Stakeholder Proposal Evaluation – May 4, 2020

Participant-Related Costs for DFOs (Substation Fraction) and DFO Cost Flow-Through Technical Session 2A

Period of Comment:	May 4, 2020	through May 20, 2020	**Contact:** [redacted]
Comments From:	Kalina Distributed Power		**Phone:** [redacted]
Date:	2020/05/20		**Email**: [redacted]

Document purpose

The purpose of this document is to provide a structured and consistent guide to workshop participants to evaluate each of the proposals.

Instructions

1. Please fill out the section above as indicated.
2. Please complete an evaluation on each of the proposals using the tables below (Tables 2-7). Please provide your reason(s) as to why you think the proposal does/does not meet each of the evaluation criteria.
3. Once you have completed an evaluation on each of the proposals, please choose your preferred proposal with an explanation as to why in Table 1: Overall evaluation.
4. **Please submit one completed evaluation per organization.**
5. Email your completed evaluation to tariffdesign@aeso.ca by **May 20, 2020**.

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Table 1: Overall evaluation

Questions	Stakeholder Evaluation
1. Which proposal did you prefer? Please explain why.	Canadian Solar Solutions and Lionstooth Energy Merit of both proposals: • Both proposals are based on regulatory principles and regulation including recognizing the intent of the TDP, T.Reg., and cost causation, • recognizing that load pays for transmission costs, • that there are no future and historical substation fraction flow through costs to DGs, • recognition that desystemizing transmission costs harms all participants including rate payers, DGs, DFOs, and TFOs, • acknowledges that once costs are systemized, they are recognized as transmission costs, and that the regulatory construct stipulates that loads pay for system costs, • recognizes that the purpose of a GUOC is for access to the transmission system by the DG, • aim to eliminate barriers to entry for DGs, • allows the Alberta electricity market to continue operating in a FEOC manner.
2. What are the challenges or unresolved questions with your preferred proposal?	None
3. What aspects from the other proposals would you like to see applied to your preferred proposal?	The principle of no future flow through costs from the DCG consortium. That distribution connected generators are not allocated costs for which they did

Questions	Stakeholder Evaluation
	not cause.
4. Additional comments	

Table 2: Evaluation of Proposal: Canadian Solar Solutions Inc.

Questions	Stakeholder Evaluation
1. Please rate your support of this proposal on a 1-10 basis, with 10 being completely supportive and 1 being not at all supportive. Please provide your rationale.	10 Canadian Solar's proposal confirms that DGs do not pay for any future or historical substation fraction costs, recognizing the intent of the TDP, provisions of T.Reg.; that load pays for wires, and that all system costs are rolled into a rate base, along with adherence to the principles of cost causation and a FEOC market. Specifically, the DG does not cause an incremental cost to the Consumer. Recognizes that the purpose of GUOC is to provide the DG with access to the transmission system.
2. Is the proposal an unbiased solution and evenly weighted in its analysis?	The question of bias is a red herring. Subjectivity should not form part of the solution. A more relevant question is, does the proposal adhere to the intent of the TDP, T.Reg., and the principles of cost causation to ensure a fair, efficient, and openly competitive market? Regarding Canadian Solar's proposal and the question above, the answer is yes.
3. Is the proposal feasible?	Yes
4. Which stakeholders are best served by this proposal? Why?	Rate Payers, DGs, DFOs, TFOs
5. Which stakeholders are least served by this proposal? Why?	None
6. Do the objectives/principles outlined in the proposal seem fair and reasonable?	Yes
7. Does the proposal align with the consolidated principles	Yes

Questions	Stakeholder Evaluation
(see Appendix A) presented in Technical Session 1 as well as the additional principle of “Ease of understanding and implementation (simplicity)”? This additional principle was added based on stakeholder feedback. If not, are you supportive of the principles that are used in the development of the proposal?	
8. What are the unresolved questions or challenges you would want to see answered in this proposal?	None
9. Additional comments	Canadian Solar effectively outlined the historical basis of the intent behind the government policy as prescribed in TDP, and enacted in T. Reg., by providing information, and indeed comments from the co-author of the TDP, Mr. Dean Short. Mr. Short in his address to the group in Technical Session #2, clearly stated that the intent of the TDP was to ensure that load pays for wires costs, and further that the ADOE expressly ruled that generators not pay any portion of transmission or system costs. Rather, generators are obligated to pay for their local interconnection costs, line losses, and in addition, a GUOC; the purpose being that such payment is for access to the transmission system. There are no further costs to be allocated either historical or future regarding system costs caused by load, including substation fractioning. Substation fractioning is a construct of the AESO that defies intent in both policy and regulation.

