

## Tariff Design Group meeting November 15, 2019

<b>Period of Comment:</b> November 20, 2019 through December 6, 2019	<b>Contact:</b> Jay Dyson
<b>Comments From:</b> DFO Working Group <sup>1</sup>	<b>Phone:</b> 403 514-2922
<b>Date [yyyy/mm/dd]:</b> 2019/12/04	<b>Email:</b> jdyson@enmax.com

### Tariff Design Advisory Group (TDAG) Stakeholder Engagement

#### 1. *Please comment what is working with the Tariff and TDAG Engagement. What could be improved?*

- The DFO's support shorter and more frequent meetings to share specific information with clear action items. The DFO's note that the progress has moved slowly. The DFO's recommend requiring focused feedback from those that have items or issues to address that are on the agenda. As there are so many attendees the feedback process seems inefficient and takes away time that could be spent on priority items.

### Tariff 2020 Redesign Objectives

#### 2. *General comments on the completeness or accuracy of the "Where are we? And how did we end up here?" and the 5 Tariff Redesign Objectives*

<sup>1</sup> The DFO Working Group members consist of representatives for ATCO, ENMAX, EPCOR, Fortis Alberta, City of Lethbridge and City of Red Deer.

- The DFO's generally agrees with the high-level issues/concerns identified in slide 7 ("Where are we? And how did we end up here?") and 5 redesign guiding objectives. Specifically, Objective 3 (Reflect accurate costs and value of grid connection and services) is the higher priority from a DFO perspective. The issue of cost-causation and cost allocation based on the cost drivers so as to avoid cross-subsidization.
- The DFO's would like the AESO to define how these objectives will be prioritized as there are issues on this list that are of higher priority for DFO's and are relatively easier for the TDAG to solve than other more complex objectives. We recommend that the AESO include discussions on priority and ease of implementation in the TDAG process to rank the priorities.

## Tariff 2020 Redesign Objectives

### **3. *What is the impact of inefficient price signals on costs and reliability of the grid?***

- Market based signals may assist in influencing consumer behavior when using newer technologies – this may impact the commodity prices and the economics of adoption for certain technologies. The DFO's note that technological advancements and regulatory changes may be required to provide a price signal that influences customer behavior.
- Customers may take actions to try and lower their transmission costs while providing little benefit or cost savings to the transmission system. For example, customers may be successful in reducing their load during a forecasted CP hour with the result of shifting the CP hour to another hour. The customer would then not realize their forecasted savings, they could incur operation expenses to reduce or shift their load, and their actions would have no immediate or future cost savings for the AESO.
- Inefficient price signals can create a negative feedback loop in which the customer responds to a price signal while the underlying cost of service does not change. The price per unit in the future must therefore increase, which encourages more of the same behaviour. Taken to an extreme, the feedback loop ends with all customers exiting the system because bypass is the lower cost option. Bypass in this situation is uneconomic because all customers end up paying more than the original utility service with a more appropriate price signal.

#### Tariff 2020 Redesign Objectives

##### **4. Do different customer types (industrial, industrial with co-generation, distribution facility owner customers . . .) view transmission price signals differently?**

- The ISO tariff needs to consider the impact of the tariff on energy storage and distributed energy resources (DER). In its current form, the ISO tariff is a regulatory barrier for these projects and may limit the technological options notwithstanding the economic drivers. The regulatory framework should not be a barrier to the adoption of new products and services, but at the same time if not properly implemented the penetration of technologies such as DER and energy storage has the potential to reduce system reliability.
- The AESO should work directly with DFOs to develop a more consistent/equitable rate design that accommodates the differences in metering and billing system to ensure the needs of the end-use-customer are addressed. It is important that customers are to respond to an appropriate price signal – it must be effectively communicated and seen.

**Tariff 2020 Redesign Objectives**

**5. *What opportunities do you see for the ISO tariff to be more adaptive, agile, flexible and to allow innovation?***

- As discussed above there are opportunities to make changes to the ISO Tariff that address energy storage and DERs.
- It will be important to ensure that as the pace of technological advancement increases, the regulatory framework can evolve in tandem, so the industry is able to provide energy solutions to customers in a timely and cost-effective manner.

