

Stakeholder Comment Matrix – March 25, 2021

Bulk and Regional Tariff Design Stakeholder Engagement Session 5



Period of Comment: March 25, 2021 through April 15, 2021	Contact: Mark Thompson
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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 by **April 15, 2021**.

The AESO is seeking comments from Stakeholders on Session 5. Please be as specific as possible with your responses. Thank you.

	Questions	Stakeholder Comments
1.	<p>Please comment on Session 5 hosted on March 25, 2021. Was the session valuable? Was there something the AESO could have done to make the session more helpful?</p>	<p>The March 25, 2021 session provided a valuable forum for the AESO to present its preferred rate design and explain its rationale, and for stakeholders to ask questions and express their concerns.</p> <p>The AESO's preferred rate design proposes some of the most substantial changes to the ISO Tariff in more than a decade, which will significantly impact many ratepayers. As such, it would have been helpful for the AESO to have provided more analysis to substantiate its preferred rate design. In particular, TC Energy notes that the AESO provided no analysis on the long-term impact of its preferred rate design. TCE Energy's response to Question #3 below provides more details regarding the analysis that should be conducted.</p>
2.	<p>Please comment on Technical Information Session II hosted on March 31, 2021 (if you attended). Was the session valuable? Was there something the AESO could have done to make the session more helpful?</p>	<p>Yes, the AESO's explanation of the use of the Bill Estimating Tool was valuable. The "override" tab is helpful to allow for the increase/decrease of various billing determinants. The post-session Q & A was also helpful. A more detailed explanation of the 5-year average CMD determination, with example calculations, would have been appreciated.</p>

<p>3. Are you supportive of the AESO's preferred rate design? Why or why not?</p>	<p><u>Bulk & Regional</u></p> <p>At this point in time, there is insufficient information for TC Energy to determine whether it supports the AESO's preferred rate design. As mentioned above, the AESO has not provided an analysis of the long-term impact of the rate design. While TC Energy understands the AESO's rationale for proposing the changes to the rate design, we have some concerns of its long-term impacts.</p> <p>The AESO's preferred rate design would significantly change the price signals to ratepayers, which would impact behaviour over time. TC Energy submits that it is important to understand the extent and implications of these impacts. For example, by shifting a large portion of costs from coincident peak to energy and recovering these costs on a flat basis, this rate design would increase the price signal to loads during non-peak hours and decrease it during peak hours. As a result, TC Energy expects that some energy consumption would shift from non-peak hours to peak hours. How significant would this shift be? Is this consistent with the efficient use of transmission? Will this result in increased or decreased transmission costs over time?</p> <p>Additionally, this rate design may increase the use of behind-the-fence generation to serve load and may degrade billing determinants. Considering the current self-supply and export policies, how will this impact the wholesale energy market? Is this consistent with the efficient operation of the market? Further, some ratepayers will experience significant rate increases. Will this lead to load destruction and if so, what will be the long-term impact to the Alberta economy?</p> <p>Answers to questions such as these are necessary to determine whether the proposed changes to the rate design are consistent with cost causation, support the efficient use of transmission, and are in the public interest.</p> <p>TC Energy also has some concerns with the manner in which the AESO proposes to recover the cost allocation to energy. The AESO's preferred rate design would recover those transmission costs allocated to energy on a flat basis over all hours (i.e., each hour of the day would be charged the same \$/MWh amount) . As a result, the price signal for the energy component would be the same during peak hours as non-peak hours and ratepayers with high load factors, including those who do not actively avoid 12-CP, will face significant rate impacts. This seems inconsistent with the efficient allocation of transmission costs. TC Energy recommends that the AESO instead consider recovering the costs allocated to energy on a shaped basis where the \$/MWh charge for each hour would vary proportionally with the hourly load levels over the course of a day.</p>