Table 3: Evaluation of Proposal: DCG Consortium

Questions	Stakeholder Evaluation
1. Please rate your support of this proposal on a 1-10 basis, with 10 being completely supportive and 1 being not at all supportive. Please provide your rationale.	10 regarding future costs 1 on historical This proposal does a very good job in outlining the regulatory principle that DCGs should not pay for facilities that have already been constructed and have been built to accommodate load. It further points out that costs for such facilities have already become part of the TFO and DFO rate bases (effectively systemized) including shared facility costs including substations. However, the DCG proposed solution regarding historical system costs appears to contradict these regulatory principles.
2. Is the proposal an unbiased solution and evenly weighted in its analysis?	See response to Table 2 question 2. Regarding the DCG Consortium's proposal, while it acknowledges the AESO's ability to define "local interconnection costs" under T.Reg, it appears to veer away from the intent of the TDP, T.Reg., and the principles of cost-causation and FEOC, in an effort to reach a resolution "*as quickly and efficiently as possible*" regarding historical costs. Furthermore, there are no provisions in either T.Reg or the EUA to support that principles of allocation. Also, the proposal is counter to TDP objectives.
3. Is the proposal feasible?	No. The proposal is at odds with the TDP, T.Reg., (load pays for transmission costs) and the principles of cost causation. The DCG's proposal is based on a cost allocation construct that chooses to some extent, arbitrarily identify which transmission system components that DCGs should pay a contribution towards, specifically identified as costs (materials and installation costs only) of shared facilities for core components such as the transformer and a high voltage breaker for 138 kV service. In short, it attempts to synthesize a cost causation not driven by the DCG.

Questions	Stakeholder Evaluation
	The DCG Consortium has put forward a proposal in good faith however it is in contradiction to the principles of cost causation, the TDP, and T.Reg. It is a "give to get" proposition, that seeks some form of resolution that is quick and expedient, albeit attempting to present a sense of fairness, yet it is outside the bounds of the regulatory construct, particularly cost causation. The concern with this proposal is that "costs" deemed as "system" on day 1 by the AESO, could then be "desystemized" on day 2, rolled out of rate-base, and charged to the generator without any real regulatory basis. This is a slippery slope which will set precedent for the AESO to continue desystemizing costs as it sees fit. This proposal does not address its departure from regulatory principles and regulation itself.
4. Which stakeholders are best served by this proposal? Why?	AESO
5. Which stakeholders are least served by this proposal? Why?	Rate Payers, DGs, DFOs, TFOs.
6. Do the objectives/principles outlined in the proposal seem fair and reasonable?	It is well intended but is not ultimately fair and reasonable.
7. Does the proposal align with the consolidated principles (see Appendix A) presented in Technical Session 1 as well as the additional principle of "Ease of understanding and implementation (simplicity)"? This additional principle was added based on stakeholder feedback. If not, are you supportive of the principles that are used in	No

Questions	Stakeholder Evaluation
the development of the proposal?	
8. What are the unresolved questions or challenges you would want to see answered in this proposal?	See response to questions 2 and 3 above.
9. Additional comments	

Table 4: Evaluation of Proposal: FortisAlberta Inc.

Questions	Stakeholder Evaluation
1. Please rate your support of this proposal on a 1-10 basis, with 10 being completely supportive and 1 being not at all supportive. Please provide your rationale.	1 The proposal is not consistent with the intent of the TDP, T.Reg., cost causation and FEOC. There are no principles for cost averaging embodied in TDP, T.Reg or EUA. It is a construct that is far from adhering to FEOC as Fortis' proposal forces the reclassification of a system asset in rate-base to construct a desystemized average flow through cost to the DCG. Fortis's proposal results in a cost subsidy to the consumer when compared to the framework provided in TDP, T.Reg, and EUA. In short, until the government of Alberta changes its envisioned policy regarding consumers bearing the cost of wires as provided in T.Reg and the EUA, any proposal that looks to reallocate wires costs to generators, is doing so outside the bounds of government policy and regulation.
2. Is the proposal an unbiased solution and evenly weighted in its analysis?	See response to Table 2 question 2. Regarding Fortis's proposal, while it acknowledges abandoning the substation fractioning methodology, it seeks to replace it with another method aimed at reallocating transmission system costs to a DG by desystemizing costs and removing them from the TFO's rate base.
3. Is the proposal feasible?	No. Once a cost has been systemized, it has been deemed as transmission. By way of the intent of the TDP, T. Reg., and the principles of cost causation, DGs did not cause these costs and should not pay for them. DGs pay a GUOC which pays for access to the transmission system.

Questions	Stakeholder Evaluation
4. Which stakeholders are best served by this proposal? Why?	AESO
5. Which stakeholders are least served by this proposal? Why?	DGs, TFOs. It is unclear why TFOs would accept a decrease to their rate base.
6. Do the objectives/principles outlined in the proposal seem fair and reasonable?	No
7. Does the proposal align with the consolidated principles (see Appendix A) presented in Technical Session 1 as well as the additional principle of "Ease of understanding and implementation (simplicity)"? This additional principle was added based on stakeholder feedback. If not, are you supportive of the principles that are used in the development of the proposal?	No
8. What are the unresolved questions or challenges you would want to see answered in this proposal?	The TDP, and T.Reg, stipulate that load pays for transmission system costs, not DGs. This proposal attempts to reallocate system costs to DGs, thereby going against regulatory principles includes those of cost causation.
9. Additional comments	