# Comment Matrix

Tariff Design Group meeting November 15, 2019



<b>Period of Comment:</b> November 20, 2019 through December 6, 2019	<b>Contact:</b> Mark McGillivray
<b>Comments From:</b> ENMAX Corporation	<b>Phone:</b> (403) 514-2782
<b>Date [yyyy/mm/dd]:</b> 2019/12/04	<b>Email:</b> MMcGillivray@enmax.com

## Tariff Design Advisory Group (TDAG) Stakeholder Engagement

### *Please comment what is working with the Tariff and TDAG Engagement. What could be improved?*

In person discussions are positive. More frequent meetings and calls may be more valuable to members.

Meeting materials should be distributed well in advance (e.g., agenda, presentations) and include as much detail possible so that stakeholders have enough time to review and prepare for the discussions beforehand. Often times, materials are only made available a day in advance or less which limits stakeholders' ability to engage in meaningful dialogue.

## Tariff 2020 Redesign Objectives

### *General comments on the completeness or accuracy of the "Where are we? And how did we end up here?" and the 5 Tariff Redesign Objectives*

To add to the accuracy of the price signal statement – it is important to note that larger, more sophisticated customers may have responded to transmission price signals in the past and may have the ability to do so in the future, but smaller consumers are much less able to respond in the current framework. While these consumers may not be directly connected to transmission, they should be considered.

- **Effective long-term price signals** – ENMAX agrees with the concept that regulatory certainty is required to encourage appropriate investment actions.
- **Facilitate innovation and flexibility** – ENMAX suggests that the entire framework needs to be reviewed to understand the multiple impacts of new technology to ensure that unintended consequences do not occur. The interrelated nature of the system and the regulatory structure need to be considered to avoid customer types being left behind. The ISO tariff approach should not create an unearned advantage or disadvantage to any specific customer type.
- **Reflect accurate costs and value of grid connection and services** – ENMAX agrees that fairness is an important consideration.

- **Explore options within legislation and regulation** – ENMAX suggests that, not only within the existing framework of regulation and legislation, but the AESO and participants should encourage refinement of the existing structure and economic condition of the province.
- **Path to change that is effective and minimally disruptive** – The path needs to be well communicated and vetted with the market to identify all potential roadblocks and issues that may impact the system and the economy.

**Tariff 2020 Redesign Objectives**

***What is the impact of inefficient price signals on costs and reliability of the grid?***

See above for general comments.

**Tariff 2020 Redesign Objectives**

***Do different customer types (industrial, industrial with co-generation, distribution facility owner customers . . .) view transmission price signals differently?***

Yes, each customer type views transmission price signals differently and is a reason for robust AESO communication and stakeholder involvement.

**Tariff 2020 Redesign Objectives**

***What opportunities do you see for the ISO tariff to be more adaptive, agile, flexible and to allow innovation?***

ENMAX will assess the opportunities as they are presented and provide feedback on the options and their potential impacts. This will include considerations of the viewpoints from the diverse set of stakeholders we are able to represent (variety of customer types across Alberta, generation, renewables and both the transmission and distribution side).

# Comment Matrix

## Tariff Design Group meeting November 15, 2019

<b>Period of Comment:</b> November 20, 2019 through December 6, 2019	<b>Contact:</b> Kurtis Glasier
<b>Comments From:</b> Heartland Generation Ltd.	<b>Phone:</b> 587 228-9617
<b>Date [yyyy/mm/dd]:</b> December 6, 2019	<b>Email:</b> Kurtis.Glasier@heartlandgeneration.com

### Tariff Design Advisory Group (TDAG) Stakeholder Engagement

#### *Please comment what is working with the Tariff and TDAG Engagement. What could be improved?*

Heartland Generation Ltd. (HGL) respectfully requests that the AESO take this opportunity to extend the membership of the Tariff Design Advisory Group (TDAG). Since the TDAG's formation there have been key developments that warrant inclusion of additional parties:

