Stakeholder Comment Matrix & Proposal Evaluation – Oct. 22, 2020

Bulk and Regional Tariff Design Stakeholder Engagement Session 3

Period of Comment:	Oct. 22, 2020 through Nov. 5, 2020	**Contact:**	Alexandra Dunlop
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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 evaluation to tariffdesign@aeso.ca by **Nov. 5, 2020**.

The AESO is seeking comments from Stakeholders on Session 3 and the preferred rate design option proposals. Please be as specific as possible with your responses.

Questions	Stakeholder Comments
1. Please comment on Session 3 hosted on Oct. 22, 2020. Was the session valuable? Was there something the AESO could have done to make the session more helpful?	The session was well hosted and managed by the AESO and Suncor appreciates the opportunity to participate in this consultation. Suncor believes that proposals 2, 3, 4, 5 and 6 presented in consultation Session 3 do not reflect cost causation and result in cross-subsidization. Suncor continues to question AltaLink's participation as they are not directly affected by the Bulk & Regional Tariff design.
3. Which rate design option proposal, including the AESO's bookends A and B presented at Session 2, did you prefer? Why?	Suncor advocates for Proposal 1 or 7 as these are the only proposals that reasonably reflect cost-causation.

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Questions	Stakeholder Comments
4. Does your preferred proposal meet all the rate design objectives? If not, what trade-offs does your preferred proposal create between the rate design objectives? Why are those trade-offs appropriate?	Suncor maintains that the objectives outlined by the AESO are inappropriate to evaluate the proposals and are at best nice to have. Any proposal that is adopted must meet the legislative requirements and Proposals 1 and 7 are structured to meet those.
5. Which stakeholders are best served (or least impacted) by your preferred proposal? Why?	Proposals 1 and 7 work to the benefit of all customers. They avoid cross-subsidization and send efficient signals to help reduce overall transmission costs.
6. a) Which stakeholders are most impacted by your preferred proposal? Why? b) What mitigations, if any do you recommend for those who would be impacted by your preferred proposal?	As the status quo, Proposal 1 has no impact on stakeholders and therefore also needs no mitigation options. a) Proposal 7 can have a negative impact on current CP responders that may be unable to respond to CRPI but on the flip-side can have a positive impact on customers that find themselves in the opposite position. Proposal 7 reduces cross-subsidization between customers based on billing capacity and therefore positively impacts some while negatively impacting others. b) To mitigate the impact of Proposal 7, the AESO should provide as much information as possible to allow for CRPI response. A transition period could be considered during which CRPI gets blended with a 12-CP component, which would be reduced over time. A separate mitigation option would be to transition from average cost to marginal cost over time.
7. a) How would energy storage resources be treated in your preferred proposal?	a) Energy storage would receive the same treatment as all customers in their rate classes (initially DTS & STS). Suncor supports the development of additional rate classes available to all qualifying customers.

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b) Does your preferred proposal include specific elements in relation to tariff treatment for energy storage? Why or why not?	b) The proposal does not contain specific elements in relation to energy storage. Any proposed specific element for storage would have to be fair, reasonable and not unduly discriminatory.
8. What are the challenges or unresolved questions with your preferred proposal?	As the current design, there are no issues regarding Proposal 1.Regarding Proposal 7, delineations between regions have to be carefully considered. They need to reflect planning criteria and avoid arbitrary seam issues. The potential for *dominant* regional loads, *i.e.* loads that inherently drive regional peak/regional peak inflow, needs to be considered.
9. Additional comments	<u>Proposal 1:</u> Suncor agrees that tariff changes are premature due to unresolved elements impacting the ISO tariff and that 12-CP is an appropriate methodology for bulk system cost recovery. While 12-CP might not be the most precise methodology it is still a fair reflection of cost responsibility and sends an efficient signal as consumption in peak hours is what drives future transmission build. There is minimal disruption and simplicity as 12-CP is the current framework. <u>Proposal 2:</u> The proposal focused largely on irrelevant issues, for example whether energy storage is an end use customer or whether it provides purported benefits. • Storage that is subject to the tariff is a market participant like any other. • Storage that solely provides services to the system, such as alleviating transmission constraints, may not need to be subject to the tariff. • For any hybrid solutions, the storage provider can recover potential tariff charges incurred in providing a service through the contracted price for the service.

