

# Tariff Design Advisory Group

## Session 8 - Summary



March 6, 2019, 9:00 am to 1:45 pm, AESO Offices

### Pre-Meeting Materials

Prior to the meeting, the following materials were provided by email to TDAG members:

- Meeting Agenda
- Draft TDAG Meeting Notes from February 7, 2019

Presentations and Information Items:

- Capacity Cost Allocation Analysis (CCAA) WG Update
- Capacity Cost Allocation Terms and Conditions (CCA TC) WG Update
- Transmission Tariff (TT) WG Update

### Attendees

Representative	Company or Organization	Present?	Alternate	Present?
<b>Demand rate payer representation</b>				
Residential, farm and commercial consumers				
Richard Stout	UCA	Telecon	Megan Gill	
Mark McGillivray	ENMAX	Yes	David Lenz	
Raj Retnanandan	CCA	Yes	Dustin Madsen	
Dan Levson	AFREA	Yes	Dave Butler	
Industrial Consumers				
Vittoria Bellissimo	IPCAA	Yes	Richard Penn	
Grant Pellegrin	Cenovus	Yes	Horst Klinkenborg	
Demand Response				
Colette Chekerda	ADC	Yes	Christian Lenci	
Surendra Singh	Alberta News Print	Yes	Christian Lenci	
Combined Load and Generation				
Dale Hildebrand	Dual Use Customers	Yes	Myles Fox	
Kris Aksomitis	Cogeneration Working Group	Yes	Travis Tuchscherer	
Distribution Facility Owners				
Janene Taylor	ENMAX Corporation	Yes	Tony Martino	Telecon
Leland Jernberg	FortisAlberta	Yes	Gerald Zurek	Telecon
Representatives-at-large				
Ed de Palezieux	Devon Energy	Yes	Rick Cowburn	Yes
Bryan Krawchyshyn	TransCanada Pipelines	Yes	Mark Thompson	
Other interested parties				
Transmission Facility Owners				
Hao Liu	AltaLink	Yes	Rob Senko	
Generators (includes renewables)				
Colin Robb	Capital Power	Yes	Akira Yamamoto	

Representative	Company or Organization	Present?	Alternate	Present?
Energy Storage				
Patricia Phillips	Energy Storage Canada	No	Travis Lusney	Telecon
Representative-at-large				
Tory Whiteside	Distributed Generation Working Group	Yes	Leonard Olien	
AESO				
Doyle Sullivan	AESO	Yes		
LaRhonda Papworth	AESO	Yes		
Matt Gray	AESO	Yes		
John Martin	AESO	Yes		
Trushal Umrana	AESO	Yes		
Facilitator				
Karla Reesor	Moving Forward	Yes		

**Guests:**

none

**Agenda**

	# min	Agenda Items	Presenter
9:00 am – 9:30 am	30 min	Introduction <ul style="list-style-type: none"> <li>• Welcome (members, presenters)</li> <li>• Session overview and objectives</li> <li>• Review and approval of February meeting notes</li> <li>• Update on Action Items</li> </ul>	Karla Reesor, Facilitator
9:30 – 10.45 am	75 min	Capacity Cost Allocation Analysis WG Update: Recommendation <ul style="list-style-type: none"> <li>• Chair presentation (John Martin)               <ul style="list-style-type: none"> <li>- Principles</li> <li>- Time blocks</li> <li>- Weights</li> </ul> </li> <li>• Roundtable               <ul style="list-style-type: none"> <li>- CCAA WG members</li> </ul> </li> </ul> Remaining TDAG members	All
10:45 am – 11:00am		<b>Break</b>	
11:00 am – 12:00 pm	60 min	Capacity Cost Allocation Terms and Conditions WG Update: Recommendations <ul style="list-style-type: none"> <li>• Chair presentation (Richard Stout)</li> </ul>	All

	# min	Agenda Items	Presenter
		<ul style="list-style-type: none"> <li>- Penalties</li> <li>- Metering</li> <li>- Deferral accounts</li> <li>• Roundtable <ul style="list-style-type: none"> <li>- CCA TC WG members</li> <li>- Remaining TDAG members</li> </ul> </li> </ul>	
<b>12:00 pm – 12:30 pm</b>	<b>30 min</b>	<b>Lunch</b>	
12:30 pm – 12:50 pm	20 min	Transmission Tariff WG Update	LaRhonda Papworth
12:50 pm – 1:10 pm	20 min	Roundtable – general discussion items	All
1:10 pm – 1:30 pm	10 min	Review of conclusions, action items and next steps	Karla Reesor, Facilitator
<b>1:30 pm</b>		<b>Session adjourned</b>	