The primary reason that HGL believes that it should be given its own seat in TDAG is because the most recent ISO Tariff materially varied the regulatory framework under which generators earn revenue in the market. Specifically, 2018 ISO Tariff and the forthcoming compliance filing on self-supply and export changed the economics of how generators and loads are treated in the market and increased uncertainty in the wholesale electricity market going forward. HGL is the only large generator that publicly favored self-supply and export in its submission to the AUC, and therefore is not adequately represented by being a part of the Generator Group.<sup>1</sup> HGL submits that it would be procedurally unfair to be denied an independent seat on the TDAG. The TDAG is key in its ability to impact future tariff design, and individual generators should be invited to participate directly and contribute the breadth of their perspective relating to these issues.

The AESO's Stakeholder Engagement Framework was published after to the formation of the TDAG. The current membership, and the process by which that membership was limited, may be out of alignment with the principle of "Inclusive and Accessible" included in the Stakeholder Engagement Framework; the principle states that "all impacted parties are welcome". The AESO acknowledges that generators are impacted through the inclusion of one common generator seat on the existent TDAG. However, HGL believes that the AESO should now align the TDAG with its Stakeholder Engagement Framework and invite participation through TDAG membership to "all impacted parties".

<sup>1</sup> The Generator Group is comprised of Capital Power Corporation, TransAlta Corporation, ENMAX Energy Corporation, and formerly ATCO Power Canada Ltd. (now Heartland Generation Ltd.). At the time of formation, the Generator Group was represented at the TDAG by Capital Power Corporation with TransAlta Corporation as an alternate.

Removal of capacity market: The construction of the ISO Tariff is a higher priority to generators since the Government's decision to retain an energy-only market because the ISO Tariff is important to price signal formation for investment in the province. Previously (under a capacity market framework) the Generator Group members were comfortable sharing a TDAG seat, this has proved to be a struggle through coordination of positions of wholesale competitors with varying perspectives. The diversity of opinion among these ISO Tariff customers would be a strong addition to the TDAG and future tariff design initiatives.

**Tariff 2020 Redesign Objectives**

***General comments on the completeness or accuracy of the “Where are we? And how did we end up here?” and the 5 Tariff Redesign Objectives***

The summary slide appears to be complete and accurate, albeit at a high-level. The 5 Tariff Redesign objectives are appropriate principles for the path forward as the ISO Tariff redesign begins. HGL would echo the concerns of interested parties in the meeting notes that “effective long-term price signals need to factor in the price response.” This is an important consideration when trying to evaluate both the price signal itself and the effect/challenges that response to the price signal could pose. HGL is keenly interested in the review of ISO Tariff mechanisms that will be evaluated against the redesign objectives and how these tariff mechanisms can be altered to better address their intended purpose.

**Tariff 2020 Redesign Objectives**

***What is the impact of inefficient price signals on costs and reliability of the grid?***

In general terms, inefficient price signals necessarily lead to a suboptimal buildout of the grid in response to the distorted price signal. The buildout of generation, load, and infrastructure has been in response to the price signal of the current ISO Tariff. It is worthwhile to test the price signal and whether it sends the proper incentive to allocate resources in the most efficient way.

**Tariff 2020 Redesign Objectives**

***Do different customer types (industrial, industrial with co-generation, distribution facility owner customers . . .) view transmission price signals differently?***

Different customer types inherently view price signals differently if their ability to react or respond to that price signal is significantly different. Even amongst the same customer type, their individual ability to react and respond to price signals may be different. While the customer that can more readily respond will look at a price signal as a way to have their bill accurately reflect their contribution to the grid, a customer that is unable to respond as readily to the price signal will view its bill as a more binary decision: be exposed to a price that it cannot affect in a meaningful way, or invest capital in a behind-the-fence solution. Fundamentally, price signals should be used to align the interests of all customer types with the interests of the grid; this will help to ensure that an individual customer's choice does not negatively affect the price signal for the other grid customers.



