

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: Megan Gill
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Date: [2021/04/15]	Email:

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.	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?	This session was generally helpful for the UCA.
2.	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>This session was generally helpful for the UCA in understanding the AESO's bill impact tool and how the proposed tariff changes will affect both rural/urban residential and small business consumers.</p> <p>In future sessions, it may be helpful if the AESO is able to coordinate with distribution companies to incorporate both distribution and transmission rates in a way that would provide load customers with a comprehensive understanding of the total impact of the proposed tariff changes.</p> <p>This session provided valuable insight into the expected bill impacts in the near-term, however, it would also be helpful to understand the estimated bill impacts for customers over the long term. For example, if more behind-the-fence generation is installed to offset the energy component of the tariff for some load customers, what will the impact be for different customer classes that are not able to install behind-the-fence generation? This analysis and information is needed to more fully understand the impacts and sustainability of the AESO's preferred rate design.</p>
3.	Are you supportive of the AESO's preferred rate design? Why or why not?	<p>The UCA sees the current rate designs as an improvement from the existing tariff, as it aims to address the pressing need to better address transmission cost causation and with minimal disruption to existing customers.</p> <p>However, the UCA has concerns with some aspects of the design as it will not fully address the issue of system bypass/cost avoidance and cross-subsidization. In fact, over the longer term, the preferred rate design may exacerbate this issue if a higher portion of costs are recovered from energy (bypassable) charges and not fixed charges. The UCA is concerned this would impede long term sustainability of the grid and negatively impact customers that are unable to bypass the system.</p> <p>See UCA's response to question 4 below for further details.</p>

Questions	Stakeholder Comments
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<p>4. 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</p> <p>**Proposed rate design must fit within current legislation</p>	<p>The UCA sees the current rate designs as an improvement from the existing tariff, as it aims to address the pressing need to better reflect transmission cost causation and with minimal disruption to existing customers.</p> <p>However, we have concerns that it may not meet the objectives in the long-term for the reasons stated above and below.</p> <p>The AESO's proposed design of recovering more costs through energy charges does not fully reflect cost responsibility, as the costs that are being recovered are mostly fixed costs and should not be avoidable. Furthermore, the UCA recognizes that there is a need for legislative amendments (outside the scope of this consultation) in order for the AESO to propose a rate design that more fully reflect cost responsibility by allocating transmission costs associated with the facilitation of in-merit energy to generators. UCA believes the value of being connected to the grid should be reflected in the AESO's rate design so that all connected load pays a fair share of costs.</p> <ul style="list-style-type: none"> a) A system charge that reflects the value of being connected to the transmission system can minimize system bypass and related cost avoidance. This would recognize that a larger, higher cost transmission system was built to: i) accommodate and operate a market-based generation dispatch without any transmission constraints, and ii) that the current system costs are greater than what is required to serve load. b) A transmission tariff for end-use customers based on 12CP allocation results in an inefficient price signal by encouraging "needle" peak shifting that does not reduce bulk future transmission system build or costs. The proposed tariff reduces the costs allocated via the 12CP mechanism, thereby weakening this unintended price signal for a more efficient result. However, the UCA submits that a more efficient price signal could be achieved by eliminating the 12CP mechanism all together. c) By not entirely removing the 12CP allocation the proposed tariff minimizes disruption for existing customers who have responded to the current stronger price signal. However, it does not fully address the problem of uneconomic system bypass of the transmission system. d) The proposed tariff retains the existing and familiar overall rate structure for simplicity. e) The rate design attempts to address cross subsidization in the near term. The higher costs to existing transmission customers (from the proposed design) could
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		<p>encourage them to innovate and reduces the costs on site. However, as stated above, the UCA is concerned that the proposed rate design will continue result in more fixed costs being shifted to other customers over the long term with an increase in the energy charge component. The AESO should consider re-allocating a portion of the proposed energy charges under the current preferred design to NCP for transmission cost recovery given the current allocation may incent further behind-the-fence generation and cost avoidance.</p> <p>There could also be consideration of moving from net metering to gross metering practices for those with exemptions under Section 4 of the Hydro Electric Act in order to avoid further uneconomic bypass of the transmission system. The UCA recognizes that there would likely be significant impacts for customers with net metering in place and, as such, there would need to be continued stakeholder engagement to ensure the overall metering and tariff design is fair and reasonable for all customers in the near term and long term.</p>
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>See UCA's responses to questions 3 and 4 above.</p>
6.	<p>Please describe any areas in which you are aligned with the AESO's preferred rate design.</p>	<p>See UCA's responses to questions 3 and 4 above.</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>See UCA's response to question 2 above.</p>
8.	<p>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>The UCA generally supports the modifications to DOS and eligibility requirements to better accommodate energy storage developments.</p> <p>With respect to DOS eligibility, the UCA believes that the AESO should consider energy storage owned by distribution or transmission companies for the purpose of providing ancillary services, and the treatment thereof, to ensure all options are evaluated, and the lowest cost overall solution is selected.</p>

9.	<p>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>A more dynamic indication of available unused transmission capacity in real time would allow more flexible and efficient joint use of the transmission and energy storage systems.</p>
10	<p>Do you have any comments on the AESO's targeted engagement approach for mitigation discussions?</p>	<p>The targeted engagement process appears to be a reasonable approach. The targeted engagement should be a transparent process to ensure it is fair and reasonable to all customers. The UCA believes that there are cost saving measures that the AESO should consider implementing that can benefit all consumers, specifically with regards to the reduction of contract capacities should they exceed the actual highest metered demand significantly. The AESO should be pro-active in identifying these opportunities and bringing them to the customer's attention for consideration.</p>
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 	<p>No initial comment.</p>

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.	No comment
13	Are you in favour of some type of mitigation? Why or why not? If you are in favour of some type of mitigation, how would you assess whether a proposed mitigation approach is acceptable?	Yes. Mitigation will be necessary to limit disruption.
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?	A contract reset period with the implementation of the new rates would assist in minimizing disruption and better align contract capacity with actual usage.
15	Do you have any additional implementation considerations the AESO should consider?	Not at this time.
16	Do you have additional clarifying questions that need to be answered to support your understanding?	Not at this time
17	Additional comments	

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