Stakeholder Comment Matrix – March 19, 2020

Bulk and Regional Tariff Design Session 1 – March 13, 2020

Period of Comment: March 19, 2020 through April 9, 2020 **Comments From:** UCA **Date:** 2020:04:09	**Contact:** [redacted] [redacted] **Phone:** [redacted] **Email**: [redacted]

Instructions:

1. Please fill out the section above as indicated.
2. Please respond to the questions below and provide your specific comments.
3. Email your completed comment matrix to tariffdesign@aeso.ca by **April 9, 2020.**

Three Tariff Design Options presented at the session:

- Option 1: Rate reflects costs.
- Option 2: Rate reflects benefits.
- Option 3: Hybrid – Rate reflects both cost and benefit.

Five Tariff Design Guiding Objectives presented at the session:

1. Effective long-term price signals.
2. Facilitate innovation and flexibility.
3. Reflect accurate costs of grid connection and services.
4. Explore options within legislation and regulation.
5. Path to change that is effective and minimally disruptive.

The AESO is seeking comments from Stakeholders with regard to the following matters:

	Questions	Stakeholder Comments
1.	Please comment on the Engagement Session 1 webinar facilitated by the AESO on March 13, 2020. Was the session valuable? Was there something we could have done to make the session more helpful? Please advise and be as specific as possible.	The session was a valuable indication of the AESO's preliminary thoughts and direction on Bulk and Regional Tariff Design. However the materials raised a number of concerns over apparent departures from accepted Bonbright principles of rate design and the substitution of unclear and less balanced tariff objectives. The session would have been more useful if simple numerical and graphical examples of the proposed tariff structures (using simplified illustrative rather than actual system data) had been provided to help clarify the concepts and terms used, such as the novel interpretation of diversity factor, and explain how they would result in a better reflection of cost causation and the provision of efficient price signals. Overall we found presentation of the earlier findings of the TTWG to be clear while the rate design options presented were unclear and unnecessarily complicated while offering no obvious improvements in terms of reflecting cost causation, avoiding unfair cost shifts, or providing more effective price signaling to reduce costs when compared to the existing tariff or the simpler options discussed previously by the TTWG. The complexity alone of Option 1, the Hybrid Option 3 and the novel diversity concept of Option 2 would be unlikely to meet Bonbright standards in terms of customer understanding, ease of administration, avoidance of controversy or predictability. The suggestion that rate design options can be separated in terms of *only* reflecting costs (Option 1) or *only* reflecting benefits (Option 2) suggests a rejection of Bonbright's guidance that *every* rate design balance the *entire* set of principles. For instance the fixed demand charge portion of Option 2 could be said to reflect the costs of service as readily as it could be said to reflect presumed benefits. In addition, rate design options cannot be usefully described or thought of as reflecting *only* costs or *only* benefits or meeting a set of tariff design objectives independently of the overarching Bonbright principles of rate design.
2.	Please comment on the pros, cons and tradeoffs of **Option 1: Rate Reflects Costs.** Do you have additional clarifying questions that need to be	It is difficult to think of any "pro" for this rate option other than the implicit recognition that the existing 12CP cost allocation does not reflect bulk transmission cost causation or provide an effective price signal to reduce costs that are largely determined by

	answered to support your understanding? Do you feel anything was missed or would present a significant obstacle or impact with this option? If yes, please be as specific as possible.	factors other than coincident peak loads on any provincial or regional basis. There are a number of concerns: 1. The number of regions or zones and criteria to be developed is unclear, as is the definition of inter-regional flow paths and exactly how the coincidence of a customer load with the selected flow-path will be determined or indicated to the customer. It is also unclear if this approach satisfies the venerable postage stamp rate concept. 2. Inter-regional flows (however defined) are the result of the combined effect of all generation dispatches, hourly load levels and the existing network topography.There is therefore no basis to conclude that reducing only loads in response to this complicated regional price signal would materially reduce bulk transmission costs. Many customers could be incented to reduce loads at certain times in locations where a surplus of transmission capacity exists. Load reductions in general would be unlikely to reduce constraints on a system where most constraints are the result of the inability of the transmission system to accommodate all generation dispatch possibilities and where significant pockets of surplus generation exist. Some load reductions could even increase constraints if they are situated within those surplus generation pockets. 3. Such a blanket tariff approach obscures and may prevent the more effective, flexible and simpler price signal approach of offering interruptible (opportunity) credits to targeted loads in locations that can avoid future transmission costs, and off-tariff incentives related to generation location and dispatch to relieve congestion. All of which could be achieved without violating the postage stamp concept while finding an acceptable balance of Bonbright rate design principles.
3.	Please comment on the pros, cons and tradeoffs of **Option 2: Rate Reflects Benefits**. Do you have additional clarifying questions that need to be answered to support your understanding? Do you feel anything was missed or would present a significant obstacle or impact with this option? If yes, please be as specific as possible.	As in Option 1 no obvious “pros” come to mind other than the same implicit recognition that 12CP cost allocation does not represent bulk system cost causation or offer effective price signaling and is likely to lead to similarly perverse results. There are a number of concerns: 1. The novel intra-group diversity factor as proposed seems to bear no relationship to cost causation or efficient price signaling, both of which would be better represented by an unmodified NCP allocation.