## Tariff 2020 Redesign Objectives

### ***What opportunities do you see for the ISO tariff to be more adaptive, agile, flexible and to allow innovation?***

The ISO Tariff should offer a variety of rate classes to better reflect cost causation of the specific services that innovative and new technologies will require. For example, is it the most efficient solution to treat energy storage customers as both a load and a supply resource, when their behavior and stress on the system is not reflective of such treatment? Through thoughtful and principle-based rate classes, innovation will not be stifled, and fairness will not be compromised. In summary, the ISO Tariff should focus on customers being able to only pay for what they require to use. A variety of meaningful rate classes, expanded from what is currently available, will allow the ISO Tariff to be more adaptive, agile, and flexible in a transparent and rational way.

# Comment Matrix

Tariff Design Group meeting November 15, 2019



<b>Period of Comment:</b> November 20, 2019 through December 6, 2019	<b>Contact:</b> Colin Robb
<b>Comments From:</b> Capital Power Corporation (Generator Group TDAG Representative)	<b>Phone:</b> (780) 392-5169
<b>Date [yyyy/mm/dd]:</b> 2019/12/06	<b>Email:</b> cmrobb@capitalpower.com

## Tariff Design Advisory Group (TDAG) Stakeholder Engagement

### *Please comment what is working with the Tariff and TDAG Engagement. What could be improved?*

Capital Power submits the following comments for consideration by the AESO. The comments herein represent the views of generators represented through Capital Power's membership in the Tariff Design Advisory Group.

The Generator Group supports continued consultation through the TDAG. Though progress has been slower than expected due to changes in resourcing and scope, the TDAG should continue to serve as an advisory group to the AESO in their development of their forthcoming tariff application. In establishing the TDAG, the AESO proposed to use this forum to strengthen the application. It has never been the expectation or objective to reach consensus; the AESO should continue to emphasize this point when advancing the work of the TDAG. Engagement of the TDAG should continue to support the AESO's timelines that would see an application filed by end of 2Q 2020.

Where the AESO establishes subcommittees of the TDAG to support their analysis and provide advice, it is important to maintain transparency of discussions and analysis. This will be particularly true of subgroups when the members are engaged in more subjective analysis or interpretation of information. Providing this assurance to stakeholders will support the integrity of the AESO's stakeholder engagement process.

The Generator Groups supports the accessibility of tools and data that will be used to evaluate tariff design options.

**Tariff 2020 Redesign Objectives**

***General comments on the completeness or accuracy of the “Where are we? And how did we end up here?” and the 5 Tariff Redesign Objectives***

The AESO’s slide broadly addresses several key issues that arise when examining the current tariff and regulatory construct around transmission in Alberta. The Generator Group notes the AESO’s assertion that there is little efficiency to be gained by reducing incremental build. While the existing sunk costs of transmission infrastructure are a significant issue, the Generator Group would suggest there is opportunity to align the planning signals with the pricing signals to ensure that all future transmission builds are necessary and prudent.

The Generator Group generally supports the high-level objectives laid out by the AESO which underlie the tariff redesign process. In designing a solution, however, there will be tradeoffs between objectives, interpretation, and differences of opinion on the relative priority. Therein lies the challenge in developing a tariff application that is appropriate, defensible, and supports long-term market sustainability.

**Tariff 2020 Redesign Objectives**

***What is the impact of inefficient price signals on costs and reliability of the grid?***

Inefficient price signals in the transmission tariff lead to suboptimal economic decisions around consumption and investment. The inefficient price signal forces some customers to pay more and some customers to pay less than the reliability value they received, resulting in inequity between customer classes. To the extent that the customers respond to these inefficient signals they may change their behavior to consume less/more when there is a surplus/deficit of transmission capacity. Consumers may also choose to partially/fully self-supply when a more optimal outcome would be to serve their electricity needs from the grid, or conversely, choose to consume from the grid when self-supply would be more optimal. The result of the inefficient price signals is a distortion in the true value of reliability, which creates poor outcomes for consumers, and result in costly and inefficient system usage and development.

