Stakeholder Comment Matrix – May 28, 2020

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

Period of Comment:	May 28, 2020	through	June 11, 2020	**Contact:**	Denis Forest
Comments From:	Denis Forest Consulting Inc.			**Phone:**	[redacted]
Date:	2020/06/10			**Email**:	[redacted]

Instructions:

1. Please fill out the section above as indicated.
2. Please respond to the questions below and provide your specific comments.
3. **Please submit one completed evaluation per organization.**
4. Email your completed comment matrix to tariffdesign@aeso.ca by **June 11, 2020**.

The AESO is seeking comments from Stakeholders with regard to the following matters:

	Questions	Stakeholder Comments
1.	Please comment on the Techncial Session 2B facilitated by the AESO on May 28, 2020. Was the session valuable? Was there something we could have done to make the session more helpful? Please advise and be as specific as possible.	It was disappointing to see Session 2B devolve into a development exercise for the "connection cost plus a fee" approach. I believe the AUC, and the electrical utility community and its customers, would be better served by taking advantage of the participant's collective expertise and efforts to fully explore the two general approaches put forth. By focusing on only one of the two general proposals developed by the Session participants, the fulsome research, analysis, discussion, comparison and debate of both approaches is pushed into the regulatory proceeding, which is what the Technical Sessions were intended to avoid. The focus on the "connection cost plus a fee" approach is especially surprising given that the DCG community collectively supports the "connection cost" approach which conforms with the principles of cost causation and the TDP. Even the two DCG groups ostensibly supporting a "…plus a fee" approach do so only under protest, sacrificing what each feels to be a better solution for a compromise approach, explaining their hope and need for a speedy resolution with more thoughtful development to follow. In effect, only the AESO (which has steadfastly maintained that users should pay for facilities they use or benefit from – a superficially reasonable position which doesn't hold up when causation or TDP are considered) and Fortis (which should be indifferent to the approach selected, as long as the DFO is not responsible to produce its own cost allocation decision and the extra fee paid by DCGs reduces TFO rate base) advocate for the "connection cost plus a fee" approach, which has become the focus for the remaining Technical Sessions. However, this approach • creates disparity between TCG and DCG, • does not align with TDP or the principles of TReg • does not reflect causation and thereby results in DCG subsidizing load-driven transmission system upgrades, • involves complex and contentious elements, which will slow down implementation and impede ease of understanding, and • will introduce a new cost and administrative feature to the management of the AIES with the potential for unpredictable, undesirable consequences (as seen with 12 CP). Comments by some participants during Session 2B suggest a lack of understanding of the implications of the "connection cost plus a fee" approach. Rather than resulting in DCGs "paying their fair share" and thus saving load customers money, such an approach will add to load's cost for delivered electricity. Such comments underline the need for more discussion to achieve a full understanding of the mechanisms of cost allocation and the consequences of the two general proposals developed.

2.	The following five questions are seeking comments on the Technical Session 2B discussion regarding the outstanding design details identified on Slide 27. Please comment if (1) your organization does have or does not have agreement in principle and (2) any additional clarity or consideration to provide on the **following outstanding design details:** • Substation fraction = 1 for DFOs	In principle, this is not a good approach. The CCD methodology is a valuable, generally effective and proven process developed and refined over time and employed by the AESO for cost allocation between participants. The CCD methodology serves quite well in allocating costs for transmission system upgrade projects and calculating the Construction Contribution in most cases, notably greenfield projects and simple load-driven upgrades where a DFO does not hold an STS contract due to the presence of a DCG. However, it has been recognized that the current CCD methodology produces inappropriate results in DFO-DCG situations. The solution, however, does not require exception handling, i.e. special rules or treatment, for DFO-DCG cases. For example, there are DFO-DCG situations where the substation fraction, for cost allocation and DTS billing purposes, should not equal 1. The problem, however, is easily addressable by applying the basic and founding principles on which the CCD methodology is based: causation and TDP. The filed R&Vs and these Technical Sessions have arisen because in DFO-DCG situations the use of DTS and STS contract capacities and term durations do not represent causation. This is exacerbated by the contrived status of a DFO as a single market participant. In reality, DFOs, a wires service provider like TFOs, represent the market participants they serve: the collective load groups (residential, farm, commercial, and industrial customer groups) and any DCGs. A simple contract capacity/time-based substation fraction for a DFO-driven transmission system access or upgrade request generally fails to identify the cost driver or comply with TDP principles when an STS contract is also in effect at the substation in question. The CCD process need only add a step to identify the driver for any given transmission system upgrade: "Who is asking for the upgrade?" "Why?" Existing AESO processes, skills, tools and staff can provide the necessary solution. Stage 3 of the AESO Connection process requires AESO Engineering staff to produce a Functional Specification (FS). One of the functions of this document is to distinguish between system and participant-related facilites in the connection/upgrade project. The FS guides the TFO in their preparation of the Proposal to Provide Service (the PPS). The PPS provides design, schedule and cost details of the proposed project and forms the basis of the Facility Application which accompanies the NID for regulatory approvals (NID not needed for ANAP and BTF-type projects). Information in the FS allows the TFO to separate system from participant costs in the +20/-10% estimate necessary for the Stage 3 CCD and customer commitment. To this existing process, a "causation" step can be added. AESO Engineering staff, in consultation if necessary with the other project team members (the SASR applicant, the TFO and the DCG), are perfectly qualified to determine the causation for the participant-related costs: is the project driven by the service requirements of load customers? Or by supply providers? This distinction in the FS thereby feeds into the PPS and then the CCD for substation fraction and cost allocation purposes. This eliminates the flawed use of contract capacities as a proxy for causation. This eliminates the need for a special set of rules and treatments for DFO-DCG situations removing the risks associated with exception handling.

