Transmission Tariff Working Group

Update

January 17, 2019

Rev 1

Transmission Tariff Working Group Members

Dale Hildebrand (Chair), DUC

Small Customers

- Rick Cowburn, CWSA & SEUA
- Richard Stout, UCA

Large Customers

- Grant Pellegrin, Cenovus.
- Surendra Singh, Alberta Newsprint

Wires Owners

- Hau Liu, AltaLink
- Leland Jernberg, FortisAlberta

AESO

- LaRhonda , AESO
- Raj Sharma, AESO

Advisory Group Terms of Reference (T of R)

- Meeting the requirements of legislation;
- Identifying, developing and evaluating a comprehensive list of options for allocating capacity costs and bulk and regional transmission costs;
- Minimize the long-term costs of transmission and capacity, and optimize overall costs to consumers;
- Limit undue cross subsidization;
- Follow sound rate making principles, e.g. Bonbright; and
- Achieving consistency among tariff components (e.g., consistency across energy, capacity, transmission and distribution such that different tariff provisions remain aligned as much as possible).

Road Map

Transmission addition drivers

- No single driver
- Location dependent
- Future may be different from past

Cost of Service Study

- Historical precedents
- Definitions
- User benefits
- Other issues

Objectives for optimal tariff design

- Optimal transmission investment
- Optimize transmission usage

- Legislative constraints
- Terms of Reference
- Price Signals
- Rate design principles (ranking?)
- Stakeholders positions

Rate Design Alternatives

- TOU metering related billing determinants
- Bonbright principles (constraints)
  - Practical, effective, fair, rate impact, efficient, stable, etc.

Transmission Tariff Working Group

Deliverables From Dec 19, 2018 meeting:

- Clarify principles, criteria for evaluation and desired end state
  - Objectives for optimal tariff design
- Determine what COSS or other studies will be useful, helpful and practical
- Develop rate design alternatives
- Prepare Scope of Work and Plan
- Resource needs

Principles completed
Working group has different views on how to evaluate and what is the desired end state
General alignment on what is an optimal tariff - likely subject to interpretation

Studies suggested, will be better defined for Feb 7, 2019 meeting

Preliminary proposals completed. Will re-engage after cost of service studies completed

cost of service studies work plan and resources requirements will be presented at Feb 7, 2019 meeting

Update since Dec 18, 2018 Meeting

Worked the Road Map - working group members :

1. Developed rate design alternatives
2. Proposed studies required support their rate design alternatives
3. Outlined their support for or critique of 12 CP rate design

Rate Design Alternatives

1. Status quo
2. Use tightest supply cushion hour instead of CP
3. Static billing determinants – NCP & energy in defined hours
4. Primarily Billing Capacity
5. Demand & Energy plus a minimum load factor charge

12 CP Rate Design – Pros (DUC)

- Dynamic billing determinant – not known when CP occurred until the next month
- CP forecasts were / are used in transmission planning – collect historical / future bulk costs on CP
- CP used in other jurisdictions
- Bulk costs increased to forecast by 70% over next 15 years – CP is a good price signal to encourage generators to locate behind the fence and /or utilize existing assets
- Most Alberta consumers do not see AESO tariff price signal
- Move to static billing determinants will create unacceptable rate shock to non-load AESO customers

12 CP Rate Design – Cons (AltaLink)

- Future bulk projects likely primarily driven by generation – reducing CP may not reduce bulk investment
- CP may incent customers to respond to CP price signal where no transmission issues exist
- CP rate too large (higher than incremental cost of new transmission projects)
  - Incents demand response, BTF generation & DCG
  - Shifts transmission costs to customers who can't respond to price signal
- Incents certain generators who can respond to price signal – not FEOC

12 CP Rate Design – Cons (FortisAlberta)

- Dynamic price signal not prospective, understandable nor predictable - not fair to customers who can not respond
- Tariff should reasonably ensure a customer cannot use a strategy or behaviour that does not reduce capacity and/or transmission costs
- CP does not satisfy the majority of Bonbright's rate design principles
- Highly debatable if System CP a driver of historical or future costs

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Deliverables for Feb 7, 2019 meeting :

- Present proposals for cost of service studies to functionalize, classify and allocate transmission costs including
  - Definition
  - Scope
  - Why required
  - Data requirements
  - Expected deliverables
  - Schedule
  - Resources required
  - Cost estimate