

Stakeholder Comment Matrix – Feb. 12, 2020

Request for feedback on pricing framework review, session 1 material



Period of Comment: Feb. 12, 2020 through Feb. 28, 2020

Comments From: Best Consulting Solutions Inc. (BCSI)

Date: 2020/02/28

Contact: [REDACTED]

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The AESO is seeking comments from stakeholders on its approach to reviewing the pricing framework, and content from session 1.

- 1. Please fill out the section above as indicated.*
- 2. Please respond to the questions below and provide your specific comments.*
- 3. Email your completed matrix to stakeholder.relations@aes0.ca by Feb. 28, 2020*
- 4. Stakeholder comments will be published to aes0.ca, in their original state, with personal or commercially sensitive information redacted, following Feb. 28, 2020. The AESO will not be responding directly to any submissions, but submission feedback will be considered for the final recommendation.*

	Questions	Stakeholder Comments
1.	At the session, the AESO outlined the objectives of the pricing framework, which includes ensuring both long term adequacy and ensuring efficient short-term market response. Do you have any comments on the objectives of the pricing framework?	The objectives seem clear and reasonable.
2.	Please provide your comments on the AESO's description of Alberta's Energy-Only Market Pricing Framework, and the administrative price levels, in particular the purpose of the <u>offer cap</u> . Is there anything you would change or add to this description?	The AESO's explanation of the offer cap seems clear and reasonable.
3.	Please provide your comments on the AESO's description of Alberta's Energy-Only Market Pricing Framework, and the administrative price levels, in particular the purpose of the <u>price cap</u> . Is there anything you would change or add to this description?	The price cap should reflect the value of energy during emergency events and send a price signal to the market, both supply and demand, of that value.

	Questions	Stakeholder Comments
4.	<p>Please provide your comments on the AESO's description of Alberta's Energy-Only Market Pricing Framework, and the administrative price levels, in particular the purpose of the <u>price floor</u>.</p> <p>Is there anything you would change or add to this description?</p>	<p>There could also be an offer floor, separate from the price floor, much like with the offer cap and price cap, The price floor should reflect the value of energy during supply surplus events and send a price signal to the market, supply and demand, of that value. The offer floor would be the lowest price that participants could offer energy at.</p>
5.	<p>The AESO's forward looking resource adequacy assessment indicates that the energy only market with the existing offer cap will provide reasonable financial returns while meeting the supply adequacy requirements.</p> <p>Do you agree with the AESO's conclusions?</p> <p>If no, please describe your concerns.</p>	<p>The AESO only modelled one offer behavior change to the reference case, Higher Coal to Gas Offers. There are many other changes to participants offer strategies that should be investigated to determine how they impact the supply mix (higher and lower for Cogen, CCGT, Simple Cycle, Hydro, etc, as well as offers changing when the supply cushion is tight or when large amounts of renewable generation is produciuung)</p> <p>It is difficult to believe that an offer cap set over 20 years ago is still reasonable today and will be for another 20 years. Simply applying Consumer Price Index growth would almost double the cap now and again in the next 20 years, Either the original cap was significantly too high and is still too high or the concept of the cap determining reasonable financial returns is not sound.</p>
6.	<p>The AESO's historical revenue sufficiency assessment indicates that the energy only market with the existing offer cap has historically sent efficient and timely price signals to the market. Historically assets have been added when pricing signals indicated that profitable entry could occur.</p> <p>Do you agree with the AESO's conclusions?</p> <p>If no, please describe your concerns.</p>	
7.	<p>Are there foreseeable situations where asset variable costs would be greater than \$999.99/MWh? If yes, please describe the situation.</p>	<p>While it may not show as variable cost, there could be wear and tear (degradation) on equipment when it is pushed to an extreme level that would shorten the lifespan of the equipment, and thus require costs to be recovered over a shorter time period or few instances.</p>
8.	<p>The AESO has described the scope for this process, general agenda items and timing for upcoming stakeholder engagements, with the timing of the sessions aligned with the AESO's deliverable to the Government of Alberta Energy Minister.</p>	

	Questions	Stakeholder Comments
	Please describe if you believe the scope is appropriate. If not, please describe/provide your rationale.	
9.	Is the approach used for this engagement effective? If no, please provide specific feedback on how the AESO can make these sessions more constructive.	
10.	Please provide any other comments you have related to the pricing framework engagement.	

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