

# Tariff Design Advisory Group

## Session 6 - Summary



January 17, 2019, 9:00 am to 2:00 pm, AESO Offices

### Pre-Meeting Materials

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

- Meeting Agenda
- Updated TDAG Working Group list
- Draft TDAG Meeting Notes from December 5, 2019
- Presentations:
  - Capacity Market Regulation Overview
  - Capacity Cost Allocation Analysis (CCAA) WG Update
  - Transmission Tariff WG Update
  - Transmission Tariff WG – Processes and Projects

### Attendees

Representative	Company or Organization	Present?	Alternate	Present?
<b>Demand rate payer representation</b>				
Residential, farm and commercial consumers				
Richard Stout	UCA	Yes	Megan Gill	Telecon
Mark McGillivray	ENMAX	No	David Lenz	Telecon
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	Telecon	Myles Fox	
Kris Aksomititis	Cogeneration Working Group	Yes	Travis Tuchscherer	Telecon
Distribution Facility Owners				
Janene Taylor	ENMAX Corporation	Yes	Tony Martino	Telecon
Leland Jernberg	FortisAlberta	Yes	Gerald Zurek	
Representatives-at-large				

Representative	Company or Organization	Present?	Alternate	Present?
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	Telecon
Generators (includes renewables)				
Colin Robb	Capital Power	Yes	Akira Yamamoto	
Energy Storage				
Patricia Phillips	Energy Storage Canada	No	Steven Oldale	
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		
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>• Session overview and objectives</li> <li>• Review and approval of December 5 meeting notes (MG)</li> <li>• Update on outstanding data requirements (Trushal Umrana)</li> <li>• Update on Action Items (Matt Gray)</li> <li>• Staffing WG update (Doyle Sullivan)</li> <li>• Work plan update (Trushal Umrana)</li> </ul>	Karla Reesor, Facilitator

	# min	Agenda Items	Presenter
9:30 am – 10:15 am	45 min	<b>Discussion Item</b> <ul style="list-style-type: none"> <li>Capacity Market Regulation</li> <li>Review regulation</li> <li>Discuss implications for TDAG scope</li> </ul> <b>Desired Outcome:</b> Alignment on AESO interpretation and understanding of implications	Doyle Sullivan
<b>10:15 am – 10:30 am</b>	<b>15 min</b>	<b>BREAK</b>	
10:30 am – 11:00 am	30 min	<b>Information Item</b> <ul style="list-style-type: none"> <li>Capacity Cost Allocation Analysis WG update</li> <li>Book end scenarios being reviewed</li> <li>Next steps</li> </ul> <b>Desired Outcome:</b> Awareness of WG activities	John Martin
11:00 am – 12:00 pm	60 min	<b>Discussion Item</b> Capacity Cost Allocation Terms and Conditions WG <ul style="list-style-type: none"> <li>Proposed scope and next steps</li> </ul> <b>Desired Outcome:</b> TDAG approval to proceed	Richard Stout
<b>12:00 pm – 12:30 pm</b>	<b>30 min</b>	<b>LUNCH (to be served)</b>	
12:30 pm – 1:30 pm	60 min	<b>Discussion Item</b> Transmission Tariff WG <ul style="list-style-type: none"> <li>Proposed approach (details)</li> </ul> <b>Desired Outcome:</b> TDAG approval to proceed	Rick Cowburn
1:30 pm – 1:50 pm	20 min	Roundtable – members' feedback on process or content	
1:50 pm – 2:00 pm	10 min	Review of conclusions, action items and next steps	Karla Reesor, Facilitator
<b>2:00 pm</b>		<b>Session adjourned</b>	

### Meeting Notes

Time	Item
9:00 am	<b>1. Introductions</b> <ul style="list-style-type: none"> <li>The agenda was accepted by the group.</li> <li>Action Item 8 from Dec 5 – Doyle Sullivan (AESO) was not able to get a firm response on what can be shared about capacity procurement pricing; suggest that parties use a range of numbers perhaps from \$500 million to \$1.5 billion.</li> </ul>