		2. It is unclear how the homogenous “rate” groups and diversity factor adjustments would be determined or how they are related to standard principles of rate design. 3. The introduction of a variable charge of any significance is a departure from cost causation on the mostly fixed cost transmission system, and if determined on a net metered basis over time could result is significant cost shifting and cross-subsidization.
4.	Please comment on the pros, cons and tradeoffs of **Option 3: Hybrid – Rate Reflects Cost and Benefit.** Do you have additional clarifying questions that need to be answered to support your understanding? Do you feel anything was missed or would present a significant obstacle or impact with this option? If yes, please be as specific as possible.	The combination of Option 1 and Option 2 to form an Option 3 “hybrid” provides no additional “pro” and combines the above noted concerns into an uneccessarily complex package that would invite further controversy and disagreement. In addition it is not clear where the lines are drawn between the two groups of transmission costs that would be subject to each option (e.g. would this follow the existing bulk and regional definition or is some other superposition contemplated?) Despite their complexity none of the three options appear to address the primary concerns raised over the existing 12CP based tariff or offer any obvious improvement.
5.	How effectively do you feel **Option 1: Rate Reflects Costs** meets the five Tariff Design Objectives? Please be as specific as possible.	The proposed rate options cannot be usefully evaluated without reference to the well accepted and overarching rate design principles of Bonbright. Objective 1 “provide effective long term price signals” appears to be similar to the Bonbright principle of providing efficient price signals. Objective 3 “reflect accurate cost of grid connection and services” appears to be similar to the Bonbright principle of reflecting cost causation. Objective 5 “provide a path to change that is minimally disruptive” appears to be similar to the Bonbright principle of providing rate stability and predictability. Objective 4 “Explore options within legislation and regulation” is a boundary condition that applies to all acceptable rate design proposals and requires no further comment. Objective 2 “Facilitate innovation and flexibility” is an objective that has no counterpart within Bonbright. It is difficult to evaluate a specific rate design against such an unmeasurable objective. It is not clear how any specific rate design might facilitate the innovation or flexibility of customers as it seems that the process generally operates in

		reverse with rate designs responding to the technical innovation and flexibility of customers. For these reasons we have evaluated the rate options against AESO rate design objectives 1, 3 and 5 only. **Objective 1 "Effective price signals"** Option 1 does not appear to offer more effective price signals than the existing tariff. **Objective 3 "Reflect cost of service"** Option 1 does not appear to reflect transmission cost of service any better than the existing tariff. **Objective 5 "Minimally disruptive"** Option 1 has the potential to be very disruptive due to its complexity including regional differentiation and inconsistencies.
6.	How effectively do you feel **Option 2: Rate Reflects Benefits** meets the five Tariff Design Objectives? Please be as specific as possible.	**Objective 1 "Effective price signals"** To the extent that Option 2 allocates costs on an NCP basis it may provide more effective price signals than the existing tariff provided as long as this result is not negated by application of the associated diversity factor concept. **Objective 3 "Reflect cost of service"** To the extent that Option 2 allocates costs on an NCP basis it may provide more effective price signals than the existing tariff provided as long as this result is not negated by application of the associated diversity concept. **Objective 5 "Minimally disruptive"** Option 2 has the potential to be disruptive if an NCP allocator is used without a clear

		transition mechanism to smooth billing transitions.
7.	How effectively do you feel **Option 3: Hybrid – Rate Reflects Cost and Benefit** meets the five Tariff Design Objectives? Please be as specific as possible.	**Objective 1 "Effective price signals"** Evaluation of Option 3 depends on the as yet unkown details of hybridization of the preceding component options. **Objective 3 "Reflect cost of service"** Evaluation of Option 3 depends on the as yet unkown details of hybridization of the preceding component options. **Objective 5 "Minimally disruptive"** Due to its complexity and the basic nature of its components Option 3 would likely be highly disruptive.
8.	Do you have additional clarifying questions that need to be answered to support your understanding of the Tariff Design Objectives and corresponding assessment of the three Tariff Design Options presented at the session? If yes, please be as specific as possible.	It is unclear why the AESO has not considered simpler and more effective options discussed at previous TDAG and TTWG meetings such as the option suggested below.
9.	Additional comments	A simpler approach consistent with Bonbright that would address the existing tariff problems to better reflect cost causation and provide more effective price signals would be to replace the 12 CP bulk transmission cost allocator with either: a) an NCP allocator, or b) a multiple hour system CP allocator operating over a greater number of hours each month than the existing 12CP that would prevent gaming, consumer group cost shifting and uneconomic transmission bypass. Appropriate transitional arrangements could then be introduced to minimize disruption

		to existing customers and dual-use customers in particular. Energy storage developments could be encouraged through opportunity or other pilot and or off-tariff arrangements bridging the period until a review of the T.Reg may eventually allow more innovative tariff developments to provide efficient price signals for the location and dispatch of all generators, dual-use and energy storage customers. Where load reductions in specific locations could reduce future transmission costs targeted interruptible, opportunity based credits could be offered similar to previous interruptible programs.

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