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	The proposal ultimately suggests that other customers should unfairly and inefficiently cross-subsidize the transmission access for energy storage participants. <u>Proposal 3/4:</u> These proposals are not aligned with legislative objectives as they do not relate to cost causation and do not send a signal to customers to change their behaviour in a way that will avoid future transmission build. The amount loads are consuming in non-coincident peak hours are irrelevant to new transmission build. The proposals would result in large customers unfairly and inefficiently cross-subsidizing small customers. <u>Proposal 5:</u> The proposal, like proposal 2, focuses largely on irrelevant issues. For example, whether storage is economic when paying transmission charges and that energy storage is neither a load nor a generator. Like a load, energy storage requires transmission to draw power from the grid and should pay accordingly. Further, like a generator, some of the power delivered to the grid by energy storage will be lost, which is why storage should pay for losses accordingly. There are no double charges. The proposal is an attempt to justify that other market participants should unfairly and inefficiently cross-subsidize the transmission access for energy storage participants. <u>Proposal 6:</u> This proposal also considers irrelevant issues, for example the anticipated behavior of energy storage participants and the economics of energy storage. Like proposals 2 and 5, proposal 6 asks for unfair and inefficient cross-subsidization of the transmission access for energy storage participants. However, the alternative proposal (slide 9) is taking a step in the right direction. Suncor disagrees with the proponent of Proposal 6 that this type of proposal is

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	inconsistent with FEOC. There is no justification to treat energy storage different from other loads and generators. However, by designing more flexible rate options for all market participants, there may be opportunities for lower tariff costs for energy storage (and others) based on the level of service received and on the potentially lesser cost impact on the system. Proposal 7: Refer to https://www.aeso.ca/assets/Uploads/Tariff-Design-20201105-Suncor-corrected.pdf

Thank you for your input. Please email your comments to: tariffdesign@aeso.ca

Table 1: How Did Each Proposal Achieve the Rate Design Objectives

Objective/ Description	Proposal 7	Proposal 1	Proposal 3/4	Proposal 2/5/6
Reflect Cost Responsibility Cost recovery is based on the benefit and value transmission customers receive from the existing grid	 The proposal attempts to reflect cost causation as accurately as possible	 The proposal does attempt to reflect cost causation but improvement may be possible	 The proposal does not reflect cost causation	 The proposal is for storage to effectively free ride
Efficient Price Signals Price signal to alter behavior to avoid future transmission build	 The proposal sends a clear signal	 The proposal sends a price signal using average cost where it should be using marginal cost and so the signal is likely too strong or too weak	 The proposal does not send an efficient signal as the amount loads are consuming in non-coincident peak hours are irrelevant to new transmission build	 The proposal is not to send a (proper) price signal to storage
Minimal Disruption Customers that have responded to the 12-CP price signal and invested to reduce transmission costs are minimally disrupted	 Since the 12-CPRI signal is a refinement of the 12-CP signal, customer tools and investments maintain their usefulness	 No disruption	 12-CP forecasting investments will be irrelevant however the proposals include grandfathering measures to mitigate some of the disruption	 The proposal would result in unfair cross-subsidization of storage by non-storage customers
Simplicity Simplicity and clear price signals while achieving design objectives	 The AESO needs to provide additional information and customers need to change their analytics or contract for third party services	 Sends a clear price signal to avoid the peaks however this may not have the desired corresponding cost benefit	 Price signal does not achieve design objectives and requires complex implementation involving grandfathering	 While simple, the proposal achieves no design objectives and sends no price signals

Objective/ Description	Proposal 7	Proposal 1	Proposal 3/4	Proposal 2/5/6
Innovation and Flexibility ISO tariff provides optionality for transmission customers to innovate while not pushing costs to other customers	 Clear cost causation signals incentivize customers to look for efficient ways to lower costs	 Customers can invest to avoid peaks and lower costs, however, this proposal could more accurately reflect cost causation	 This proposal results in unfair cross-subsidization of storage by non-storage customers. This proposal does not provide incentive for customers to innovate to benefit the transmission system	 The proposal shifts 100% of costs associated with storage to other customers and does not provide an incentive for customers to innovate to benefit the transmission system

**** Proposed rate design must fit within current legislation ****

Legend	Achieves objective	Potentially achieves objective with modification	Partially achieves objective	Potentially partially achieves objective with modification	Does not achieve objective