

Decision 22942-D02-2019

2018 ISO Tariff, Section 7.3
Distribution connected generation
and AESO adjusted metering practice



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Conclusions

- The AESO's proposed adjusted metering practice and the resulting substation fraction amounts are approved. (p. 5 and 845)
- The AESO shall refile its 2018 ISO Tariff Application to reflect the findings, conclusions and directions in this decision after January 1, 2020 but no later than January 31, 2020. (p. 1216)

This balance of this presentation will summarize the Commission findings are rationale regarding why the CGWG position was rejected and the AESO application was approved.

7.3.1 AESO rationale for proposing adjusted metering practice

The Commission accepts the AESO's rationale for proposing that the adjusted metering practice apply to distribution connected generation.

- The Commission does not share the view that the AESO has both overstated and failed to adequately analyse the issue. (p. 638)
- DCG is growing and is expected to make up a much larger share of Alberta's generation mix. (p. 639)
- In the absence of the adjusted metering practice, generation developers would be influenced by a preference to avoid the local interconnection costs required from the developers of transmission connected generation. (p. 640)
- There should be a level playing field between DCG and transmission connected generators. (p. 640)
- Increased DCG proliferation under the AESO's current metering practice can cause a significant erosion of billing determinants. (p. 641)

7.3.1 AESO rationale for proposing adjusted metering practice

The Commission accepts the AESO's rationale for proposing that the adjusted metering practice apply to distribution connected generation.

- Continuation of the current metering practices would result in an increasing cross-subsidy of DCG by DTS load customers. (p. 642)
- Billing determinant erosion specific to DCG proliferation, at even modest levels, must be remedied. (p. 643)
- Disagrees that it should rely on tariff measures other than adjusted metering practice to address billing determinant erosion concerns or that the matter should be deferred until it can be addressed in the AESO's 2021 tariff. (p. 644)
- There is sufficient concern with respect to billing determinant erosion and resulting cross subsidy by DTS customers to justify the AESO's decision to propose its adjusted metering practice in conjunction with its 2018 ISO tariff application. (p.645)

7.3.2 Procedural fairness issues

The Commission considers that the adequacy of consultation regarding the AESO's proposed adjusted metering practice prior to the filing of the application did not preclude the Commission's consideration of the AESO's adjusted metering practice in this proceeding.

- Dismisses arguments that it should not consider the AESO's metering proposal on the basis that the AESO did not engage in sufficient consultation prior to filing its tariff amendment. (p. 666)
- The *Transmission Regulation* requires the AESO to consult with market participants who are "likely to be directly affected" by the AESO board's approval of the AESO's own administrative costs, costs for provision of ancillary services or the costs of transmission line losses. The AESO's proposed metering proposal does not fall within any of these categories. The AESO is correct in its position that it is not required to consult with participants on this matter. (p. 667)
- The Commission has provided all parties who consider themselves to be affected by the AESO's metering proposal with an adequate forum to present their positions, evidence and argument on this matter. (p. 668)
- The Commission has not rejected the evidence of any party. (p. 669)

7.3.3 Metering point for DCG

The Commission finds the AESO's proposal is consistent with applicable legislation.

- The AESO's proposal to specify that meters installed on distribution voltage feeder lines that are located within a substation as transmission facilities is compliant with the provisions in the act. (p. 686)
- The Commission accepts the AESO's view that industrial complexes are different from DCG's, to the extent that an industrial complex has obtained an industrial system designation. (p. 687)
- An industrial site will only be able to "choose" totalized metering at a substation if an approval from the Commission has been obtained that permits the export of electric energy to the AIES. (p.688)

7.3.4 Public interest considerations

The Commission finds that public interest considerations raised by proponents for the promotion of renewable forms of generation should not take precedence over the need to implement the AESO's adjusted metering practice to rectify billing determinant erosion and potential cross subsidization of DCG by load.