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	<p>TC Energy is similarly concerned that the AESO’s preferred rate design may significantly increase the charge under Rate Export Opportunity Service (XOS). If so, this could cause Alberta’s rates to be far higher than other jurisdictions and forestall exports out of Alberta. Recovering the costs allocated to energy on a shaped basis would help to mitigate these concerns. TC Energy requests that the AESO provide an estimate of the Rate XOS charge under its preferred rate design.</p> <p><u>Energy Storage</u></p> <p>The AESO has not yet identified its preferred rate design for energy storage. Instead, the AESO has indicated that it is considering a form of opportunity service such as a modernized Rate Demand Opportunity Service (“DOS”) for energy storage. TC Energy supports the use of an opportunity service for energy storage, but notes that there are some elements of Rate DOS that may not be appropriate for energy storage. TC Energy recommends that the AESO not limit its consideration to Rate DOS as there may be more parallels between energy storage and exports regarding the manner in which they use the transmission system.</p> <p>Following the consultation session, the AESO released its estimates of the Rate DOS charges under its preferred rate design. The charge for DOS 7 minutes would increase by almost 200 per cent from \$5.48/MWh to roughly \$15.45. This could significantly impact the development of energy storage resources in Alberta. Recovering the costs allocated to energy on a shaped basis would help to mitigate this concern.</p>
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	Questions	Stakeholder Comments
4.	<p>Do you believe the AESO's preferred rate design meets the AESO's rate design objectives? Why or why not?</p> <ul style="list-style-type: none"> a) <u>Reflect Cost Responsibility</u> (Cost recovery is based on cost causation, reflecting how transmission customers use the existing grid*) b) <u>Efficient Price Signals</u> (Price signal to alter behavior to avoid future transmission build) c) <u>Minimal Disruption</u> (Customers that have responded to the 12-CP price signal and invested to reduce transmission costs are minimally disrupted) d) <u>Simplicity</u> (Simplicity and clear price signals while achieving design objectives) e) <u>Innovation and Flexibility</u> (ISO tariff provides optionality for transmission customers to innovate while not pushing costs to other customers) <p>*AUC Decision 22942-D02-2019 **Proposed rate design must fit within current legislation</p>	<p>For the reasons expressed above, without further analysis from the AESO it is difficult to determine whether or not the AESO has met its design objectives.</p> <ul style="list-style-type: none"> a) TC Energy requests that the AESO define Cost Responsibility and to describe how this term differs from Cost Causation. b) Further analysis required as described in the response to Question #3 above. c) The AESO has proposed to limit the rate impact to a 10% rate increase. Some ratepayers may not agree that this would qualify as a minimal disruption. d) The AESO's preferred rate design appears to be fairly simple and straight forward. The resulting price signals may not be quite so simple. For example, this rate design implicitly creates a price signal for behind-the-fence generation and may create differing price signals for the same generation depending on whether or not it is behind-the-fence. e) Further analysis required as described in the response to Question #3 above.
5.	<p>Are there considerations that the AESO should include, exclude and/or modify in its preferred rate design to better achieve the AESO's rate design objectives? Please specify and include your rationale.</p>	<p>Please refer to the response to Question #3 above.</p>
6.	<p>Please describe any areas in which you are aligned with the AESO's preferred rate design.</p>	<p>TC Energy is aligned with the AESO's consideration of an opportunity service rate for energy storage.</p>
7.	<p>Are the assumptions the AESO used for the rate impact reasonable? Is there additional information that would help improve your understanding of rate impacts?</p>	<p>TC Energy has no comment at this time.</p>