**Tariff 2020 Redesign Objectives**

***Do different customer types (industrial, industrial with co-generation, distribution facility owner customers . . .) view transmission price signals differently?***

Different customer types are likely to view transmission price signals differently. More importantly, different customer types have different opportunities to respond to transmission price signals. For example, an industrial operation with onsite cogeneration has a greater ability to respond to transmission price signals because they do not rely on the transmission grid in the same capacity as an industrial operation without cogeneration. Similarly, industrial transmission direct-connect customers are likely to have significant load requirements and strong incentives to manage consumption. In contrast, small distribution-connected customers pay energy, transmission and distribution costs such that transmission costs make up a lower proportion of their total delivered cost of energy. These customers are even more limited in their ability to respond to transmission price signals since the Distribution Utility contracts with the

AESO on their behalf. Furthermore, distribution-connected customers may be even less responsive as a customer class because they are not able to take direct action to change their transmission cost exposure (not interval metered).

The cost-benefit associated with a transmission interconnection varies for each individual customer. Applying a rate that appropriately values that opportunity is critical to ensure efficient long-term development of load, generation and the associated transmission infrastructure in Alberta.

**Tariff 2020 Redesign Objectives**

***What opportunities do you see for the ISO tariff to be more adaptive, agile, flexible and to allow innovation?***

The Generator Group supports a tariff design that is adaptive, agile, flexible and allows for innovation. The Generator Group submits that to accomplish these objectives, the market requires efficient and timely regulatory processes to develop, approve, and implement tariffs.

## Tariff Design Group meeting November 15, 2019

<b>Period of Comment:</b> November 20, 2019 through December 6, 2019	<b>Contact:</b> Vittoria Bellissimo
<b>Comments From:</b> Alberta Direct Connect Consumer Association (ADC), Dual L Customers (DUC), and Industrial Power Consumers Association Alberta (IPCAA)	<b>Phone:</b> 403 966 2700
<b>Date [yyyy/mm/dd]:</b> 2019/12/06	<b>Email:</b> Vittoria.Bellissimo@IPCAA.ca

### Tariff Design Advisory Group (TDAG) Stakeholder Engagement

#### ***Please comment what is working with the Tariff and TDAG Engagement. What could be improved?***

The AESO has stated it may “Reconsider TDAG membership with removal of capacity cost allocation scope.” ADC / DUC / IPCAA support this reconsideration. If entities were only present to address capacity costs, this is no longer an issue and as such these entities should no longer be members of TDAG.

The AESO has stated it may consider “Meeting frequency and length to efficiently align with key information sharing and decision points.” ADC / DUC / IPCAA support this as an efficiency step. In order to enable meeting planning, the AESO could hold dates in advance, but only run meetings if key information has to be shared or key decisions have to be made.

The AESO has stated that it will work on “Continued development and sharing of tools to evaluate options.” This is critical to ADC / DUC / IPCAA. Our members expect to be able to evaluate tariff design options and determine approximately what their costs will be under the upcoming AESO tariff application.

### Tariff 2020 Redesign Objectives

#### ***General comments on the completeness or accuracy of the “Where are we? And how did we end up here?” and the 5 Tariff Redesign Objectives***

ADC / DUC / IPCAA are concerned with the statement “Little efficiency to be valued in reducing incremental build.” This suggests that consumers are no longer concerned with incremental transmission costs. There are three major projects being examined in the near term (AIR, CETO and CRPC). We certainly want to ensure that these projects, if needed, are built as efficiently as possible, perhaps using a competitive process for transmission. We should also still be concerned with how to allocate these costs.

ADC / DUC / IPCAA support looking for new ways to achieve efficiency within existing regulation and legislation. ADC / DUC / IPCAA also support highlighting ways that regulation and legislation changes could result in a more efficient outcome for consumers.

When the AESO states: “Customers are responding to the price signal but hasn’t materially impacted the build” we need to recognize that this is because the price signal feedback loop was intentionally broken. CTI lines were determined by government edict, without considering whether price signals to consumers could change the need for the transmission build.

With regard to the AESO’s Guiding Objective #3 (“Reflect accurate costs and value of grid connection and services”), as stated in the TTWG and TDAG meetings, ADC / DUC / IPCAA submit that determining the “value” may be very subjective and difficult to determine. Reflecting accurate costs is a cleaner approach.