## Meeting Notes

Time	Item
9:00 am	<p><b>1. Introductions</b></p> <ul style="list-style-type: none"> <li>• The agenda was accepted.</li> <li>• Meeting notes from February 7, 2019 were approved</li> </ul>
9:15 am	<p><b>2. Capacity Cost Allocation Analysis WG Update: Recommendations</b></p> <ul style="list-style-type: none"> <li>• John Martin (AESO) provided an update from the WG.</li> <li>• The bookend analysis provided directional and indicative results with caveats; the narrow peak bookend resulted in <u>reducing</u> minimum gross procurement volume by 37 MW; the wide peak bookend resulted in <u>increasing</u> minimum gross procurement volume by 34 MW.</li> <li>• Resource adequacy model is a probabilistic tool and was not intended to provide exact forecast of hourly unserved energy; model indicates higher probability that unserved energy will occur during weekdays rather than weekends and during on-peak rather than off-peak hours.</li> <li>• WG evaluated an on-peak time block containing about 400 hours; a mid peak block containing about 3600 hours and an off-peak block containing about 4800 hours. WG recommended that the on-peak block should be no more than 400 hours such that production capability is not impacted.</li> <li>• WG examined a range of initial weights starting with unserved energy in each time block; WG indicated a number of additional considerations need to be examined, however, at this point, WG supports a high on-peak rate that would be sufficient to incent price responsive load to curtail, a mid-weight block that would not be a barrier to exports and a and low or \$0 off-peak rate. A table was provided indicating the range of possibilities. The starting point for examination was a 4:1:0 weights in peak time blocks. <ul style="list-style-type: none"> <li>○ Prior to finalizing the weights the WG indicated that additional considerations will need to be examined; these were provided in the presentation. A fourth bin will also be investigated as three bins may not provide sufficient flexibility when establishing</li> </ul> </li> </ul>

weights.

- Members of the WG provided additional comments:
  - In the past, price responsive load recovered approximately 50% of revenue in approximately 5% of hours; this has led to a lot of investment in the ability of sites to take load offline; 400 hours pushes limit of responsiveness; WG doesn't want to negatively impact competitiveness of industry; AESO has done a good job of balancing interests.
  - Biggest constraint at this point is the Capacity Market Regulation; difficult to meet regulation's requirements and create efficient price signal; narrow signal "does less harm" than other options.
  - Appreciate volume and quality of AESO work; AESO staff is squeezing useful info out of RAM; rate design includes a lot of judgement.
  - WG has landed on what is the least damaging and has potential for demand response; hope that it gets revisited with analytical rigour going forward; RAM model may need to be addressed as it is not fit for purpose for cost allocation purposes.
- Comments from members of the TDAG who were not on the WG included:
  - AESO is missing an integrated model to be able to consider impact on demand curve and energy prices; looks like a lot of work and a lot of design with minimal impact; is impact worth the effort?
  - Presentation to industry may need to provide more context on 400 hour time block.
  - Need to be mindful of unintended consequences – an aggregator could sign up to provide demand response; need to think through which customers are receiving the signals and target the signals appropriately.
  - Different views were expressed on the appropriate ratio for weights.
  - May be too narrow to focus only on minimizing capacity cost; need to also factor in energy market and transmissions costs to be able to assess total costs.
  - Suggest renaming time periods to peak/mid/low to differentiate from other existing use of on-peak/mid-peak/off-peak terminology.
  - Smaller loads cannot respond to price signals in the same way as larger loads.
  - It's legitimate to consider "softer" benefits of price impacts, e.g. concern about industry leaving province.
  - Not clear on whether there is a need for more than 2 time blocks.
  - Supportive of AESO looking at more than 3 time blocks and moving dollars to off-peak.
  - May be some concerns about a level playing field at auction between generators who receive only the capacity clearing price and price responsive load who could receive the capacity clearing price and avoid capacity market cost allocation charges.
  - Agree that efficient price and response is necessary and useful and the challenge is how to strike balance between price signals and corresponding cost reduction; need to consider other options such as storage; need integrated, forward looking basis to assess total price.
  - Need a manageable number of time blocks; some existing distribution billing systems have a capability to handle 3 time blocks now.
- A member of the WG responded to the comments:
  - Agree with the comment to consider all costs, not just capacity costs; there is no simple way to determine the actual demand response.
  - There will be a need to monitor price responsiveness of load and to be very clear

