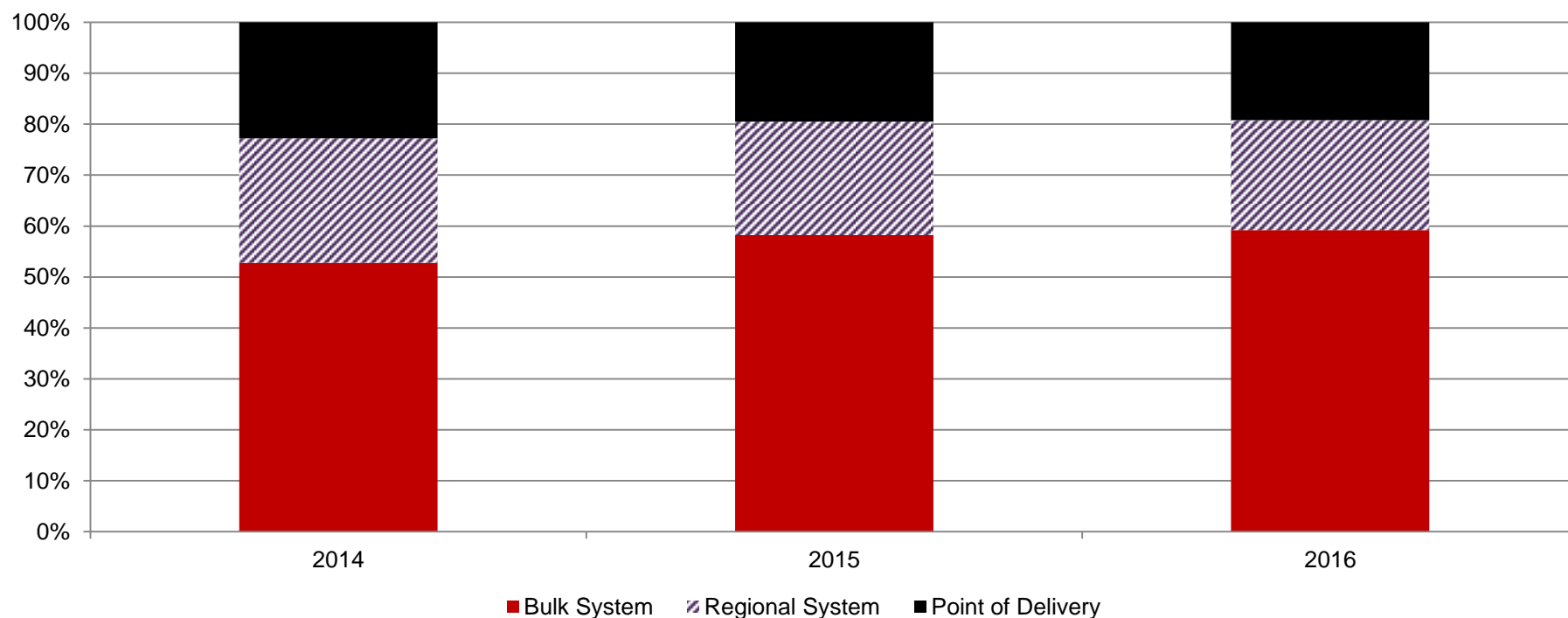


- Proposed process
 - AESO update inputs for 2017-2019 cost causation study in Q4 2015
 - AESO presents results to stakeholders in January 2016
 - AESO files application to begin negotiated settlement process in February 2016 (in advance of 2017 tariff application)

Cost Causation Study History (cont'd)

- *The 2014-2016 Cost Causation Negotiated Settlement Agreement* was approved as filed November 27, 2013
- In accordance with agreement, an updated study was filed January 2014