- In view of the government direction to the AESO in June 2019, the Commission is not persuaded that the AESO's proposal should not be implemented on the basis that it may affect renewable DCG public policy targets. (p.718)
- If DCG requires economic support to ensure economic viability then this is a matter for government policy to address, and not the ISO tariff. (p.718)
- Given the apparent inconsistency between the CGWG and Solar Krafte, there is no clear evidence that DCG has a connection cost advantage or disadvantage over transmission connected generation. (p.719)
- Other asserted benefits are unsupported and that these assertions do not consider the benefits provided from the transmission system. (p.720)

7.3.5 Cost causation and cost allocation issues

The Commission finds that DCGs require access to and obtain benefits from the transmission system. Therefore, it is reasonable to allocate transmission system costs to DCGs, pursuant to applicable legislation with respect to the allocation of costs to STS market participants.

- The principle of cost causation requires an evaluation of both the costs caused by a party and the benefits accruing to that party. (p.740)
- There are significant benefits accruing to DCG that are provided from the transmission system, including system reliability, the availability of start-up power, voltage quality, efficiency and the facilitation of energy market transactions. (p. 741)
- Use of a ratio of the respective STS and DTS contract capacities is a relatively simple mechanism, but it is not unreasonable in the absence of any other information. No parties proposed an alternative mechanism. (p. 742)
- A DFO substation that connects both load and generation serves both load and generation, irrespective of whether the initial impetus behind the DFO's decision to make a SASR was to serve incremental load. (p. 744)

7.3.5 Cost causation and cost allocation issues

The Commission finds that DCGs require access to and obtain benefits from the transmission system. Therefore, it is reasonable to allocate transmission system costs to DCGs, pursuant to applicable legislation with respect to the allocation of costs to STS market participants.

- Market participants that have been required to pay for the participant-related costs of local connection facilities are eligible to receive refunds over the remaining term of their system access contracts when other customers come along and use the local connection facilities. A transmission connected generator rarely, if ever, receives a refund of any portion of its contribution towards such facilities, in contrast to a DCG who will never be required to pay the full cost of local interconnection facilities that it requires to access the transmission system. Accordingly, the Commission disagrees that transmission connected generators have an advantage arising from the ability to pay only their incremental costs. (p. 746-748)
- Even after the AESO's proposed changes are brought into effect, DCG proponents will generally pay less than transmission connected generators for the benefits of accessing the AIES. (p. 748)
- It is reasonable that the DFO that has both generation and load will be provided a signal through a re-calculation of contribution amounts reflecting the application of the substation fraction. (p. 749)

7.3.6 Benefits of offsetting load

The Commission finds that DCG does not necessarily provide a one-to-one offset between energy dispatched by DCG and load served by the same distribution substation and that the timing of DCG generation peaks may not correspond to those that drive transmission expansion investments.

- Not persuaded by the evidence that there is a one-to-one offset between energy dispatched by DCG and load served by the same distribution substation. (p. 763)
- The capacity of some DFO substations may be well in excess of requirements for load growth for the foreseeable future, which is contrary to the expectation that DCG would cause DFO's to limit the transmission capacity they would request in SASRs. (p.764)
- Much of the recent interest in DCG is in respect of renewable forms of generation for which the timing of generation peaks may not correspond to the timing of load peaks that drive transmission expansions. (p.765)

7.3.7 Distribution connected generation credits

The Commission finds that the continued provision of DCG credits is a distribution tariff matter.

- The Commission is satisfied that the elimination of DCG credits was not the AESO's primary motivation for advancing its adjusted metering proposal. (p. 786)
- There is evidence on the record of this proceeding on the cross subsidy created by DCG credits and the resulting transfer of transmission costs to load customers without a corresponding reduction in the actual cost of the transmission grid. (p. 787)
- The continuation of DCG credits is a distribution tariff matter. (p. 787)
- An examination of the claim by the DGWG that there are significant differences in the characteristics of "dispatchable" and "non-dispatchable" forms of DCG warranting the continuation of DCG credits for certain types of generation should be included in any future examination of the continued availability of DCG credits. (p. 787)

7.3.8 Grandfathering proposal

The Commission finds the AESO's proposal to grandfather the application of its adjusted metering practice to be reasonable and not unduly prejudicial.