	<ul style="list-style-type: none"> <li>○ about reporting/monitoring and when data and analysis will be shared by AESO.</li> <li>○ Support the comments that RAM is not designed for this type of assessment.</li> <li>○ Acknowledged the need to be mindful of customer communications, and also that more context may be needed to discuss preferred ratios.</li> <li>○ Two time blocks would not be sufficient to provide appropriate price signals.</li> </ul> <ul style="list-style-type: none"> <li>● A suggestion was made to add calculation for energy costs with each time block and to provide more context for how the 400 hour time block was identified as the optimal approach.</li> <li>● AESO staff indicated that for the industry update on March 13, the slides would be adjusted to be clear that the WG is not yet providing final recommendations for the time blocks and weights.</li> <li>● The WG will reconvene in April and determine whether an update will be possible for the next TDAG meeting.</li> </ul>
12:40pm	<p><b>3. Capacity Cost Allocation Terms and Conditions WG Update: Recommendations</b></p> <ul style="list-style-type: none"> <li>● Richard Stout (UCA) provided an overview of the WG work to date.</li> <li>● AESO legal review has the AESO's positions as follows: <ul style="list-style-type: none"> <li>○ Penalties or incentives cannot be applied to loads at self-supply sites or other subsets of classes of system access service.</li> <li>○ Capacity market costs can be allocated at a different measurement point than the point of delivery ("POD") used for transmission settlement of system access services.</li> <li>○ Capacity market costs must not be allocated to isolated communities.</li> </ul> </li> <li>● A proposal for self-supply monitoring is being considered by the AESO and will be discussed at the next WG meeting; the AESO noted that self-supply is just one area where monitoring or assessment may be needed to determine impacts of prices; there were different views shared about the need for the AESO to monitor for reliability and the role of the MSA to assess the markets.</li> <li>● Distribution metering gross-up – group agreed that gross-up for distribution connected generation remains appropriate (excluding those within a self-supply site). Participation in the capacity market of distribution-connected load through aggregation is considered improbable in the initial auction and the issue was parked for consideration at a later time.</li> <li>● Deferral account recovery riders – if amounts in deferral accounts are small, then there are fewer issues and recovery could occur over 12 months; if the amounts are larger, then there are more questions about options and implications; further analysis is required on the likely size of deferral account balances and the materiality of customer impact under each scenario. If there are large balances, amounts could be collected quarterly. There will be a need to balance the rider with administrative costs.</li> <li>● The WG will not be meeting again until early April while members focus on other matters.</li> </ul>
	<p><b>4. Transmission Tariff WG</b></p> <ul style="list-style-type: none"> <li>● LaRhonda Papworth (AESO) provided an update on the status of studies and data collection. The AESO will initiate studies and data collection only when it is very clear how the information will be used.</li> <li>● AESO staff anticipates accelerating work within AESO in mid-April; the AESO is open to receiving suggestions for consultants.</li> <li>● Collette requested the agreement of the TDAG to bring a consultant (Brubaker and Co) to the WG to add more bench strength. All agreed.</li> </ul> <p><b>Action – The WG will share a high level overview of the planned studies in late March so that</b></p>

	<b>TDAG members can provide consultant suggestions.</b>
	<b>5. Roundtable</b> <ul style="list-style-type: none"> <li>Action items were reviewed.</li> <li>AESO invited feedback on timing for future TDAG meetings currently scheduled for April 4 and May 9.</li> <li>The group decided to hold 2 hours in the morning of April 11 as a possible update meeting. There will still be a meeting on May 9, as planned.</li> </ul>
1:45 pm	6. Meeting adjourned

### Report on Action Items

#	AG Action Items	Action by	Due Date	Status
Session 7, February 7, 2019				
Action Item 1	Consider the feedback from the TDAG: the definition of utilization being mindful of what is actually driving costs; adding fixed and variable costs into study parameters; and, whether there is a saturation point for CP.	TT WG	On-going	Noted by TT WG
Action Item 2	TT WG (Hao Liu AML and Grant Pellegrin, Cenovus) will meet with Dan Levson (AFREA) to discuss aspects of data collection	TT WG	When available	
Action Item 3	Share perspectives with the TT WG on potential rate design implications or boundaries related to the planned study topics by February 15. Comments can be sent to <a href="mailto:tariffdesign@aeso.ca">tariffdesign@aeso.ca</a> .	TDAG	Feb 15	No comments received
Action Item 4	Consider an additional economic study on competitiveness relative to other jurisdictions.	TT WG	On-going	Noted by TT WG
Action Item 5	After reviewing draft Terms of Reference for studies that will be provided by the TT WG, TDAG members are asked to share any suggestions for external consultants who would be well suited to conduct the studies.	TDAG		Deferred to late March

## Report on Decision Items

Session (S# + date)	(#)	AG Decision Items
<b>2018</b>		
August 17		<i>Advisory Group established</i>
S1- August 23	Decision Item 1	<i>Advisory Group approved Terms of Reference with changes</i>
S2 – September 6	Decision Item 2	<i>Advisory Group approved work plans with changes</i>
	Decision Item 3	<i>Data Requirements Working Group struck</i>
S3 – October 4	Decision Item 4	<i>Capacity Cost Allocation Analysis Working Group struck</i>
S4 – November 8	Decision Item 5	<i>Cost Causation Working Group work struck</i>
S5 – December 5	Decision Item 6	<i>Terms and Conditions Working Group struck</i>
	Decision Item 7	<i>Data Requirements Working Group concluded</i>
	Decision Item 8	<i>Transmission Tariff Design Working Group struck</i>
<b>2019</b>		
S7 – February 7, 2019	Decision Item 9	<i>Approved plan for studies and data collection proposed by Tariff Design Working Group</i>