Stakeholder Comment Matrix – March 14, 2019

Tariff Design for Capacity Market and Bulk and Regional Transmission Cost Allocation – Industry Update (March 13, 2019)

Period of Comment:	March 14, 2019	through	April 10, 2019	**Contact:**	Rose Ferrer
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Please provide comments relating to the topics listed below in the corresponding box. For convenience, references to slides from the March 13 Industry Update where each topic was discussed are included in the table below. Please include any views about whether the content presented sufficiently addressed the topic, and provide any proposed alternative or additional approaches that should be considered.

Slides	Topic	Stakeholder comments
Tariff Design Consultation Process		
5-11	AESO tariff design consultation approach, scope, and process.	ENMAX agrees with the terms of reference and scope but notes that the imposed timelines are aggressive. Due to resource constraints within the AESO and the members of the Transmission Design Advisory Group (TDAG), the progress has been slow and ENMAX is concerned that the ability to implement the TDAG's recommendations could be compromised, particularly if the rate design is too complicated. ENMAX also suggests that more active enforcement of the scope for the TDAG would increase the pace and keep members focused.
Capacity Market Cost Allocation Tariff Development Update		
15-20	Requirements of *Capacity Market Regulation*	Given the requirements of the *Capacity Market Regulation*, ENMAX supports the use of a single per megawatt-hour rate for the time blocks to recover capacity costs from load customers. ENMAX supports a simpler rate design with relatively few blocks. Each Distribution Facility Owner (DFO) has different billing and IT system limitations; therefore, DFOs require flexibility in implementing the capacity market rate design. Increasing the number of time blocks and/or complexity of the rates will require a longer implementation timeline to update a company's billing system and IT infrastructure and will increase costs to ratepayers. Further, increasing the complexity of the capacity market rate design will also create challenges in retail billing implementation, as well as explaining the structure and billing impacts to end use customers.
21-22	Resource adequacy model and unserved energy	ENMAX's initial analysis suggests that the Resource Adequacy Model (RAM) is not particularly well suited for the task of identifying the timing of future outages and, as a result, expected unserved energy (EUE). ENMAX submits that the issues with the RAM should be addressed as part of Alberta Utilities Commission (AUC) Proceeding 23757 and the AESO's RAM technical meeting process. Any approval of the RAM model for use in allocating capacity costs to customers should be on an interim basis so that the issues raised by the TDAG are resolved or until such time as a more appropriate tool set is implemented. It has been acknowledged that under more ideal circumstances a made for

Slides	Topic	Stakeholder comments
		purpose tool set would be developed prior to the first auction.

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22	Distribution of expected unserved energy throughout the obligation period	ENMAX notes that May and June contain ~22% of the tightest supply cushion hours (please see table below) but the proposed time blocks for allocating capacity costs do not reflect this given that the RAM assigns a higher weighting to periods of high load. The participant planned and AESO approved outage schedule will have a significant impact on tight supply hours and will impact the probability of EUE events in certain months. The AESO states that EUE events in March and April are less likely and align with historical Energy Emergency Alerts (EEA) events; however, the modeled EUE events for December and October are well above historical observations indicating that the results from the RAM are not consistent. The expiry of PPAs for coal units and the potential for fuel switching with legacy coal units in the future will all have an impact on future outage patterns which are not captured in the historical patterns reflected in the RAM model.

Month	EEA Duration	Percentage
January	5:50:50	4%
February	1:43:16	1%
March	0:00:00	0%
April	0:00:00	0%
May	16:26:44	12%
June	13:44:56	10%
July	44:15:54	33%
August	0:00:00	0%
September	30:03:09	22%
October	11:12:04	8%
November	7:39:49	6%
December	3:33:32	3%

		<table><tr><td>Total</td><td>134:30:14</td><td>100%</td></tr></table>
23-27	Bookend scenario analysis	ENMAX supports limiting the number of similar blocks such that there is an on-peak, mid-peak, and off-peak block rate for ease of administration and simplicity. Increasing the complexity of the capacity market rate design will create challenges in explaining the structure and billing impacts to end use customers. Any proposed changes to the blocks and captured hours will need to be balanced with the anticipated impacts to end use consumers.
25	Observations on bookend analysis results	The AESO notes that the RAM is a probabilistic tool that was designed to forecast capacity requirements on an aggregate and annual basis. ENMAX understands that it was not intended to provide a precise forecast for EUE hours. ENMAX submits that the issues with the RAM should be addressed as part of AUC Proceeding 23757 and the AESO RAM technical meeting process. Any approval of the RAM for use in allocating capacity costs to customers should be on an interim basis so that the AESO is able to refine the RAM to produce a more precise forecast of EUE hours. ENMAX is not confident that the current RAM is producing results that reflect when EUE hours will occur (i.e. months, weekdays, and hours).
26	Objectives for cost allocation rate design	ENMAX notes that for customers on cumulative meters, there is limited ability for DFOs to send a price signal between the capacity market, energy market and transmission tariff on an individual customer basis. As such, residential and small to medium sized businesses will have a limited ability to respond to price signals and will therefore be unable to avoid capacity market costs.
28-30	Development of 400-hr on-peak time block	ENMAX understands that a threshold of 0.0638% was selected to generate approximately 400 hours based on industrial loads stating that they can curtail no more than 400 hours. With this threshold the AESO attempted to determine two reasonably similar blocks across two seasons. Consideration should be given to the fact that the majority of residential and small to medium commercial customers will be limited in their ability to respond to capacity market price signals. Lower use customers will require significant education and “smarter” time of use meters to understand the capacity market and respond to price signals. Careful consideration should be given to the impacts on smaller consumers given they have few ways to avoid higher priced time blocks.
31-32	Considerations for weights of time blocks	ENMAX understands that the greater the weight assigned to on-peak time blocks, the greater the incentive for large industrial customers to respond to and potentially avoid paying. Residential and small commercial customers will be unable to respond.
33-34	Potential rate ranges	ENMAX understands that the greater the weight assigned to on-peak time blocks, the greater the incentive for large industrial customers to respond to and potentially avoid paying. Residential and small commercial customer will be unable to respond.