	<ul style="list-style-type: none"> <li>• Updates on other Action Items noted in the table below.</li> <li>• Meeting notes from Dec 5 were approved.</li> <li>• If there are comments or questions on data shared by AESO on January 16, 2019, parties are asked to send a note to <a href="mailto:tariffdesign@aeso.ca">tariffdesign@aeso.ca</a></li> <li>• Staffing update - John Martin (AESO) will chair the Capacity Cost Allocation Analysis WG previously chaired by Derek Olmstead. LaRhonda Papworth (AESO) will replace Derek on the Transmission Tariff WG; Doyle Sullivan will join John Martin as AESO representatives on the Terms and Conditions WG.</li> <li>• Trushal Umrانيا provided an update on the work plan. Proposed time blocks and weightings will be shared with the TDAG in March prior to internal AESO approval. Transmission tariff work plan timeline has been extended by a few months and there should not be any impact on the overall project. Target remains to file tariff by end of Q1 2020.</li> <li>• Prior to sharing with broader stakeholder group, AESO plans to get a better sense of the tariff numbers so that there is more meaningful information to share.</li> <li>• It was suggested that there may be a need to consult industry more broadly, e.g. regarding allocation of line losses.</li> </ul>
9:30 am	<p><b>2. Capacity Market Regulation</b></p> <ul style="list-style-type: none"> <li>• Doyle Sullivan provided an overview of the new regulation and the anticipated impacts on the TDAG work.</li> <li>• It was noted that: <ul style="list-style-type: none"> <li>○ There will be a need for deferral accounts.</li> <li>○ Direction on methodology indicates a likely need to rely on load and supply rather than just demand.</li> <li>○ The AESO will be requesting that DFOs provide a schedule of implementation of cost allocation in DFO tariffs.</li> </ul> </li> </ul> <p><b>ACTION ITEM 1:</b> Trushal Umrانيا (AESO) will work with DFO reps to set scope for review of schedule implications</p> <p><b>ACTION ITEM 2:</b> Dan Levson (AFREA) will test the approach of having the REA schedules considered.</p> <ul style="list-style-type: none"> <li>• The concern with line losses was discussed and it was noted that it appears there is a solution being proposed within the WG.</li> <li>• TDAG participants were generally aligned with the AESO view of implications of the new regulation. Some TDAG members have concerns with possible interpretations of the regulation.</li> </ul>
10:30 am	<p><b>3. Capacity Cost Allocation Analysis WG Update</b></p> <ul style="list-style-type: none"> <li>• John Martin provided an update from the WG.</li> <li>• The WG has developed two bookend scenarios based on the RAM for the period Nov 2021 to Oct 2022.</li> <li>• RAM analysis will be re-run with load adjusted in each bookend scenario; expected to be completed in mid Feb.</li> </ul>

	<ul style="list-style-type: none"> <li>• Results from re-running bookend scenarios will be used to inform time block definitions and weights between time blocks (bookend scenarios completed in mid-February); final time block and weight recommendations are expected in early March and will be shared with TDAG at that time.</li> <li>• Questions have been raised about anomalies in EUE distribution in base RAM analysis (e.g., high EUE in second half of year, disproportionately high EUE in 2 weeks in Oct) and the questions are being investigated.</li> </ul> <p><b>ACTION ITEM 3:</b> The WG (John Martin) will consider assessing the sum of the EUE instead of the count of the hours.</p> <ul style="list-style-type: none"> <li>• Any questions on Capacity Procurement should be directed to the Capacity Market process.</li> <li>• It was noted that many Alberta customers do not see the price signals in the AESO tariff and DFOs may need to reflect the price signals in rates.</li> <li>• The total annual cost of line losses will be allocated to generators, imports, exports, and opportunity services similarly to today, according to location-specific loss factors for each service determined under the Loss Factor Rule. However, the annual cost of line losses will now be the total of costs arising from the energy market and costs arising from the capacity market.</li> <li>• Colin Robb (Capital Power) will follow up with AESO and arrange a separate meeting to better understand how costs arising from the capacity market will be attributed to line losses.</li> </ul>
11:30 am	<p><b>4. Capacity Cost Allocation Terms and Conditions WG Update</b></p> <ul style="list-style-type: none"> <li>• An updated presentation was shared with the TDAG on January 17, 2019.</li> <li>• Richard Stout (UCA) provided an overview of the WG discussions to date.</li> <li>• The group has met to define the work for the WG.</li> <li>• The AESO is internally reviewing the option of penalties or ratchets and preliminary review indicates it will not be permitted.</li> <li>• It was noted that rules need to apply equally to load and generators behind and in front of the fence.</li> <li>• The WG anticipates bringing a recommendation for net/gross treatment of behind the fence generation to the TDAG on Feb 7, along with a final response on the viability of ratchets and penalties.</li> <li>• The TDAG supported the next steps proposed by the WG.</li> </ul>
12:30 pm	<p><b>5. Transmission Tariff (TT) WG</b></p> <ul style="list-style-type: none"> <li>• Dale Hildebrand (Dual Use Customers) provided an overview of the WG discussions and deliverables to date.</li> <li>• Rate design alternatives have been developed as a brainstorming exercise and will be set aside until studies are complete.</li> <li>• Clarity is needed on distinction between impacts from CP and impacts from how the tariff is applied.</li> </ul> <p><b>ACTION ITEM 4:</b> The TT WG (Dale Hildebrand) was asked to consider CP with various peak options, including 1CP, seasonal CP etc.</p>

