

# Stakeholder Comment Matrix – Dec. 10, 2020

## Bulk and Regional Tariff Design Stakeholder Engagement Session 4



<b>Period of Comment:</b> Dec. 10, 2020 through Jan. 12, 2021	<b>Contact:</b> Horst Klinkenberg
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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](mailto: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.	<p>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?</p>	<p>Suncor considered the session valuable. Two things could have made the consultation more productive:</p> <ol style="list-style-type: none"> <li>1) While the discussions get more and more detailed, very fundamental issues have not been resolved. The case for change is still not clear. Some parties argued that the current 12-CP methodology is inefficient; however, there has been no analysis of marginal costs of individual billing determinants, which would be required to incorporate efficiency in the tariff. Other parties have argued that because the industry is changing, cost allocation also needs to change. However, this perspective also has not been supported through any kind of analysis that would show why other allocation measures would somehow be “better” – statements of personal preference do not qualify in Suncor’s view.</li> <li>2) There has been no synergy in discussing the treatment of storage at the same time. Suncor submits that it would be beneficial to hold that discussion until a base rate proposal for DTS has been developed. Afterwards, development of alternative rate classes in general and the treatment of storage in particular should be discussed.</li> </ol>
2.	<p>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?</p>	<p>Suncor submits that in light of the overarching efficiency objective in the <i>EUA</i>, the tariff design should fundamentally be based on a marginal cost perspective with any deviation needing careful consideration and appropriate justification.</p> <p>Given the requirement to recover all costs, remaining costs should be recovered in a fashion that does not interfere with the efficiency objective.</p>
3.	<ol style="list-style-type: none"> <li>a) Do you have a preference for any of the mitigation options presented at Session 4? Why or why not?</li> <li>b) Do you know of any additional mitigation options that have worked in other contexts and might be applicable here. Please specify.</li> <li>c) What do you think the AESO’s needs to achieve with its mitigation(s)? Why?</li> </ol>	<ol style="list-style-type: none"> <li>a) Suncor is not sufficiently aware of arguments for each of the options to have a preference.</li> <li>b) No</li> <li>c) One of the goals needs to be to avoid inefficient new investment. Further, sunk investment should not unnecessarily be stranded. Finally, the design should not create inappropriate barriers for new demand or inappropriately destroy existing demand.</li> </ol>

	Questions	Stakeholder Comments
4.	<p>Are you supportive of the areas of agreement presented at Session 4? Why or why not? The areas of agreement presented include:</p> <p><b>Efficient Price Signals</b></p> <ul style="list-style-type: none"> <li>• Price signals matter               <ul style="list-style-type: none"> <li>○ Tariff charges provide incentives for customer behavior</li> </ul> </li> </ul> <p><b>Cost Responsibility</b></p> <ul style="list-style-type: none"> <li>• Recognize that more than just load behavior drives transmission development</li> <li>• We are dealing with an evolving system               <ul style="list-style-type: none"> <li>○ Current and future use may differ from what was that originally planned</li> </ul> </li> </ul> <p><b>Minimal Disruption</b></p> <ul style="list-style-type: none"> <li>• Transmission costs have risen               <ul style="list-style-type: none"> <li>○ Tariff charges are more important now than ever before</li> </ul> </li> <li>• Minimize disruption, mitigate rate shock               <ul style="list-style-type: none"> <li>○ It is not in anyone’s interest to reduce the number of ratepayers</li> </ul> </li> </ul>	<p><b>Efficient Price Signals</b></p> <p>Suncor is not convinced that this is an area of agreement. While the current design is being critiqued as being inefficient, most proposals do not consider or include efficient price signals.</p> <p><b>Cost Responsibility</b></p> <p>Cost responsibility is in Suncor’s view too vague a term. Instead, the focus should be on cost causation, <i>i.e.</i> efficiency.</p> <p>There has been a lengthy debate around 15 years ago on who should pay for transmission and why. Suncor does not believe a, on its surface simple, statement that “more than just load behavior drives transmission development” can sufficiently captures the necessary nuances.</p> <p>Suncor believes there was agreement that the system and consequently transmission need is evolving.</p> <p><b>Minimal Disruption</b></p> <p>Suncor believes there was indeed agreement on the items listed on the left.</p>