Summary of the AESO's approved grandfathering proposal:

- If approved, its adjusted metering practice would apply with the coming into effect of the 2018 ISO tariff;
- Connection projects that are energized or for which a permit and licence has been issued and construction has commenced prior to the effective date of the 2018 ISO tariff would be exempted from the adjusted metering practice;
- The AESO would use existing meters for substations; and
- If a generator is initially exempt and then makes amendments to critical information in a SASR or is required to submit a new SASR, the generator would be subject to the adjusted metering practice on a go-forward basis.

7.3.8 Grandfathering proposal

The Commission finds the AESO's proposal to grandfather the application of its adjusted metering practice to be reasonable and not unduly prejudicial.

- It is reasonable for the AESO to propose a transition period for the implementation of its adjusted metering practice. (p.796)
- It is not unjust or unreasonable to treat new DCG proponents who have yet to receive a permit and licence and begin construction in the same way as an existing DCG proponent who is seeking to substantially change its SASR. In both circumstances, the DCG proponent is aware of the costs it would be subject to, prior to proceeding with its project. (p.796)

7.3.9 Retroactive ratemaking

The Commission finds that implementation of the AESO's proposed adjusted metering practice would not give rise to impermissible retroactive rate making concerns.

- In this section, the Commission quotes an Alberta Court of Appeal decision that outlines how rates would not be retroactive if parties had knowledge that rates were subject to retroactive or retrospective change. (p. 803)
- Parties have had knowledge of this proposed change for many months. As such, the Commission considers that the fact that DCG proponents may be subject to costs caused by the application of the AESO's adjusted metering practice and substation fractioning to future DFO substation projects does not constitute impermissible retroactive ratemaking. (p. 804)

7.3.10 DFO discretion to flow-through substation fraction amounts

The Commission finds that distribution facility owners are not required to flow through costs arising from the implementation of the AESO's adjusted metering practice to DCGs as they pertain to interconnection costs.

- The manner and quantum of the costs that the DFO flows through to the DCG's connected to specific DFO substations is a matter best addressed in the DFOs tariff. (p.750)
- The Commission does not agree with Fortis's interpretation that it is required by the Transmission Regulation to flow through local interconnection costs. (p. 823)
- The DFO is not legislatively required to flow through substation fraction amounts arising from application of the adjusted metering practice to DCG connected to the DFO's substation. Accordingly, the Commission considers that DFOs have discretion to limit the amount of AESO contributions flowed through to DCGs through the application of the substation fraction to future DFO substation upgrade projects by retaining some or all of this cost. (p. 824)
- It is the responsibility of the DFOs to ensure that DCG developers are made aware of the DFO's plans in respect of the flow through of future substation upgrade costs in light of the Commission's determinations in this decision. (p. 827)

7.3.11.1 DFO metering costs and complexity of implementation

The Commission finds that concerns about the cost or complexity of implementing the adjusted metering practice should not preclude its approval.

- There is no evidence on the record of Proceeding 22542 to suggest that costs incurred by either DFOs or TFOs would be substantial, nor that such costs would outweigh benefits of implementing the AESO's proposed adjusted metering practice. (p.831)
- The Commission is not persuaded that these unsupported claims warrant a finding to defer consideration of the AESO's adjusted metering proposal in this tariff (p.832)

7.3.11.2 Concerns of the University of Alberta

The Commission directs the AESO to address the issues raised by the University of Alberta in the AESO's refiling application pursuant to this decision.

- Because the concerns identified by the U of A were not raised until argument and were only addressed on a limited basis by the AESO in reply argument, it is unclear to the Commission whether, or to what extent, the AESO's proposed adjusted metering proposal affects the U of A. (p. 841)

Acronyms

- AESO – Alberta Electric System Operator / Alberta's ISO
- AIES – Alberta Interconnected Electric System
- CGWG – Community Generation Working Group
- DCG – Distribution Connected Generation (aka. DG, DER)
- DFO – Distribution Facility Owner
- DGWG – Distribution Generation Working Group
- DTS – Demand Transmission Service
- ISO – Independent System Operator
- STS – Supply Transmission Service
- SASR – System Access Service Request
- TFO – Transmission Facility Owner



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