With regard to the AESO’s Guiding Objective #4 (“Explore options within legislation and regulation”) ADC / DUC / IPCAA note that it would be helpful for the TDAG process to highlight ways that regulation and legislation changes could result in a more efficient outcome for consumers.

**Tariff 2020 Redesign Objectives**

***What is the impact of inefficient price signals on costs and reliability of the grid?***

Obviously, this will depend on how inefficient the price signals are. If a price signal is not strong enough, we will not see a customer reaction to it. If a price signal is too strong, we will see an over-reaction to it. Both will have an impact on costs. Reliability is a more complicated question.

There is also a timing element. We need to have a price signal exists for sufficient time for customers to be enabled to react. We also need to demonstrate that such a price signal will continue to exist for a sufficient duration to encourage customers to invest in equipment and processes to be able to respond.

It is also important to note that if customers do not receive the price signal, it will be less efficient. If distribution rates to not pass through DTS costs to end-use customers, we are not enfranchising all consumers to react to the DTS price signals.

It would be useful for the AESO to model rate impact (“price signals”) once some options are made available.

**Tariff 2020 Redesign Objectives**

***Do different customer types (industrial, industrial with co-generation, distribution facility owner customers . . .) view transmission price signals differently?***

Different customer types see different transmission price signals and this is a concern. Passing DTS costs through to end-use customers, as they are set, would be useful. It would also help for distribution tariffs to be set based on billing determinants for all customers – instead of by end use category. This way all customers could see and react to the same price signals.

Customers view transmission price signals differently because they see different price signals. Customers also have differing abilities to respond to price signals.

**Tariff 2020 Redesign Objectives**

***What opportunities do you see for the ISO tariff to be more adaptive, agile, flexible and to allow innovation?***

We need to consider whether charging on CP in the shoulder season is valuable.

Otherwise, ADC / DUC / IPCAA would be happy to run any new ideas for adaptive, agile, etc, design options by members to determine interest and impact.

# Comment Matrix

## Tariff Design Group meeting November 15, 2019

<b>Period of Comment:</b> November 20, 2019 through December 6, 2019	<b>Contact:</b> Tory Whiteside
<b>Comments From:</b> Distributed Generation Working Group	<b>Phone:</b> 403-689-7243
<b>Date 2019/12/06:</b>	<b>Email:</b> tory.whiteside@urica.ca

### Tariff Design Advisory Group (TDAG) Stakeholder Engagement

***Please comment what is working with the Tariff and TDAG Engagement. What could be improved?***

Working:

Transparency - the AESO has made data and models available to the group such that analysis and information can be passed along – no secret calculations and withholding of methodology

Group size is manageable and allows for a good communication flow in most meetings

Working group structure allows for ongoing work to continue outside of the TDAG and should lead to efficiencies

AESO at least verbally has been very open to making real changes to the transmission structure and doing the work with stakeholders to ensure full visibility to analysis, studies and methodology undertaken

Room for improvement:

Attempt to shoehorn the capacity cost allocation and transmission tariff redesign into the same engagement created a large degree of inefficiency and essentially put the transmission piece on the back burner for a full year. Capacity Cost Allocation design was greatly restricted by government policy and should have been managed either during the capacity market development or in a smaller scale proceeding that only involved the groups impacted – which would have excluded large generation and transmission entities

No real direction for the engagement, a lot of meetings didn't accomplish much, and the transmission work appears to be lagging

Firmer mediation in meetings – a lot of filibustering regarding issues that the group has discussed multiple times already, discussion of points that were long past being revisited and raising of extraneous issues need to be curtailed as this has derailed some meetings



Unrealistic timelines – due to the attempt to 2 for 1 the engagement, the timelines were very tight. The AESO has also been engaged on many other fronts and therefore we have seen a lot of meetings rescheduled/cancelled and the reality is that even the existing timeline certainly looks unrealistic based on the scope of work remaining

As an overall comment, the voice of large transmission system and generation owners should not overshadow the voice of other participants on the system, unfortunately the larger entities have both the manpower and the resources to remain engaged in multiple stakeholder issues at the same time. In an effort to balance this the AESO has attempted to create an equalized group representation within the TDAG. As a stakeholder for a smaller group, moving forward the AESO’s continued careful consideration of stakeholder group weighting on an engagement by engagement basis is fundamental to the process.

