

Capacity Cost Allocation Analysis Work Group Meeting #3 – November 26, 2018

Draft Agenda and Draft Meeting Notes



Date: Monday, November 26, 2018 **Time:** 9:00 a.m. to 10:30 a.m.
Location: Conference Call
Invitees: Members of the Capacity Cost Allocation Analysis Work Group (CCAA WG)

Conference Call details in Outlook meeting invitation

Objectives

- Third meeting of the CCAA WG
- To discuss the analysis that is underway or could be conducted in support of the Tariff Design Advisory Group (TDAG)

Agenda

Time	# min	Agenda Items	Presenter
9:00 a.m.	15	Introduction Updates from last CCAA WG meeting	Derek Olmstead, AESO
9:15 a.m.	30	Capacity cost rate estimator tool (revised version) and discussion of bookend scenarios and alternatives Discussion of characteristics that time periods should satisfy <i>Desired outcomes:</i> <ul style="list-style-type: none"> • Preferred bookends (including why) and other cases to consider • Agreed discussion for and recommendations to December 5 TDAG 	Derek Olmstead, AESO
9:45 a.m.	30	Discussion of Terms and Conditions questions assigned by the TDAG <i>Desired outcomes:</i> <ul style="list-style-type: none"> • Agreed response to December 5 TDAG • Agreed view whether the CCAA WG should recommend to the TDAG that the issue of terms and conditions be considered separately from the capacity cost allocation analysis 	Vittoria Bellissimo, IPCAA Derek Olmstead, AESO
10:15 a.m.	15	Discussion of next steps, including the next meeting of the CCAA WG Adjourn by 10:30 a.m. at very latest	Derek Olmstead, AESO

Meeting Notes

Attendees:

- Derek Olmstead
- Kris Aksomitis
- Richard Stout
- Tory Whiteside
- Vittoria Bellissimo

Regrets:

- Colette Chekerda

Introduction and Updates

The AESO noted that the final Capacity Market Regulation was not yet public and was not expected to be made public before the next meeting of the TDAG on December 5, 2018.

Weighted Energy Method

The first topic of discussion was the parameters of the Weighted Energy Method (WEM) of use in capacity cost allocation, focusing on (i) bookend scenarios and (ii) methodology.

Beginning with the potential WEM scenarios that were distributed prior to the work group meeting, some members indicated that additional scenarios were desirable. In particular, another desirable scenario is one with a materially larger weight in the time period that contains the highest levels of demand. The AESO indicated that, to some extent, this would be possible in the next version of the Capacity Cost Rate Estimator Tool (version 2), which it would distribute by the end of the week.

Whereas the process in the Capacity Cost Rate Estimator Tool breaks hours into buckets based on (i) hour ending, (ii) weekday/weekend, and (iii) month, some work group members indicated a desire to add additional granularity to the breakdown by including (i) weeks and (ii) day of week. The AESO indicated that it would investigate the potential for changing the capabilities of the Capacity Cost Rate Estimator Tool in this regard.

On the issue of methodology, members discussed how to consider how the selection of time periods and time period weights would impact consumption. Members noted that the predictability of capacity price signals from the WEM may be very different from the incentives associated with (i) transmission cost allocation according to a coincident peak methodology and (ii) historical energy-only pool prices because the charge for capacity in specific hours would be known with confidence well before the beginning of the hour. In this connection, some members argued that the price-responsiveness of historically price-responsive load in the energy market may provide a conservative estimate of consumers' willingness to respond to price signals.

Members decided that this issue should be advanced by informal discussion among members following the scenario analysis.

Terms and Conditions

Members reported back with options to provide consumers with additional consumption incentives through terms and conditions. It was noted that there was a distinct lack of clarity in the directions provided by the TDAG at its November 8 meeting what specific issue was intended to be resolved by the use of these options. There was not agreement among members that this was even an issue.

With this in mind, the four general options discussed were:

1. No additional terms and conditions beyond the parameters of the WEM. The premise of this option is that the government's stakeholder policy paper did not envisage any such charges and so they would be inconsistent with the WEM.
2. Capacity opportunity service that would provide a product that could hedge generator availability.
3. Heavy financial penalty for consuming above some pre-determined or calculated level that is based on energy market conditions at the time.
4. Physical curtailment of consumption above some pre-determined or calculated level during EEA events.

The AESO raised the question of whether the terms and conditions discussion was best suited to be addressed by the CCAA WG or by another work group. There was not agreement that change was required and it was noted that (i) to the extent that terms and conditions create consumption incentives through pricing or some other means they have to be accounted for by the work of the CCAA WG and (ii) plenty of work groups have already been formed by the TDAG. Significant concerns were also raised about the composition of the work group that considers these matters, with it being argued that consumer voices are critical.

Discussion regarding the next meeting of the CCAA WG was deferred pending discussions at the December 5 TDAG meeting.

Action Items

1. Derek to:
 - a. Distribute the Capacity Cost Rate Estimator Tool (version 2) by the end of the week containing the CCAA WG meeting. Update: Complete.
 - b. Begin methodology discussion among CCAA WG members. Update: In progress; no final deliverable date as it depends on the nature of discussion and cannot conclude in any event until after the Capacity Market Regulation is final.
2. Vittoria to:
 - a. Circulate a potential bookend scenario with very high weights for consumption in high demand periods. Update: Complete.