	<ul style="list-style-type: none"> <li>• Rick Cowburn (CWSAA) outlined the next steps proposed for the TT WG.</li> <li>• The TT WG is planning to update studies and to provide as much current data as possible prior to reviewing the rate design options.</li> <li>• The WG is proposing to come to TDAG on Feb 7 with a costed project list for updated studies as a starting point for tariff design discussions.</li> <li>• The AESO shared a flowchart as an indication of the various considerations for assessing tariff options. The first step would be to understand system costs and usage. A key question will be to consider how the rate can be designed to result in the most efficient system in the future.</li> <li>• The TDAG agreed that the TT WG would prepare a costed project list for consideration at the Feb 7 TDAG meeting.</li> </ul>
2:00 pm	<p><b>6. Roundtable</b></p> <ul style="list-style-type: none"> <li>• From time to time, proposals from the WGs may need to be tested with the TDAG to see if parties support them or not; it was agreed that proposals would be tested when they are sufficiently developed.</li> <li>• To meet parties' interests, the TT WG could consider more boutique transmission tariffs rather than just a one-size-fits-all tariff.</li> <li>• Appreciate that work is progressing.</li> <li>• The AESO was asked to provide clarity on how the impacts of potential reduced demand over time will be reflected in the RAM.</li> </ul> <p><b>ACTION ITEM 5:</b> The WG (John Martin/Trushal Umrانيا) will explore how the impacts of potential reduced demand over time will be reflected in the RAM and report back to the TDAG at February 7 meeting.</p>
2:15 pm	7. Meeting adjourned

### Report on Action Items

#	AG Action Items	Action by	Due Date	Status
<b>Session 5, December 5, 2018</b>				
Action Item 1	Provide PM's contact details to TDAG members	Trushal Umrانيا	Dec 7	Complete
Action Item 2	Provide revised work plans to TDAG	Trushal Umrانيا	Jan 17	Complete
Action Item 3	Distribute the capacity market regulation to TDAG members and alternates	Derek Olmstead	When reg available	Matt sent to TDAG members on Jan 8
Action Item 4	Distribute a data summary document and initial data to TDAG members	Derek Olmstead	Dec 12	Sent to TDAG members on Jan 16

#	AG Action Items	Action by	Due Date	Status
Action Item 5	Provide a wires representative for the Terms and Conditions (TC) Working Group	Janene Taylor	Dec 12	Hao Liu will serve as wires representative (confirmed Jan 11)
Action Item 6	Determine scope of TC Working Group and assign to members	Doyle Sullivan	Dec 14	Complete
Action Item 7	Confirm that Leland Jernberg will participate on the Transmission Tariff (TT) Working Group	Gerald Zureck	Dec 14	Complete
Action Item 8	Determine what can be shared about capacity procurement pricing and report back to the TDAG	Doyle Sullivan	Jan 17	Complete
Action Item 9	Provide feedback on the TT Working Group approach	TDAG members	Jan 17	CCA sent feedback; distributed on Jan 8. ENMAX endorsed approach.

### 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 Rate Design Working Group struck</i>