**Tariff 2020 Redesign Objectives**

***General comments on the completeness or accuracy of the “Where are we? And how did we end up here?” and the 5 Tariff Redesign Objectives***

In general, the DGWG believes the comments regarding “Where are we? And how did we end up here?” are reasonably complete and accurate. However, sunk cost issue asides the DGWG believes that whatever efficiencies can be gained by reducing incremental build should be maximized as possible. At the same time, the DGWG is more concerned with improvements in tariff mechanisms and attainment of the AESO’s aspirational tariff objectives going forward than justifying how we got here.

**Tariff 2020 Redesign Objectives**

***What is the impact of inefficient price signals on costs and reliability of the grid?***

Inefficient price signals cause customers to respond to the wrong signal at the wrong time or rates that encourage behaviour that does not help minimize grid stress or future enhancements; therefore, grid reliability has been achieved without achieving the benefits of the customer response due to misalignment of the existing price signals with long term system planning. This has led to a higher potential for non-optimal transmission enhancements, system planning and allocation of costs.

**Tariff 2020 Redesign Objectives*****Do different customer types (industrial, industrial with co-generation, distribution facility owner customers . . .) view transmission price signals differently?***

Yes. In general customer types that can react to a transmission price signal or could build an asset or change operations to manage transmission costs via a response to price signal are incented to make this effort or at the least perform a cost benefit analysis regarding developing systems/assets to respond to the existing price signals. On the other hand, only a very small percentage of the non-industrial customer base see a price signal. Since transmission rates are bundled within distribution tariffs, aside from load entities directly connected to the transmission system or DCG, very few customers can change their consumption patterns and see any savings. The AESO pushes tariffs to the DFO's and they allocate the rates as they see fit. The lack of alignments between TFO and DFO rates makes any attempt to creates rates that provide a price signal across a larger customer base extremely difficult under the current structure. At the same time, the AESO needs to determine what their specific role is as a rate maker, and what is they are specifically looking to achieve with the tariff redesign process

## Tariff 2020 Redesign Objectives

### ***What opportunities do you see for the ISO tariff to be more adaptive, agile, flexible and to allow innovation?***

The creation of transmission tariffs and structures that allow for price response by all consumers, potentially the addition of interruptible rates for larger entities and in time a review of the Transmission and amendments to the regulation that will allow for more flexibility and different structures to be adopted in the future ISO tariffs. This would likely require more structure around alignment with DFO rate design which is a different challenge all together; Moreover, the ISO tariff shouldn't be used as a tool to discourage different types of generation (i.e. distribution connected generation). It should be fair to all generators, customers and technologies connecting to the grid. As much as possible transmission costs should be flowed directly through to end use customers, not put into the black box for distribution companies to roll down to consumers The AESO should be focused on creating rates that provide the correct price signals and allow for the proper valuation of the grid connection, not trying to build rates to eliminate cross-subsidization, the correct rate structures should naturally create a tariff environment that supports the optimization of current assets and reduction of future incremental costs.

## Tariff Design Group meeting November 15, 2019

<b>Period of Comment:</b> November 20, 2019 through December 6, 2019	<b>Contact:</b> Horst Klinkenberg
<b>Comments From:</b> Suncor Energy Inc.	<b>Phone:</b> (403) 296-4938
<b>Date [yyyy/mm/dd]:</b> 2019/12/06	<b>Email:</b> hklinkenberg@suncor.com

### Tariff Design Advisory Group (TDAG) Stakeholder Engagement

#### *Please comment what is working with the Tariff and TDAG Engagement. What could be improved?*

Several things have changed since the TDAG was originally established. The capacity market was cancelled, which alleviated the need for a cost allocation discussion. However, it also drastically reduced the regulatory workload in industry. Some participants may have prioritized the capacity market engagement over tariff matters. Now these participants may have the resources and may want to be more involved in the tariff. Additionally, the E.L. Smith decision created significant questions and concerns regarding self-supply, net metering and net settlement, which broadened the interest in the tariff. This is further intensified by tariff related questions being raised in other proceedings (e.g. Proceeding 24979).