Table 5: Evaluation of Proposal: Lionstooth Energy

Questions	Stakeholder Evaluation
1. Please rate your support of this proposal on a 1-10 basis, with 10 being completely supportive and 1 being not at all supportive. Please provide your rationale.	10 Lionstooth's proposal is consistent with the intent of the TDP, the provisions of T. Reg., recognizes the principles of cost causation (load pays for transmission), and the benefits of a FEOC market. Recognizes the purpose of GUOC; that being a cost to DGs for access to the transmission system
2. Is the proposal an unbiased solution and evenly weighted in its analysis?	See response to Table 2 question 2. Lionstooth's proposal is sound and correctly recognizes that the "desystemization" of costs, both future and historical, does not result in benefits or value to DGs, DFOs, TFOs, and ultimately to rate payers. In Lionstooth's own words, "*nobody is happy*" when DGs are kept out of the market, DFOs and TFOs decrease their rate base, and rate payers are left with fewer and more expensive choices regarding electricity supply. Lionstooth effectively describes the impact on electricity rates as a result of DGs paying higher transmission costs (previously allocated to rate base). This acknowledgment has largely been missing from the discussion on substation fraction flow through and must be considered. It is the other side of the coin. As Lionstooth correctly stated regarding the negotiated settlement proceedings "*this isn't going to be fast, so we might as well get it right*".
3. Is the proposal feasible?	Yes
4. Which stakeholders are best served by this proposal? Why?	All stakeholders including rate payers, DGs, DFOs and TFOs.
5. Which stakeholders are least served by this proposal?	AESO

Questions	Stakeholder Evaluation
Why?	
6. Do the objectives/principles outlined in the proposal seem fair and reasonable?	Yes
7. Does the proposal align with the consolidated principles (see Appendix A) presented in Technical Session 1 as well as the additional principle of “Ease of understanding and implementation (simplicity)”? This additional principle was added based on stakeholder feedback. If not, are you supportive of the principles that are used in the development of the proposal?	Yes
8. What are the unresolved questions or challenges you would want to see answered in this proposal?	None
9. Additional comments	Lionstooth provided a sound assessment of the problems surrounding substation fractioning and offered a straightforward and concise solution that adheres to regulation and regulatory principles.

Table 6: Evaluation of Proposal: Solar Krafte Utilities

Questions	Stakeholder Evaluation
1. Please rate your support of this proposal on a 1-10 basis, with 10 being completely supportive and 1 being not at all supportive. Please provide your rationale.	
2. Is the proposal an unbiased solution and evenly weighted in its analysis?	
3. Is the proposal feasible?	
4. Which stakeholders are best served by this proposal? Why?	
5. Which stakeholders are least served by this proposal? Why?	
6. Do the objectives/principles outlined in the proposal seem fair and reasonable?	
7. Does the proposal align with the consolidated principles (see Appendix A) presented in Technical Session 1 as well as the additional principle of "Ease of understanding and implementation (simplicity)"? This additional principle was added based on stakeholder feedback. If not, are you supportive of the principles that are used in the development of the proposal?	
8. What are the unresolved questions or challenges you would want to see answered in this proposal?	
9. Additional comments	

Table 7: Evaluation of Proposal: URICA

Questions	Stakeholder Evaluation
1. Please rate your support of this proposal on a 1-10 basis, with 10 being completely supportive and 1 being not at all supportive. Please provide your rationale.	
2. Is the proposal an unbiased solution and evenly weighted in its analysis?	
3. Is the proposal feasible?	
4. Which stakeholders are best served by this proposal? Why?	
5. Which stakeholders are least served by this proposal? Why?	
6. Do the objectives/principles outlined in the proposal seem fair and reasonable?	
7. Does the proposal align with the consolidated principles (see Appendix A) presented in Technical Session 1 as well as the additional principle of "Ease of understanding and implementation (simplicity)"? This additional principle was added based on stakeholder feedback. If not, are you supportive of the principles that are used in the development of the proposal?	
8. What are the unresolved questions or challenges you would want to see answered in this proposal?	
9. Additional comments	

Appendix A

Principle	Description
Overarching	Tariff design and implementation facilities a fair, efficient and openly competitive market (FEOC) • Fosters competition and encourages new market entry • Efficiency • Avoidance of undue discrimination • Fairness
Principle 1	Parity between transmission interconnection costs calculation f or transmission connected customers and distribution connected customers while enabling effective price signals to ensure to optimal use of existing distribution and transmission facilities • Fairness • Effective price signals
Principle 2	Market participants should be responsible for an appropriate share of the costs of transmission facilities that are required to provide them with access to the transmission system (may include paying a contribution towards facilities paid for by other customers and refund to the customer that paid) • Fairness • Cost Causation
Principle 3	DCG participants should have cost certainty when making their final investment decision (FID) • Certainty of future costs • Stability
Principle 4	DFOs should be provided with reasonable certainty re: cost treatment/recovery • Certainty of future costs • Stability
Principle 5 (added)	Ease of understanding and implementation • Simplicity • Stability