

# ADC Presentation to AESO Board

November 18, 2020



# ADC Overview

- The ADC was established in 2002 to represent the interests of large industrial consumers directly connected to the transmission system.
- Membership includes: Alberta Newsprint Company, Dow Chemical, ERCO Worldwide, Lehigh Inland Cement, MEGlobal, Millar Western, Praxair, Sherritt International, and West Fraser Timber.
- ADC members represent approximately 600 MW of peak load and 4,000 GWh of annual energy.
- ADC members are global competitors. Affordable electricity is essential to their viability. On average, electricity represents about 30% of members' operating costs, but is as high as 80% for some.
- ADC members are active participants: price response, ancillary services, LSSi, and on-site generation out of necessity to remain competitive in Alberta.
- ADC member facilities are located in Northern and Central Alberta.

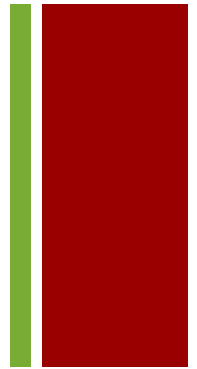


# 2021 AESO Business Plan – ADC Comments

- The AESO has a number of business initiatives that the ADC supports:
  - Red Tape Reduction
  - Optimizing the Grid
  - Distribution Coordination
  - Settlement Audit
  - Market Sustainability
- ADC's key priority is the Tariff Modernization
  - The initial AESO rate proposals jeopardize ADC member economic viability in Alberta.

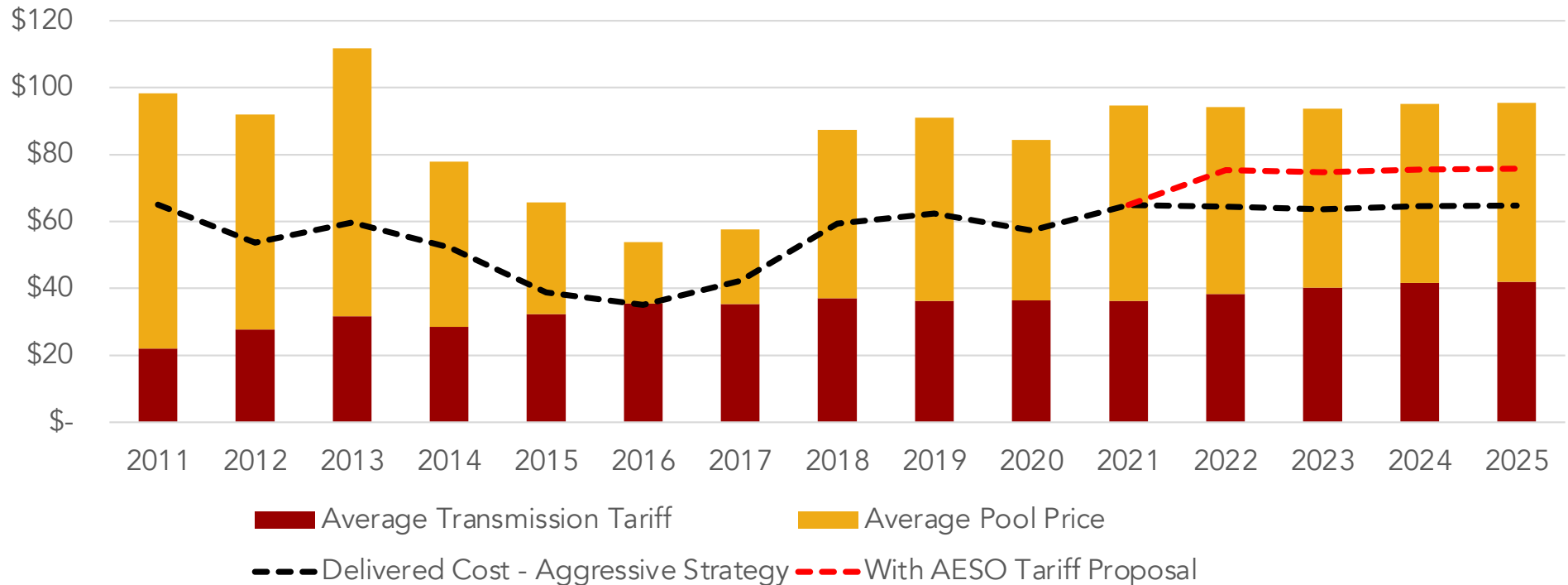


# Delivered Electricity Cost Outlook



- Electricity Intensive industries have maintained their competitiveness by managing electricity costs through capital and operational investment.

Historical Results and Future Cost Outlook (\$/MWh)



- AESO tariff proposals would increase transmission costs by \$23M to \$30M annually for ADC members.

# Transmission Tariff

- AESO proposal Bookend A:
  - Shifts \$104M from all other customers (5% decrease) to the Heavy 12 CP responders (130% increase). ADC members would pay \$30M, or 29% of the total.
  
- AESO Proposal Bookend B:
  - Shifts \$85M from all other customers (4% decrease) to the Heavy 12 CP responders (100% increase). ADC members would pay \$23M or 27% of the total.
  
- Either option jeopardizes member companies. At risk is:
  - \$50M in current DTS revenue requirement.
  - Thousands of primary and secondary jobs.
  - Material impact to key Alberta industry sectors that diversify Alberta's economy (forestry, chemicals, cement).



# Transmission Tariff

- Mitigation through load retention tariffs does not work.
  - Deters any new investment from these industries if a load change triggers an end to the load retention tariff.
  - Could potentially interfere with international trade agreements.
  - Who decides what an appropriate tariff is for each company/industry?
- ADC members are having a difficult time rationalizing the need for a major tariff change that has been approved by the AUC in several rate proceedings.
- AESO proposal will accelerate grid defections.
- Real issue is that Alberta has a transmission system that has become unaffordable.



# Policy Uncertainty



- The ADC urges the AESO to reconsider necessity of tariff changes now
  - Unresolved Self Supply and Export Issue
  - Transmission Regulation Review
  - Global Pandemic
  - Distribution Inquiry
  - Distributed Generation and Transmission credits
- Policy uncertainty is impacting economic recovery and investment in Alberta.

# Summary



- ADC appreciates the efforts of the AESO to include the ADC in the tariff design consultation.
- The outcome of the rate design could have material and long lasting consequences for many Alberta industries and the communities they operate in.
- ADC urges the AESO to carefully consider this as they move forward with any material changes in tariff design.