

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

Period of Comment:	March 14, 2019	through	April 10, 2019	Contact:	Leonard Olien
Comments From:	Solas Energy Consulting on behalf of the Renewable Energy Coalition			Phone:	403-200-0049
Date:	2019/04/10			Email:	lolien@solasenergyconsulting.com

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
Tariff Design Consultation Process		
5-11	AESO tariff design consultation approach, scope, and process.	The Coalition would like to remind the AESO that the impact of the cost allocation structure on small renewable energy projects can be significant and needs to be considered by the Advisory Group.
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	<p>The heat map of the hours of Expected Unserved Energy on slide is not consistent with the historical hours that have been identified as tight supply hours. In the development of the capacity market, Solas has expressed concern with the calibration of the RAM. Solas suggests that further calibration work is necessary.</p> <p>Solas recommends that for 2018, the AESO calculate the average supply cushion by hour and by month from historical data and from the RAM calibration run. (Note that EUE cannot be used because there was no unserved energy in 2018.) A comparison of the supply cushions by hour and month will either:</p> <ul style="list-style-type: none"> • Validate the model, and support the conclusion that 2022 really will be different from history, or • Identify those hours where model reliability does not match historical reliability. Those hours can then be investigated to determine which model factors are causing the discrepancy and corrections applied.

Slides	Topic	Stakeholder comments
23-27	Bookend scenario analysis	The bookend scenario analysis should be repeated once the updated model calibration has been completed.
25	Observations on bookend analysis results	
26	Objectives for cost allocation rate design	
28-30	Development of 400-hr on-peak time block	
31-32	Considerations for weights of time blocks	<p>If the time blocks for costs do not match up with the time blocks for UCAP calculation, load customers will be able to double dip:</p> <ol style="list-style-type: none"> 1) offering into the supply side of the capacity market and getting paid to be available to reduce UCAP calculation hours, and 2) a second time by reducing load during hours that have a higher cost allocation weight. It is essential that the AESO correct the inconsistencies with the RAM forecast to avoid this potential.
33-34	Potential rate ranges	The evaluation of rates and weights should include an evaluation of the impact on residential customers using default system load shapes.
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	The “Gross Up” method identified is appropriate so long as the hours for the cost allocation are well matched to the hours for UCAP calculation. Otherwise the increase to the costs of the loads will not match the actual cost incurred by the generator. Because of the regulatory limitations, the volumes will not be exact, but they need to be close enough such that loads are not unduly penalized or rewarded because of the behavior of a nearby generator.
43	Preferred approach for deferral account true-up	
44	Allocation of capacity market costs to transmission losses	
45	Capacity market cost allocation remaining work	Solas supports the assessment of the impact on individual customers.

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	
Additional Comments		
—	Please add any additional comments related to tariff design for allocating capacity market and bulk and regional transmission costs should be considered.	