2014-2016 Functionalization

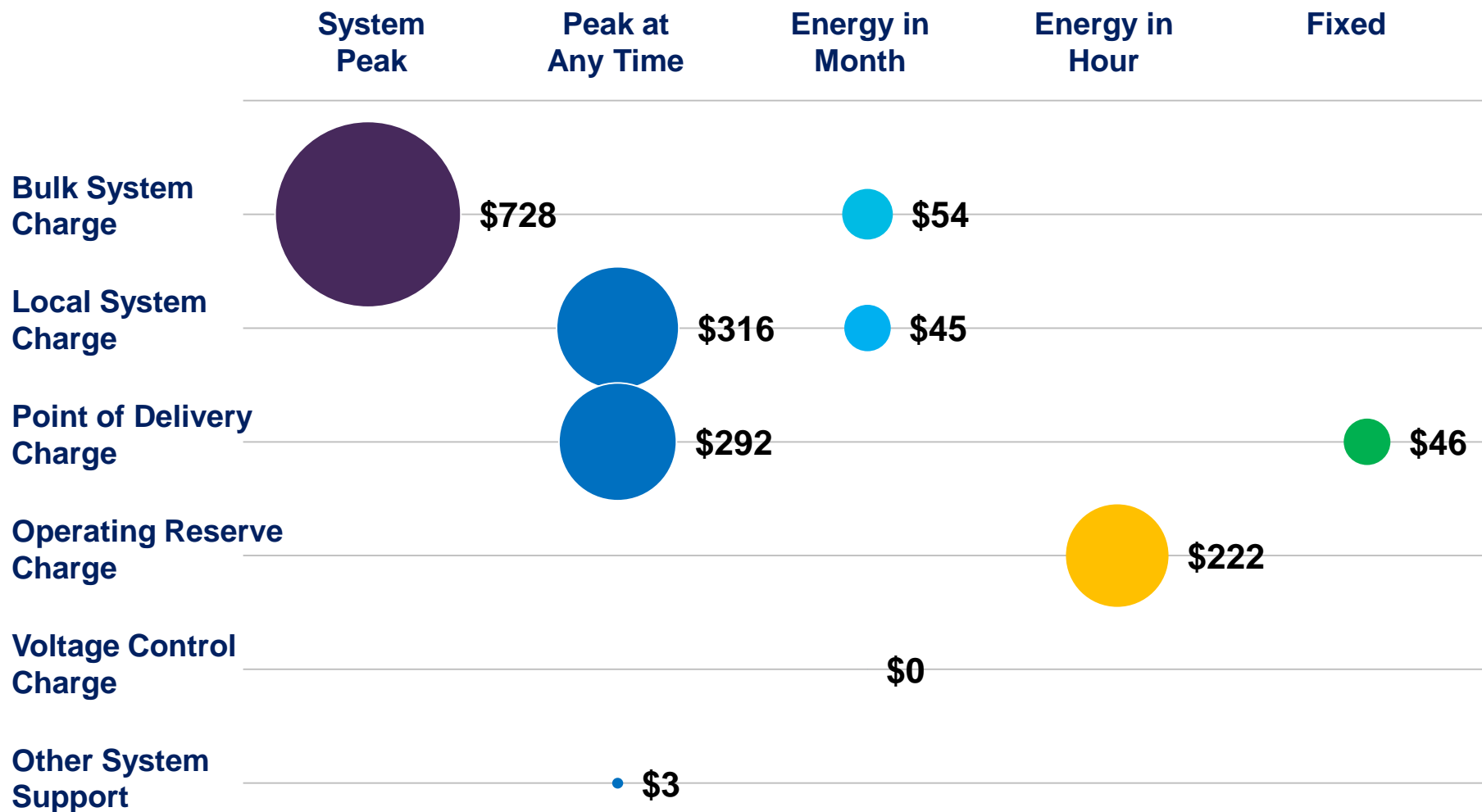


Cost Causation Study History (cont'd)

- 2014-2016 cost classification between demand and energy

2014-2016 Classification	Function	
	Bulk	Regional
Demand	93.1%	87.4%
Energy	6.9%	12.6%