<p>5.</p>	<p>Are you supportive of the areas of disagreement presented at Session 4? Why or why not? The areas of disagreement presented include:</p> <p><b>Efficient Price Signals</b></p> <ul style="list-style-type: none"> <li>• Are status quo price signals are efficient? <ul style="list-style-type: none"> <li>○ Price signals in tariff have reduced the cost of energy to other load</li> </ul> </li> <li>• Are price signals forward looking? <ul style="list-style-type: none"> <li>○ Price signals are efficient to the extent changes in customer behavior reduce the need for future transmission costs</li> </ul> </li> </ul> <p><b>Cost Responsibility</b></p> <ul style="list-style-type: none"> <li>• Is the primary objective cost causation, or cost responsibility?</li> <li>• Does the initial rate design still achieve goal of cost causation since transmission costs have risen and load behaviour has not influenced those costs?</li> </ul> <p><b>Minimal Disruption</b></p> <ul style="list-style-type: none"> <li>• Now is not the time for change or time to stop the bleeding? <ul style="list-style-type: none"> <li>○ Economic climate, policy uncertainty, change impacts a few very negatively and many slightly positively</li> </ul> </li> <li>• Does rate mitigation need to be permanent or will customers adapt if temporary?</li> </ul>	<p><b>Efficient Price Signals</b></p> <p>Suncor submits that there has been no analysis showing that current price signal, which were approved as reflecting cost-causation, are inefficient. Suncor considers the supposed impact of tariff signals on energy costs to be an irrelevant consideration.</p> <p>Price signals should always be considered forward looking because price signals inevitably impact future behavior. Price signals are efficient when individual incentives align with societal benefits.</p> <p><b>Cost Responsibility</b></p> <p>Cost responsibility is in Suncor’s view too vague a term. Instead, the focus should be on cost causation, <i>i.e.</i> efficiency.</p> <p>Suncor is not aware of any analysis that shows to what extent, if any, the current price signal deviates from the efficient marginal cost signal. Suncor believes that there is no evidence that load behavior has not influenced transmission costs.</p> <p><b>Minimal Disruption</b></p> <p>Suncor believes that given the current overall situation, any case for change needs to be extra carefully evaluated. To date, Suncor has not seen any compelling evidence that a change to the tariff structure is required with any amount of urgency.</p>
<p>6.</p>	<p>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.</p>	<p>Any rate design proposal should make a clear case for the need for change and then show why the new proposal is <i>better</i> than the existing design. Because fundamental issues haven’t been resolved, it is difficult, if not impossible to discuss agreement/disagreement on solutions.</p>

<p>7.</p>	<p>Are you supportive of the areas of agreement for energy storage presented at Session 4? Why or why not?</p> <p><b>Energy storage areas of agreement:</b></p> <ul style="list-style-type: none"> <li>• Energy storage is unique in that it is not the producer or the end consumer of electric energy, nor is it the transmitter</li> <li>• Energy storage can participate in Alberta’s electricity use-cases by providing <ul style="list-style-type: none"> <li>○ Energy Price arbitrage</li> <li>○ Operating Reserves</li> <li>○ Non-wires solutions for transmission deferral</li> </ul> </li> <li>• Energy Storage should be treated in a fair, efficient, and openly competitive (FEOC) manner</li> </ul>	<ul style="list-style-type: none"> <li>• In Suncor’s view, the <i>unique nature</i> of energy storage is irrelevant for the tariff discussion.</li> <li>• Suncor takes no position on how energy storage can or should be part of the electricity industry. However, for the tariff discussion, it is important to focus only on the role of energy storage as a market participant and on the type of system access service provided to them.</li> <li>• Suncor supports the treatment of all market participants in a FEOC manner.</li> </ul>
<p>8.</p>	<p>Are you supportive of the areas of disagreement for energy storage presented at Session 4? Why or why not?</p> <p><b>Energy storage areas of disagreement:</b></p> <ul style="list-style-type: none"> <li>• Is energy storage a user of the grid or a component of the grid or both?</li> <li>• Does energy storage use the network for the Alberta specific use-cases?</li> <li>• Should energy storage pay for inflows and outflows like every other network user or not?</li> <li>• Should energy storage pay for one or more of administration, operations and maintenance, pod, regional, bulk charges?</li> </ul>	<ul style="list-style-type: none"> <li>• The only relevant issue from a tariff perspective is the system access service energy storage receives as a market participant.</li> <li>• Any other use/service/etc. is irrelevant for the tariff discussion.</li> <li>• Energy storage should pay the rates appropriate for the system access service they receive based on their billing determinants.</li> <li>• While storage might prefer to receive different or lesser service, this would be appropriately addressed through new rate classes that are available to all customers; not by creating some exceptions or special charges for energy storage.</li> </ul>
<p>9.</p>	<p>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.</p>	<p>Suncor submits that FEOC treatment requires that all customers, including energy storage, pay the rates for the services they receive, regardless of whether these customers would prefer a different service. However, Suncor is supportive of investigating the creation of new rate classes as it has been requested by some market participants for quite some time.</p>

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?	Suncor submits that it is of utmost importance to ground this consultation. In its current state, the consultation is effectively a back and forth between rate design preferences without any serious considerations of rate design principles and without any supporting analysis (quantitative or qualitative) one way or another. Suncor does not believe that there is any chance for agreement under the current process.
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](mailto:tariffdesign@aeso.ca).