Peters Energy Solutions Inc.

Proposal Supplement Submission to Technical Session 2A May 14, 2020

Participant-Related Costs for DFOs (Substation Fraction) and DFO Cost Flow-Through

Alberta Electric System Operator

Prepared April 30, 2020

Peters Energy Solutions

- Energy industry consulting
  - Tariff, Regulatory, Interconnection
  - Grid, Loads, Generation
  - ~1000 MW of wind, solar and gas
- Active DCG Developer Clients
  - Aura Power Renewables
  - Ermineskin Cree Nation
  - Montana First Nation
  - Métis Nation of Alberta

Support for Lionstooth Energy Proposal

Peters Energy fully endorses the LTE Proposal

- Sound methodology
  - Broad consultation, input, collaboration
  - Holistic view of policy, legislation, practices, impacts
  - Economic efficiency vs. specific interest optimization
- Sound Solution
  - Minimizes overall system costs borne by consumers
  - Adapts existing approach to reflect changing technology
  - Consistent with existing policy, regulation, tariffs
  - Improves competitiveness and encourages investment

What do the Principles mean to you?

Efficiency and Competitiveness for Alberta

- Investor certainty
  - Consistency and visibility for proponents
  - No future risks
- Parity between generation types
  - Technology agnostic
  - TCG vs. DCG
- Cost Causation
  - Load pays for the system, generation pays to connect
  - Locational benefit & cost must be visible and attributed

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“You can say that again!”

Three Lionstooth proposal points warrant particular emphasis as they are often lost in the detail of the CCD / Substation Fraction method:

Electricity consumers ultimately pay for facilities

Load drives system investment

Facility cost to generators distorts energy market

Electricity Consumers Ultimately Pay

- Whether through tariff charges or energy price
  - infrastructure, facilities, maintenance, fuel
  - overhead, management, regulation
- CCD / SF only changes HOW the consumer pays
  - Once built, facilities costs cannot be avoided
- Complicated allocations distract from the real cost
  - Decisions and consequences are best viewed together
  - Constant re-assignment of cost blurs accountability

Keeping delivered costs low must be the #1 Goal

Load Drives System Investment

- Policy & Legislation say that Load pays for the system
  - If Generation needs a facility – Generation pays for it!
- Adding STS to a DTS POD is stacking of value without cost
  - Local generation and load are complementary, not congesting
  - Net energy flows may go down a little or a lot – but do not increase
  - The system hosts additional participation *without adding facilities*
- Same facilities, same load service, no additional costs
  - Grid access through existing facilities should be encouraged
- Load growth and reliability have driven upgrades
  - System Investment was justifiable without the presence of DCG

Adding DCG makes these investments no less warranted

CCD / SF Distorts the Energy Market

Why avoid facility costs to generators (and the pool price)?

- Lower cost to energy consumers
  - Regulated returns lower than risked return expectations
- Transparency leads to better decision making
  - Visibility of facility value vs. cost impact
- Level playing field in energy market
  - Connection type difference distortion removed
  - Generators can be competitive with imports

Stopping the flow of facility costs into the energy market is better for Alberta