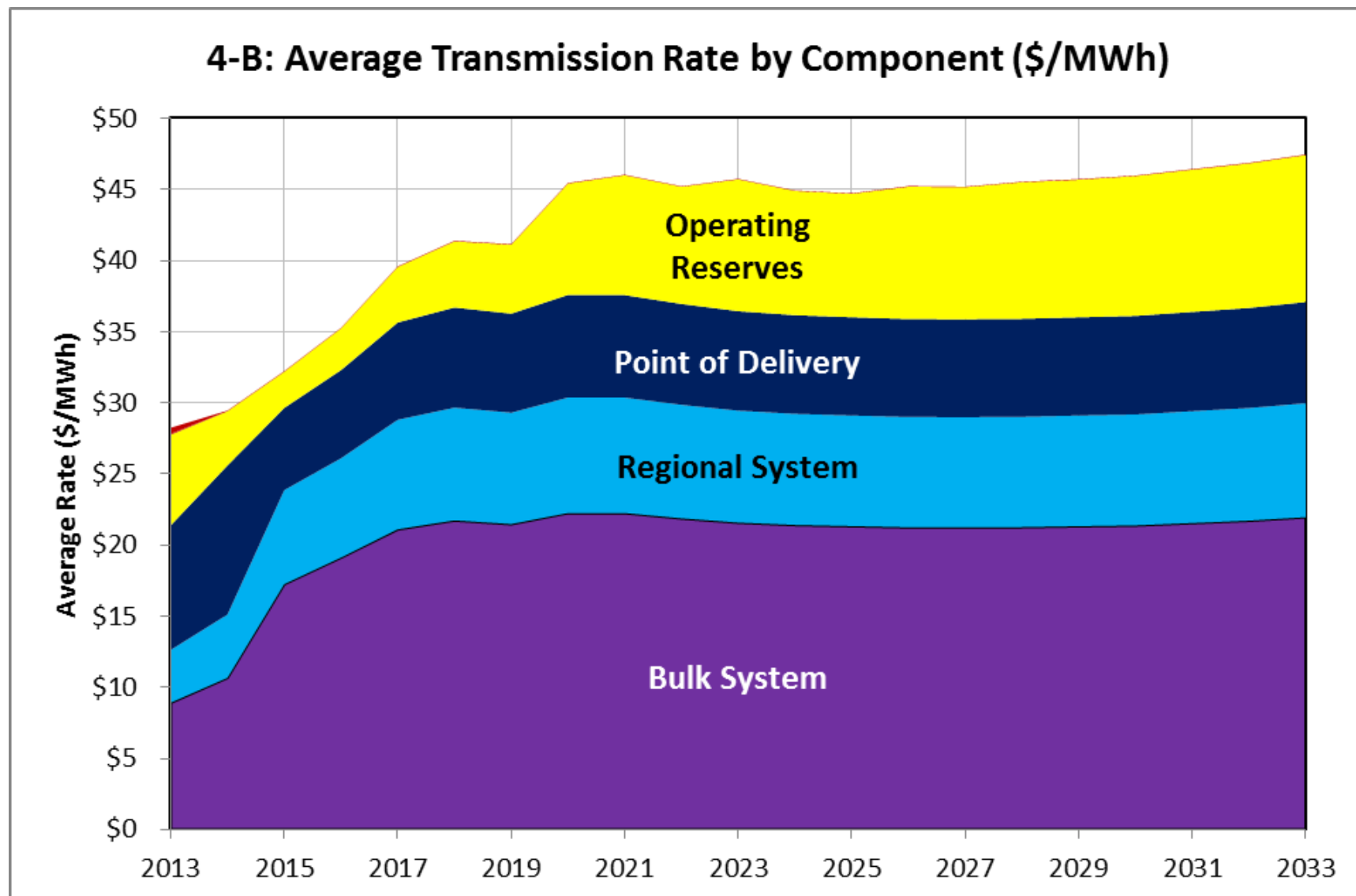
Current 2014 Rate DTS Structure



Transmission Rate Impact Projection

- **Reason:** Update information provided with tariff application
- AESO will include updated long-term transmission rate impact projection(TRIP) in 2017 tariff application
- AESO reviewing TRIP workbook development process of providing periodic updates
- Updating and posting now would not result in significant changes to rate impact

