

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:	Leland Jernberg
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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.	<p>FortisAlberta agrees with the consultation approach, scope and process.</p> <p>A primary concern is with respect to the staged timing and sequencing of these applications and billing system changes to meet the target implementation date of 2021 for not only the AESO’s applications and billing implementation, but those of the distribution owners. That is, ensuring adequate time for the multiple distribution owners to process and receive approval from the AUC (or their self-regulator) for alteration and approval of their distribution tariffs; and have the corresponding metering data, load settlement and distribution tariff billing systems implemented to affect the allocation to, and cost recovery from, end-use consumers by the 2021 timeline. If there is a degree of complexity in the AESO application and billing of these charges that cannot be accommodated by the distribution owners by 2021, the initial implementation may not be the end-state.</p> <p>FortisAlberta recommends that the AESO and the impacted distribution owners engage the Commission to solicit their guidance and advice on their expected timing, coordination and filing requirements for the above distribution tariff applications, in light of the AESO’s proposed application timelines.</p>
Capacity Market Cost Allocation Tariff Development Update		
15-20	Requirements of <i>Capacity Market Regulation</i>	<p>FortisAlberta considers the Capacity Market Regulations are clear and correctly interpreted by the AESO working group.</p> <p>FortisAlberta understands that it is allowable for embedded distribution customers to have their capacity market costs allocated as part of a rate class/group profile. For FortisAlberta’s service area, Rate 65 transmission-connected service consumers would be the only group of</p>

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		consumers that would see an individual allocation of WEM costs, as they receive a full flow-through of the ISO tariff for their dedicated transmission point of delivery (POD). FortisAlberta also understands that embedded distribution owners would be responsible for their share of the capacity market costs.
21-22	Resource adequacy model and unserved energy	No comment.
22	Distribution of expected unserved energy throughout the obligation period	No comment.
23-27	Bookend scenario analysis	FortisAlberta supports the reasonable consideration of the bookends as proposed by the AESO working group.
25	Observations on bookend analysis results	FortisAlberta supports the reasonable consideration of the bookends as proposed by the AESO working group.
26	Objectives for cost allocation rate design	FortisAlberta generally agrees with the cost allocation and rate design principles as stated recognizing that it may not be practical, from a metering and billing system perspective, to directly flow-through these rates to end-use customers embedded in the distribution system during the initial implementation.
28-30	Development of 400-hr on-peak time block	The development of a 400 hour on-peak time block being considered by the AESO working group appears reasonable to FortisAlberta.
31-32	Considerations for weights of time blocks	The development of the time block weightings being considered by the AESO working group appears reasonable to FortisAlberta.
33-34	Potential rate ranges	FortisAlberta considers the establishment of three time blocks to be reasonable.
34	Appropriate range of weight ratios to consider	FortisAlberta considers that the 12:1:0 and the 16:1:0 ranges would provide effective price signal levels in which consumers may respond.
35-38	Additional considerations for rates	FortisAlberta is generally supportive of the comments and considerations provided by the AESO working group. The capacity market charges should be transparent and clearly identified on the end-consumers bill, similar to Rider F: Balancing Pool Allocation.
39-43	Terms and conditions considerations	See below.
40	Regulation does not permit penalties or incentives	FortisAlberta agrees with the AESO's interpretation that the Regulation does not support the application of penalties or incentives.
42	"Gross up" of POD metered volumes to adjust for distributed generation	FortisAlberta generally agrees with the AESO's to gross up POD metered volumes with DG volumes to allocate and charge capacity market costs to all distribution load.
43	Preferred approach for deferral account true-up	FortisAlberta would support that the AESO consider a deferral account true-up mechanism similar to Rider C for transmission costs, except the

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		<p>true-up rider should be charged on annual prospective basis and should be considered final.</p> <p>Distribution companies will also have to true-up its allocation of capacity market costs to its rate classes. In this respect, FortisAlberta would suggest that the parties and the Commission consider leveraging, and altering as necessary, the standardized ISO tariff true-up and deferral mechanisms approved by the Commission in Decision 3334-D01-2015.</p>
44	Allocation of capacity market costs to transmission losses	No comment.
45	Capacity market cost allocation remaining work	FortisAlberta supports an examination of impact on individual consumer bills. Proactive messaging should be provided by the AESO and the Department of Energy regarding the changes to customers bills and potential impacts. This messaging should be consistent across industry (AUC, AESO, DFOs, Retailers, UCA, Government, etc.)
Update on Bulk and Regional Transmission Cost Allocation		
48-51	Bulk and regional transmission cost allocation current work, future work, and next steps	No comment at this time.
Additional Comments		
—	Please add any additional comments related to tariff design for allocating capacity market and bulk and regional transmission costs should be considered.	