As such, Suncor submits that both the scope and the membership of the TDAG need to be revisited.

### Tariff 2020 Redesign Objectives

#### *General comments on the completeness or accuracy of the “Where are we? And how did we end up here?” and the 5 Tariff Redesign Objectives*

##### Where are we? And how did we end up here?

- **Transmission costs are sunk and costs are high** – Suncor agrees with the statement but disagrees with the comment. The current build is in response to need as driven by participants’ behavior, which is a direct consequence of the signals that were sent historically. It is unknown to what extent a change in signals would change behavior going forward. As such it is premature to judge the value of reducing incremental build.
- **Regulatory construct: postage stamp and load only tariff** – Suncor agrees with the Commission’s suggestion that the AESO has an unnecessarily limited view of the options allowed under the current legislation and regulation. Further, given the upcoming need for a review of the *Transmission Regulation*, Suncor submits that now is the time to identify regulatory

constraints that present obstacles to achieving long run improvements.

- **Future build is primarily driven by factors other than load** – Instead of lamenting the rigid regulatory construct, now is the time to identify how the regulatory construct is limiting efficiency and how this could/should be changed. Government can only make improvements if it is properly informed by industry and the AESO as to where the problems lie.
- **Customers have made investments (sunk costs)** – The objective should be to create a sustainable framework in the long term without creating undue harm to existing investment. If an efficient proposal would create undue harm, the harm should be addressed via special treatment and/or grandfathering, not by implementing a poor framework.
- **Current pricing signals do not align with planning signals** – It is difficult to understand why there is supposedly such a misalignment between planning and pricing signals. One of the main features in past tariff approvals has been cost causation, which inherently tries to align planning and pricing signals. The fact that the AESO filed for approval of its past tariffs suggests that planning and pricing signal were at least historically aligned. More information is needed regarding what has changed with regard to planning in order to understand how to develop appropriate pricing signals.

**Tariff Redesign Guiding Objectives**

Suncor generally supports the guiding objectives, particularly the goal to send efficient and effective price signals. With regard to the 4<sup>th</sup> objective (Explore options within legislation and regulation), Suncor reiterates its perspective that potential changes to legislation and regulation should be contemplated and potentially be requested from government. Legislative stability is important but it needs to be recognized that the industry has been changing and will continue to change and that from time to time a review of the legislative construct is appropriate.

***What is the impact of inefficient price signals on costs and reliability of the grid?***

Inefficient price signals result in unnecessary costs and have the potential to negatively impact reliability. In first instance, inefficient price signals result in inefficient behavior, which increases the need for transmission. If this need is fully met, costs go up. If not, which becomes increasingly likely due to the cost pressure, reliability will go down.

***Do different customer types (industrial, industrial with co-generation, distribution facility owner customers . . .) view transmission price signals differently?***

Suncor does not believe that different customer types inherently view transmission price signals differently. Suncor believes that instead three factors drive an interest in price signals: (1) how large is the price signal, (2) what needs to be done to respond to the price signal, and (3) how stable and reliable is the price signal? Suncor believes that there is a myth that certain customers simply won't respond to price signals. More likely, these customers either don't receive a clear and proper price signal or the *cost* to respond exceeds the benefit for the customer. Neither explanation would provide a justification to not improve the price signal for all customers.

***What opportunities do you see for the ISO tariff to be more adaptive, agile, flexible and to allow innovation?***

Suncor believes that the AESO has significant more leeway in developing additional rate classes and tariff components compared to what is currently utilized in the tariff. When developing the tariff, the AESO should particularly look at the interplay between the tariff and AESO rules, which, in Suncor's opinion, has previously been neglected. In addition, when actual barriers to flexibility and innovation are identified, it should be investigated whether a change in the regulatory construct may be appropriate and if so, such a change should be suggested to the government.