<p>8. Are you supportive of the AESO's consideration of modernizing DOS, including its suitability for an energy storage charging capacity? Why or why not?</p> <p>And if so, provide your comments on the consideration of the AESO's DOS eligibility requirements, including for energy storage.</p>	<p>TC Energy is supportive of the AESO considering an opportunity service rate for energy storage relative to the status quo. This is consistent with the principle of cost causation since the energy storage assets are expected to charge when the system is not stressed. Modernizing Rate DOS is one potential route to establish an appropriate rate for energy storage. However, it is essential that the new rate recognize the differences between energy storage resources and the loads for which Rate DOS is intended. For example, energy storage resources are likely more flexible and are less likely to be using the transmission system during peak hours.</p> <p>One issue that the AESO did not appear to address during its March 25, 2021 session was whether energy storage would be charged for transmission services while providing ancillary services. It has been previously suggested that energy storage resources be exempt from transmission charges while providing such services. TC Energy recommends that the AESO incorporate this component into any rate it proposes for energy storage.</p>
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<p>9. Please describe what components of the current DOS implementation (i.e., rate, terms, and conditions) limit the use of excess transmission capacity (i.e., capacity that would not otherwise be used under Rate DTS).</p> <p>How might those components of DOS be improved?</p>	<p><u>Pre-Qualification</u></p> <p>Market participants are required to pre-qualify on an annual basis to receive system access service under Rate DOS. Energy storage resources are long-term assets and require an assurance that an opportunity service rate (or some other appropriate rate) is available for the life of the asset. Accordingly, annual pre-qualification is inappropriate for energy storage resources.</p> <p><u>Eligibility Criteria</u></p> <p>The Rate DOS eligibility criteria appear to be a construct to distinguish which loads should and should not have access to the rate. These criteria consider specific business circumstances under which a load may utilize Rate DOS as opposed to Rate DTS. This contrasts with Rate XOS where exports universally and automatically qualify for the opportunity service. This is reasonable considering that exports utilize the transmission system when it is not under stress and are recalled prior to other loads. Energy storage is expected to utilize the transmission system in a similar manner and could adopt the same recall priority. Rate DOS customers, on the other hand, may use the transmission system when it is under stress. For this reason, the eligibility criteria is necessary for existing Rate DOS customers, but not for energy storage</p> <p>Further, the AESO needs to ensure that there is a level playing field among energy storage assets. Accordingly, any such the Rate DOS eligibility criteria would need to apply universally to all energy storage assets. TC Energy submits that the eligibility criteria is not necessary nor appropriate for energy storage.</p> <p>Rate DOS also requires that there is sufficient transmission capability. TC Energy questions whether this requirement is necessary for energy storage as it would utilize transmission when the system is least stressed and could be recalled prior to other Rate DOS ratepayers.</p> <p><u>Rate</u></p> <p>Rate DOS provides three types of demand opportunity service: DOS 7 Minute; DOS 1 Hour; and DOS Term. Under the AESO's preferred rate design the charge for these types would be \$15.45/MWh, \$22.85/MWh, and \$90.09/MWh, respectively. Each type has a different recall response time and recall priority. Given the charges, recall response time and recall priority, DOS 7 minute would likely be the most appropriate for energy storage resources. However, due to the flexibility of energy storage resources, TC Energy recommends that the AESO consider a unique type for energy storage that has a quicker recall response time, would be</p>
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		recalled prior to other Rate DOS ratepayers, and with a commensurately lower charge.
10	Do you have any comments on the AESO's targeted engagement approach for mitigation discussions?	Subject to the comments provided below regarding the AESO's mitigation plan, TC Energy does not object to the AESO reaching out to those parties that would be most impacted by the AESO's preferred rate design.
11	<p>Are there further considerations that the AESO should include, exclude and/or modify in the mitigation option starting principles? Please specify and include your rationale.</p> <ol style="list-style-type: none"> 1. <u>Limit the rate impact for customers</u>: Mitigate rate impact to under 10 per cent increase to a party's transmission bill for initial stage of transition 2. <u>Adapt with design and rates</u>: Ensure options are adaptable to changes to the proposed design and forecast rates 3. <u>Consistent application</u>: Mitigation options can be applied consistently across all impacted loads and not be individually defined 4. <u>Administrative simplicity</u>: Feasible to implement with current tools and systems 5. <u>Mutually acceptable</u>: Account for feedback from broad stakeholder group 	The AESO's mitigation proposal appears to apply to only a subset of ratepayers – those impacted by greater than 10 per cent. TC Energy understands that the mitigation would be funded by all ratepayers. TC Energy submits that this conflicts with the principle of consistent application and would be discriminatory. Mitigation measures should be embedded within the rate design and implemented consistently across the rate class. TC Energy suggests that the AESO could instead provide mitigation measures by transitioning to its preferred rate design over a period of time.
12	Based on the AESO's mitigation options assessment, are there further considerations that the AESO needs to include, exclude and/or modify (e.g., temporary versus permanent)? Please specify and include your rationale.	TC Energy has no comment at this time.
13	<p>Are you in favour of some type of mitigation? Why or why not?</p> <p>If you are in favour of some type of mitigation, how would you assess whether a proposed mitigation approach is acceptable?</p>	Please refer to the response to Question #11 above.

14	In your view, should the AESO provide participants with more flexibility to adjust contract capacity, specifically by way of a contract reset period with the implementation of new rates and/or a PILON waiver if the contract level has not changed in the previous five years?	Yes, this would be reasonable considering the circumstances and may help to reduce future transmission costs.
15	Do you have any additional implementation considerations the AESO should consider?	No comment at this time.
16	Do you have additional clarifying questions that need to be answered to support your understanding?	All of TC Energy's clarifying questions are provided in the responses above.
17	Additional comments	<p>TC Energy is concerned that there is insufficient time between now and the AESO's targeted filing date in June 2021 to adequately consult on a new energy storage rate. While the AESO has made some progress, it has yet to determine its preferred rate design for energy storage. Based on the comments above, TC Energy believes that there is still considerable work to be done. Filing this rate in June may unnecessarily require issues to be resolved in a hearing room that could otherwise be resolved through consultation. This would be inefficient.</p> <p>If the AESO decides to maintain its June filing date, TC Energy recommends that the AESO delay the filing of the energy storage rate until adequate consultation has been completed. Given the complexity of the bulk and regional rate design and that it will likely be more contested, TC Energy anticipates that there would be little to no delay in the regulatory process as a result.</p>

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