34	Appropriate range of weight ratios to consider	ENMAX supports a weight ratio that provides a suitable signal to larger price responsive loads, while balancing the impacts of the smaller consumers that do not have the ability to respond. Cumulative metered customers will have a limited ability to avoid capacity charges and will favor weight ratios that better align with the hours that expected unserved energy is likely to occur; however, ENMAX also recognizes that if the ratio is set too low, there will not be a strong response to reduce capacity in the identified hours.
35-38	Additional considerations for rates	The additional capacity market charges must be transparent and should therefore be a separate line item on the customer's bill. It also must be simple to explain how the charge was calculated. Imbedding a new charge in an existing line item will be noticed by consumers and will erode consumer confidence. Further, a complex rate or bill will increase consumer calls to retailers, along with the AESO, AUC, Utilities Consumer Advocate, and ultimately, elected officials. An easy to understand bill is required to create consumer confidence in the capacity market.
39-43	Terms and conditions considerations	-
40	Regulation does not permit penalties or incentives	ENMAX agrees that applying penalties or incentives to certain loads would effectively change the rate for those loads and is not consistent with the *Capacity Market Regulation*.
42	"Gross up" of POD metered volumes to adjust for distributed generation	DFOs require flexibility when determining which metering points will be used in order to manage existing system limitations.
43	Preferred approach for deferral account true-up	ENMAX supports a prospective rider. Provided deferral amounts are small, ENMAX's preference would be to recover the funds over a 12-month period for simplicity and ease of administration.
44	Allocation of capacity market costs to transmission losses	Straightforward analysis of the AESO's loss-factor calculations for 2015, 2016, and 2017 shows notable mismatches between pre-shift loss contributions and actual hourly losses. In many hours, the sum of the contributions is negative and therefore not reflective of generators' actual contributions to losses. As a result, a large fraction of each loss factor is simply a location-independent socialization of losses megawatts based on generator output. Therefore, recovering the capacity cost associated with losses using the quarterly shift factor will allow administratively effective recovery of the costs while having no meaningful effect on the loss factors' economic signal.

45	Capacity market cost allocation remaining work	ENMAX supports the TDAG exploring the aggregate impact of prices from capacity market cost allocation, energy, and the transmission tariff. ENMAX requests that proactive messaging be provided by the AESO and the Department of Energy regarding the changes to customer bills and potential impacts. This messaging should be coordinated and consistent across industry (DFOs, Retailers, Government, etc.). Non-regulated retailers should not be burdened with any costs associated with the customer outreach as there is no recovery mechanism and it would be punitive to competitive retail growth.
Update on Bulk and Regional Transmission Cost Allocation		
48-51	Bulk and regional transmission cost allocation current work, future work, and next steps	ENMAX supports the AESO hiring a consultant to assist with a jurisdictional tariff review. There is a need to balance costs and benefits and identify the multitude of price signals that the market is attempting to provide electricity users and generators. The consultant should also be directed to provide an overview of existing barriers to be able to respond to price signals (e.g., barriers within existing rules, regulations, technology etc). It appears to ENMAX that the current approach to market design presents too many conflicting economic signals which may not achieve efficient outcomes for the AESO or least cost to consumers.
Additional Comments		
—	Please add any additional comments related to tariff design for allocating capacity market and bulk and regional transmission costs should be considered.	Retailers and DFOs must be afforded the time necessary to implement changes to their billing and IT systems and the flexibility to implement rates that reflect each utility's unique circumstances while remaining consistent to the principles of cost causation. Learning from the implementation of the Carbon Levy, ENMAX supports using a similar approach whereby the tariff bill file is used to introduce a new and separate line item to clearly itemize the capacity cost charge on a consumer's bill. The method by which retailers introduce a capacity related charge should remain simple to ensure that implementation occurs in a timely and cost-effective manner.