3.	Please comment if (1) your organization does have or does not have agreement in principle and (2) any additional clarity or consideration to provide on the **following outstanding design details:** • Determing a $/MW charge for DCG	In principle, this is not a good approach. This approach is flawed for many reasons. See the response to question 1. This should not be necessary. See the response to question 2. This approach results in DCG subsidizing load-driven transmission system capital costs. This calculation will be complex and contentious resulting in delays in the implementation of this approach and likely dissatisfaction with the charge amount which will negatively impact DCG development in Alberta.
4.	Please comment if (1) your organization does have or does not have agreement in principle and (2) any additional clarity or consideration to provide on the **following outstanding design details:** • Determining the applicability of the DCG charge	If "the DCG charge" is the "…plus a fee", this is not a good approach. In order to support parity between TCG and DCG, and to avoid cross-subsidization, the connection cost for DCGs should be based on 1. Causation 2. The principles of the TDP, i.e. load pays for the greater wires sytem, generation pays to the connect to the wires system. The same approach and costs applied to TCG.
5.	Please comment if (1) your organization does have or does not have agreement in principle and (2) any additional clarity or consideration to provide on the **following outstanding design details:** • Determining the administration of the DCG charge	If "the DCG charge" is the "…plus a fee", this is not a good approach. This determination will be complex and contentious resulting in delays in the implementation of this approach and likely dissatisfaction with the charge amount which will negatively impact DCG development in Alberta. The connection cost for DCGs should be based on the same approach, and administered the same, as the connection cost for TCGs, i.e. a generator should pay all costs related to its connection to the AIES. As per legislation, generators do not pay for the "use of" or the "benefit of" the AIES beyond their connection cost and share of system losses. The Generating Unit Owner's Contribution (GUOC) is the mechanism for generators to contribute towards transmission system cost if appropriate. The GUOC is a performance bond required of generators to ensure system planning based on anticipated generator performance is justified. The GUOC payment may be forfeited if the generator fails to meet performance expectations, thereby providing a contribution towards the cost of the potentially stranded or required transmission system facilities. GUOC applies to both TCG and DCG.

6.	Please comment if (1) your organization does have or does not have agreement in principle and (2) any additional clarity or consideration to provide on the **following outstanding design details:** • Looking towards implementation	In principle, to "look towards implementation" is a good idea. Implementation of an enhanced FS resulting in an improved PPS and a CCD with a causation check should be quick and easy. This approach is easy to understand. The necessary CCD adjustment capitalizes on existing AESO process, skills, tools and staff. The implementation should not be dependent on legislative or tariff changes. The implemention should be achieved in a timely fashion enhancing developers, industry and investor confidence in Alberta's management of the electrical utility industry. On the other hand, implementation of a "connection cost plus a fee" involves complex and contentious elements, which will impede ease of understanding and slow down implementation.Such an approach will introduce a new cost and administrative feature to the management of the AIES with the potential for unpredictable, undesirable consequences. In addition, there will likely be dissatisfaction with the charge amount which will negatively impact DCG development in Alberta. The possibility, evn likelihood, for future reviews and changes to this approach would erode confidence in Alberta's rational, consistent, fair and effective management of the provincial electricity sector.
7.	Additional comments	It would be a disservice to the AUC, and the electrical utility community and customers it serves, if the Technical Sessions fail to fully develop the mechanisms, benefits, challenges, and consequences of the two proposed approaches to deal with the identified shortcoming of the existing cost allocation practices in DFO-DCG situations. If only one approach, with demonstrable issues and flaws, is advanced as a result of the Technical Sessions, valuable AUC panel and participant time and resources will be expended doing the work which should have, and could have, been done in the Technical Sessions. Thank you for collecting and sharing fulsome input on the progress and issues of the Technical Sessions reviewing this contentious and complex but critical topic.

Thank you for your input. Please email your comments to: tariffdesign@aeso.ca.