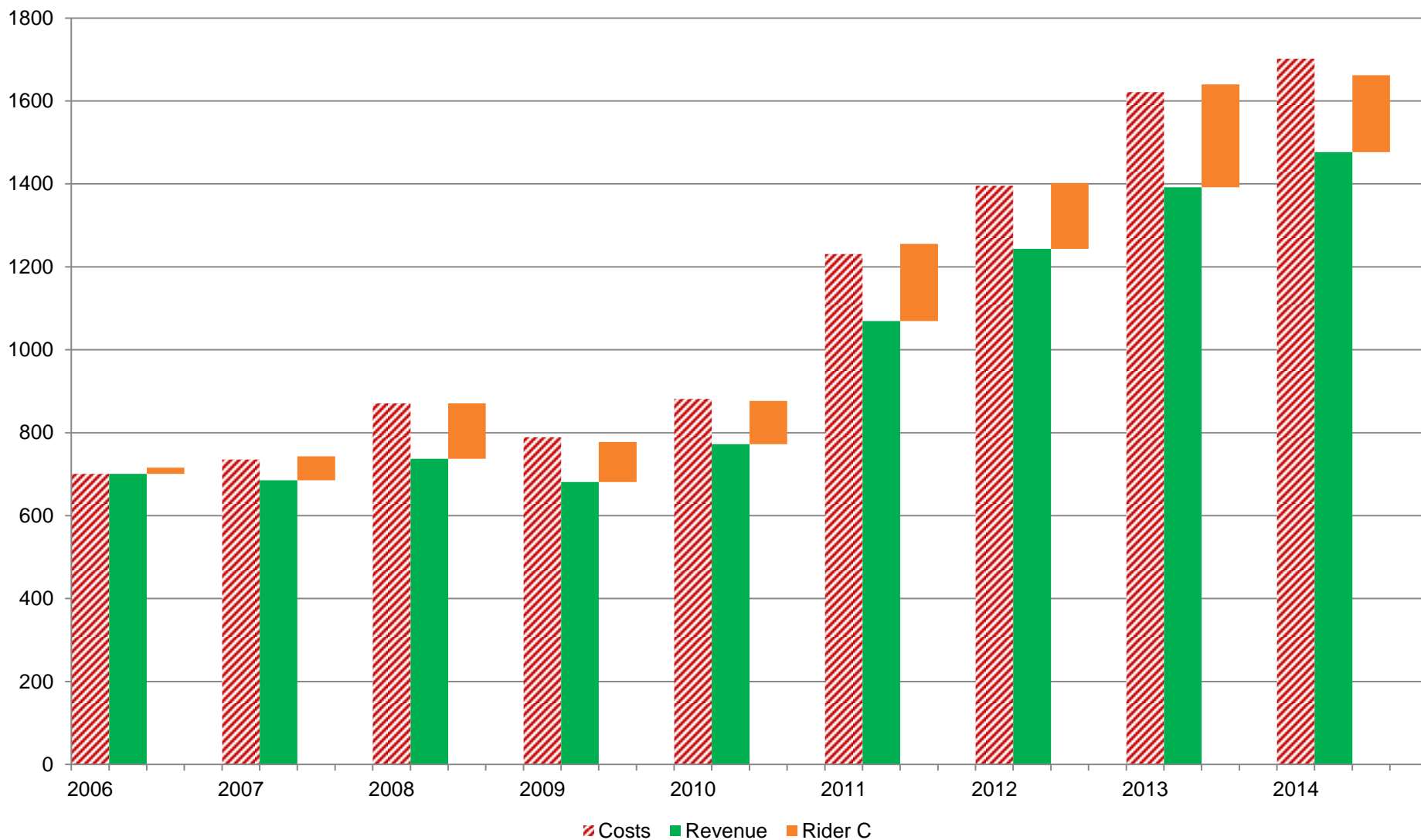
Transmission Rate Impact Projection (cont'd)



*Current posted TRIP Model

- **Reason:** Respond to Commission directions
- In 2014 ISO tariff proceeding, participants submitted that the AESO further examine the Rider C structure to minimize imbalances between market participants
- The Commission directed the AESO to discuss with stakeholders prior to filing its next general tariff application
- The AESO identified the following potential causes of large individual deferral account reconciliation charges or refunds:
 - Different bases for Rider C and Rate DTS components
 - Timing differences between Rider C collections and refunds as compared to production month deferral account reconciliations
 - Variance from forecasts of costs and revenues

Rider C History



- Regular tariff update applications reduce the magnitude of Rider C
 - 2015 tariff update and 2016 tariff update (discussed earlier) should help
- The AESO's initial investigation suggests a change in Rider C structure (from \$/MWh to % of connection charge) would not significantly affect imbalances between market participants

- Rider C has kept deferral account balances small but reconciliations still result in material transfers between customers
- 2013-2014 deferral account reconciliation application planned to be filed late August 2015

Additional topics?

- How would stakeholders like to be involved?
 - Small working groups? On which topics?
 - Written comment process?
 - General stakeholder sessions?
- Potential stakeholder meetings
 - Late January
 - Written comment process
 - Application preview meeting
 - April?
 - Other comment opportunities?

2017 Tariff Application Schedule

2015

- Aug 1st Stakeholder consultation
- Sep Comment matrix

2016

- Jan 2nd Stakeholder session
- Feb File cost application
- Apr 3rd session/Application preview
- Jul File 2017 Tariff Application
- Jul-Dec Regulatory review process
- Dec Refile application with 2017 revenue requirement

- Questions?

For More Information

- LaRhonda Papworth
Manager, Tariff Applications
403-539-2555 or larhonda.papworth@aeso.ca
- Lee Ann Kerr
Tariff Manager
403-539-2741 or leeann.kerr@aeso.ca
- Raj Sharma
Senior Analyst
403-539-2632 or raj.sharma@aeso.ca
- All consultation documents can be found on AESO website at www.aeso.ca by following the path Tariff ► Current Consultations ► 2017 Tariff

Thank you