Cost of Service Study Working Group

Update and Recommendations

December 5, 2018

Rev 1

Working Group Members

- Rick Cowburn, Canada West Ski Association & Seasonal Energy Users Association
- Hau Liu, AltaLink
- Richard Stout, UCA
- Leland Jernberg, FortisAlberta
- Dale Hildebrand (Chair), DUC
- Derek Olmstead, AESO
- Raj Sharma, AESO

Historical Rate Design Highlights

- Gridco
  - Recover revenue requirement
  - Wires 100% cost recovery from load
  - Coincident peak proxy for bulk related costs ($/MW x on-peak load factor, 15% minimum)
- ESBI
  - Balance Budget (for profit Transmission Administrator)
  - Wires 50% cost recovery from load
  - Energy charge for bulk cost recovery

Historical Rate Design Highlights

- AESO
  - Recover revenue requirement
  - 100% wires cost recovery from load
  - 12 CP rate design for bulk system

Transmission Addition Drivers - Meeting with Transmission Planners

- Historically
  - Coincident peak was key driver
  - Large dispatchable generation followed load – CP was driver for both
- Current / Long Term Plan
  - $1-$2 B bulk system planned (limited $, current bulk system is robust)
  - CP used, but no longer the key driver
  - Key drivers
    - Renewable generation
    - Resource industries (NE carbonates, NW liquids)
    - Restore intertie capacity for imports (generation)
    - Inter-Provincial transfer capability
  - DG may cause transmission additions if exporting from PODs

Terms of Reference (T of R)

- Meeting the requirements of legislation;
- Identifying, developing and evaluating a comprehensive list of options for allocating capacity costs and bulk and regional transmission costs;
- Minimize the long-term costs of transmission and capacity, and optimize overall costs to consumers;
- Limit undue cross subsidization; and
- Achieving consistency among tariff components (e.g., consistency across energy, capacity, transmission and distribution such that different tariff provisions remain aligned as much as possible).

Proposed Road Map

Transmission addition drivers

Cost of Service Study

Objectives for optimal tariff design

- Optimal transmission investment
- Optimize transmission usage

Rate Design Alternatives

- No single driver
- Location dependent
- Future may be different from past

- Historical precedents
- Definitions
- User benefits
- Other issues

- Legislative constraints
- Terms of Reference
- Price Signals
- Rate design principles (ranking?)
- Stakeholders positions

- TOU metering related billing determinants
- Bonbright principles (constraints)

  Practical, effective, fair, rate impact, efficient, stable, etc.

Concerns

- Studies
  - Will study results drive decisions?
    - Given legislative and rate design constraints
  - Data availability
  - Resources
  - Timing
- Consensus
  - Divergent stakeholder views – can we get to a set of recommendations?

Recommendations

- COSS Working Group ---> Transmission Tariff Working Group
- Work Road Map
  - Determine what COSS or other studies will be useful, helpful and practical
  - Rate design alternatives
  - Prepare Scope of Work and Plan for Advisory Committee Approval by next meeting
- AESO Resources?

Transmission Tariff Working Group Members

Dale Hildebrand (Chair), DUC

Small Customers

- Rick Cowburn, CWSA & SEUA
- Richard Stout, UCA

Large Customers

- Grant Pellegrin, Cenovus.
- Surendra Singh, Alberta Newsprint

Wires Owners

- Hau Liu, AltaLink
- Leland Jernberg, FortisAlberta

AESO

- Derek Olmstead, AESO
- Raj Sharma, AESO

Transmission Tariff Working Group

Deliverables for next meeting:

- Clarify principles, criteria for evaluation and desired end state
  - Objectives for optimal tariff design
- Determine what COSS or other studies will be useful, helpful and practical
- Develop rate design alternatives
- Prepare Scope of Work and Plan
- Resource needs